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.

On February 4, 2016, COM DEV completed a spinout ("Spinout Transaction") of the Company's shares. Please refer to note 15 (Subsequent events) for further details.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These interim condensed consolidated financial statements present the Company's results of operations and financial position as at and for the quarter ended January 31, 2016, including comparative periods, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The interim condensed consolidated financial statements were prepared on a going concern basis using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended October 31, 2015. These interim condensed consolidated financial statements have been prepared in compliance with IAS 34, *Interim Financial Reporting* as issued by the IASB. Accordingly, these interim condensed consolidated financial statements do not include all the information required for full annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 31, 2015.

The Company's quarter-end for fiscal 2016 is the last day of the month in the fiscal quarter. This is a change from the prior year, when the quarter-end was the Friday closest to the last day of the month in the fiscal quarter while the year-end date was fixed at October 31. The end of the first quarter in fiscal 2016 is January 31, whereas the end of the first quarter in fiscal 2015 was January 30. The effect of the change in reporting period is not material.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 8, 2016.

b) Basis of presentation

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

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

c) Change in accounting policies

There are no future changes to IFRS with potential impact on the Company other than those disclosed in the October 31, 2015 audited consolidated financial statements.

3. 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 quarter ended January 31, 2016, the Company made payments of $123 (2015 – nil). The undiscounted amount payable related to the FED DEV loan is $2,010 (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 at the time cash was advanced. The difference between the fair value at inception and the loan proceeds received was recorded as a government grant, which was recognized as an operating grant and a capital grant based on the relative proportion of eligible expenditures incurred.

The amounts recognized in respect of the FED DEV arrangement are as follows:

Recognized in the consolidated statement of comprehensive loss as follows:	January 31, 2016		January 30, 2015	
Interest expense	$	36	$	40
Cost of revenue - amortization of capital grant		(8)		(8)
Net impact	$	28	$	32

4. 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 AUD$2,000 (CAD$1,894) in exchange for 37% 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. 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.

The Company has significant influence over Myriota, and as a result, will account for the investment using the equity method. Myriota incurred losses during the three months ended January 31, 2016. The Company's share of these losses are not reflected in the Company's Interim Consolidated Statement of 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 profits only after its share of the profits equals its share of losses not recognized.

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, 2015	46	54,899	3,427	2,710	111	61,193
Additions	-	505	358	101	23	987
Translation adjustment	-	-	(10)	-	-	(10)
January 31, 2016	46	55,404	3,775	2,811	134	62,170

Accumulated depreciation	Leasehold improvements	Satellites	Electrical equipment	Computer hardware	Furniture and fixtures	Total
October 31, 2015	45	9,377	935	2,193	105	12,655
Depreciation expense		832	84	114	3	1,033
Translation adjustment	-	-	(2)	-	-	(2)
January 31, 2016	45	10,209	1,017	2,307	108	13,686

Net book value	Leasehold improvements	Satellites	Electrical equipment	Computer hardware	Furniture and fixtures	Total
October 31, 2015	1	45,522	2,492	517	6	48,538
January 31, 2016	1	45,195	2,758	504	26	48,484

Included in property, plant and equipment as at January 31, 2016 is $22,426 (October 31, 2015 – $22,364) 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 due to related parties is $5,013 (October 31, 2015 – $4,801) related to the PAZ satellite which is under construction by Hisdesat.

Additions to satellites for the period ended January 31, 2016 are shown net of $120 (January 30, 2015 – 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 during the three months ended January 31, 2016 were $393 using an average capitalization rate of 8% (January 30, 2015 – $271 and 8%).

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Computer software	Internally developed technology	Technology licence	Data rights	Total
October 31, 2015	3,446	8,695	110	17,036	29,287
Additions	-	99	1,894	327	2,320
January 31, 2016	3,446	8,794	2,004	17,363	31,607

Accumulated amortization	Computer software	Internally developed technology	Technology licence	Data rights	Total
October 31, 2015	2,391	2,250	-	-	4,641
Amortization expense	148	192	-	4	344
January 31, 2016	2,539	2,442	-	4	4,985

Net book value	Computer software	Internally developed technology	Technology licence	Data rights	Total
October 31, 2015	1,055	6,445	110	17,036	24,646
January 31, 2016	907	6,352	2,004	17,359	26,622

Included in data rights is $13,027 (October 31, 2015 – $17,036) that has 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 $99 in internally developed technology (October 31, 2015 – nil) and a data licence of $2,004 (October 31, 2015 – nil). Included in current accounts payable and accrued liabilities is $4,202 (January 30, 2015 – nil) related to the Harris data license.

Borrowing costs capitalized for inclusion in the cost of certain assets were $252 using an average capitalization rate of 8% (January 30, 2015 – $88 and 8%).

Significant individual assets included in the amounts above as at January 31, 2016 are as follows:

Description	Category	Carrying amount	Remaining amortization period (months)
Decollision software	Internally developed technology	$ 3,992	144
Alora ground control software	Internally developed technology	1,955	62
Class B detection technology	Internally developed technology	321	63
Big data platform	Internally developed technology	54	78
Myriota Licence	Technology licence	2,004	120
EV9 data license	Data rights	4,332	119
Harris data license	Data rights	13,027	120

7. LOANS PAYABLE, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

a) LOANS PAYABLE

Loans payable are comprised as follows:

	January 31, 2016	October 31, 2015
COM DEV loan (i)	$ 16,398	$ 14,076
Hisdesat loan (ii)	6,052	5,150
FED DEV (note 3)	1,710	1,797
	$ 24,160	$ 21,023
Less: current portion of loans payable	22,818	361
Long-term loans payable	$ 1,342	$ 20,662

i) On July 30, 2012, COM DEV, the majority interest investor in the Company, made available a revolving credit facility. In the first quarter of fiscal 2016, COM DEV advanced the Company $2,190. As at January 31, 2016 the balance outstanding net of issue costs was $16,398 (October 31, 2015 – $14,076), of which $1,980 is the Canadian dollar equivalent of a $1,414 USD denominated draw on the facility (October 31, 2015 – $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 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 interest charged on the COM DEV credit facility during the three months ended January 31, 2016 was $327 (January 30, 2015 – $203).

ii) On July 30, 2012, Hisdesat, the minority interest investor in the Company, made available a revolving credit facility. In the first quarter of fiscal 2016, Hisdesat advanced the Company $810. As at January 31, 2016 the balance outstanding net of issue costs was $6,052 (October 31, 2015 – $5,150), of which $1,395 is the Canadian dollar equivalent of a $996 USD denominated draw on the facility (October 31, 2015 – $996) 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 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 interest charged on the Hisdesat credit facility during the three months ended January 31, 2016 was $113 (January 30, 2015 – $74).

b) **FINANCIAL INSTRUMENTS**

Fair values

For the Company's cash and cash equivalents, accounts receivables 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 January 31, 2016 of $1,710 (October 31, 2015 – $1,797) 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 January 31, 2016, approximately 89% of cash and cash equivalents, 31% of accounts receivables, and 68% of accounts payable and accrued liabilities and due to related parties are denominated in foreign currencies (October 31, 2015 – 80%, 14%, and 28%, 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	$	1,054	$	259	$	3,123
GBP	£	7	£	146	£	142
EUR	€	2	€	521	€	3,565

8. 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 January 31, 2016 and January 30, 2015, 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:

		January 31, 2016		January 30, 2015
Numerator for basic and diluted loss per share available to common shareholders:				
Net loss attributable to common shareholders	$	(1,001)	$	(954)
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)	$	(0.09)

There are no dilutive instruments outstanding as at January 31, 2016 and January 30, 2015.

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 three months ended January 31, 2016, COM DEV granted nil (2015 – nil) stock options to the Company's employees.

For the three months ended January 31, 2016 and January 30, 2015, 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 January 31, 2016	Remaining contractual life in years	Number outstanding and vested as at October 31, 2015	Remaining contractual life in years
$1.89	30,264	0.04	30,264	0.29

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

9. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company has incurred $27 in lease expenses during the three months ended January 31, 2016. 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	47	-
Total	50	47	-

Capital commitments

As at January 31, 2016, capital commitments in respect of the purchase of property, plant and equipment were $3,460. There were no other material capital commitments outstanding as at January 31, 2016.

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 January 31, 2016.

Claims or legal actions

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

10. INCOME TAXES

For the three months ended January 31, 2016, the Company's effective income tax rate of nil (January 30, 2015 – nil) differs from the combined federal and provincial income tax rate of 26.5% (January 30, 2015 – 26.5%) primarily as a result of the Company incurring losses during the period on which no tax recovery was recorded because the deferred tax asset was not considered to be probable of being realized.

11. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the quarter ended January 31, 2016, the Company's contributions, which are based on the contributions by employees, were $69 (January 30, 2015 – $42) 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 quarter ended January 31, 2016, the amount recognized as expensed based on the forecasted net income was $20 (January 30, 2015 – $202 expense).

Salaries and benefits

Total salaries and employee benefit expense for the quarter ended January 31, 2016 were $2,326 (January 30, 2015 – $2,005).

12. RELATED PARTIES

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

For the three months ended:	January 31, 2016	January 30, 2015
Purchase of services	$ 102	$ 161
Purchase of property, plant and equipment	30	46
Rent	18	18
Interest charged by COM DEV	692	569
Revenue from COM DEV	-	21

As at:	January 31, 2016	October 31, 2015
Accounts payable	$ 21,502	$ 21,040
Outstanding term loan (note 7)	16,398	14,076

The accounts payable to COM DEV includes $21,502 (October 31, 2015 – $524) classified as current and nil (October 31, 2015 – $19,503) classified as long-term.

On November 1, 2014, COM DEV began charging interest on the value of certain accounts payable owing by the Company. For the quarter ended January 31, 2016, total interest charged with respect to this balance was $366 (January 30, 2015 – $366) of which $260 (January 30, 2015 – $261) was capitalized through assets under construction.

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

For the three months ended:	January 31, 2016		January 30, 2015	
Interest charged by Hisdesat	$	214	$	74
Revenue from Hisdesat		238		42

As at:	January 31, 2016		October 31, 2015	
Accounts receivable	$	62	$	-
Accounts payable		5,084		4,830
Outstanding term loan (note 7)		6,052		5,150

On June 1, 2015, exactEarth recorded a payable to Hisdesat for the purchase of property, plant and equipment related to the Company's payload on the PAZ satellite. The accounts payable to Hisdesat of $5,084 (October 31, 2015 – $4,830) is classified as current. The accounts payable bears interest at 8%. For the quarter ended January 31, 2016, total interest charged with respect to this balance was $100 (January 30, 2015 – nil), which was capitalized through assets under construction. The agreement related to the PAZ satellite includes a commitment to pay a monthly operating fee of $20 to Hisdesat once the satellite is commissioned.

13. PERCENTAGE OF COMPLETION CONTRACT REVENUE

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

	January 31, 2016		October 31, 2015	
Percentage of completion revenue contracts				
Costs incurred	$	1,695	$	1,327
Estimated profits		3,453		2,870
Progress billings		(3,666)		(2,437)
Total contracts in progress	$	1,482	$	1,760
Disclosed as:				
Unbilled revenue		1,509	$	1,760
Deferred revenue		(27)		-
	$	1,482	$	1,760

The unbilled revenue and deferred revenue from percentage of completion contracts are included in unbilled revenue and deferred revenue in the consolidated statements of financial position. The amount of contract revenue recognized in the three months ended January 31, 2016 was $694 (January 30, 2015 – $274).

14. 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.

For the three months ended:	January 31, 2016	January 30, 2015
Subscription services	$ 5,382	$ 5,057
Data products	304	56
Other products & services	694	305
	$ 6,380	$ 5,418

Geographic Information

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

For the three months ended:	January 31, 2016	January 30, 2015
Canada	$ 3,247	$ 3,228
United States	369	95
Europe	2,046	1,314
Other	718	781
	$ 6,380	$ 5,418

For the three months ended January 31, 2016, two customers comprised 60% of revenue (January 30, 2015 – one customers comprised 58%).

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

	January 31, 2016	October 31, 2015
Property, plant and equipment		
Canada	$ 48,049	$ 48,083
United Kingdom	435	455
	$ 48,484	$ 48,538
Intangible assets		
Canada	$ 26,622	$ 24,646
United Kingdom	-	-
	$ 26,622	$ 24,646

15. SUBSEQUENT EVENTS

COM DEV completed a Spinout Transaction of the Company's shares on February 4, 2016. At the date of the Spinout Transaction, COM DEV and Hisdesat subscribed for an additional 10,494,395 shares, resulting in the Company receiving $20,000 in cash and the conversion of all amounts due to COM DEV and Hisdesat to equity. COM DEV's investment in the Company was spun out to its existing shareholders. When the Spinout Transaction was completed, the Company became a reporting issuer in all of the Provinces of Canada and became 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 filed on SEDAR.