EXACTEARTH LTD. (the "Company")
MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following management discussion and analysis ("**MD&A**") is prepared as of June 6, 2017, and provides information that management believes is relevant to an assessment and understanding of our unaudited interim consolidated results of operations and financial condition. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements, including the notes thereto, for the three and six months ended April 30, 2017 (the "**Interim Condensed Consolidated Financial Statements**") and our audited consolidated financial statements, including the notes thereto, for the year ended October 31, 2016 (the "**Consolidated Financial Statements").** The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts herein are stated in thousands of Canadian dollars ("**CAD**") unless otherwise indicated. Unless otherwise noted, the information contained herein is dated as of April 30, 2017.*

Additional Information and Risk Factors

Additional information relating to the Company, including risk factors that may adversely affect or prevent the Company from carrying out all or portions of its business strategy are discussed in the Company's Annual Information Form (**AIF**) and other filings available on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to: expectations regarding our revenue, expenses and operations; anticipated impact of changes to accounting policies; anticipated industry trends; anticipated new Order Bookings; research and development spending levels; selling, general and administrative spending; revenue growth guidance; gross margin trending, anticipated future launch dates and launch locations for satellite assets, including the satellites comprising the Second Generation Constellation; anticipated and continued benefits of the Second Generation Constellation on-board Iridium NEXT; expected useful lives of satellite assets and anticipated completion of additional ground stations; our intention to respond to certain procurement proposal requests and the outcome thereof.

Forward-looking statements are based on certain assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which are discussed in greater detail in the Company's AIF.

Non-IFRS Measures

In this MD&A, we provide information about Order Bookings; earnings before interest, taxes, depreciation and amortization ("**EBITDA**"); Adjusted EBITDA; EBITDA Margin; and Subscription Revenue. Order Bookings, EBITDA, Adjusted EBITDA, EBITDA Margin, and Subscription Revenue are not defined by IFRS and our measurement of them may vary from that used by others. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement the IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS.

We define "Order Bookings" as the dollar sum of fully executed contracts for the supply of our products and/or services to our customers received during a defined period of time. Order Bookings are indicative of firm future revenue streams; however, they do not provide a guarantee of future net income and provide no information about the timing of future revenue.

We measure EBITDA as net income plus interest, taxes, depreciation and amortization. We measure EBITDA Margin as EBITDA divided by our total revenue. We measure Adjusted EBITDA as EBITDA plus offering related expenses associated with the spinout of the Company's shares, unrealized foreign exchange losses, share-based compensation costs, restructuring costs, and impairment losses, less unrealized foreign exchange gains and other income. We believe that EBITDA and Adjusted EBITDA provide useful supplemental information as they provide an indication of the income generated by our main business activities before taking into consideration how they are financed or taxed and exclude the impact of items that are considered by management to be outside of our ongoing operating results. EBITDA and Adjusted EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of our performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

We define Subscription Revenue as the dollar sum of fully executed contracts for our products and/or services to our customers that are subscription-based, typically sold with a one-year period of service and recognized in our "Subscription Services" segmented revenue.

Overview

We are a leading provider of global maritime vessel data for ship tracking and maritime situational awareness solutions. Since our establishment in 2009, we have pioneered Satellite Automatic Identification System ("**S-AIS**") maritime surveillance and have delivered to our clients a view of maritime behaviours across all regions of the world's oceans that is unrestricted by terrestrial limitations. We have deployed an operational data processing supply chain with our First Generation Constellation, receiving ground stations, patented decoding algorithms, and advanced Big Data processing and distribution facilities. This ground-breaking system provides a comprehensive picture of the location of AIS equipped maritime vessels throughout the world and allows us to deliver data and information services characterized by high performance, reliability, security, and simplicity to large international markets.

The Interim Consolidated Financial Statements include the accounts of our Subsidiary with inter-company transactions and balances eliminated. We have two locations, one in Cambridge, Ontario, Canada and the other in Harwell, UK.

<u>Key Components and Functions of our Product Offering</u>

*Automatic Identification System ("**AIS**")*

Since 2004 all major ships in the world have been required by the International Maritime Organization ("**IMO**") to carry an AIS transponder which constantly transmits VHF radio signals containing information about the ship (name, destination, cargo) as well as its movement (position, course, heading speed, etc.) In a typical seven-day period, we track approximately 165,000 AIS-equipped vessels. This capability is further enhanced by our patented capability to track small vessels in the open ocean utilizing a new class of specially modified Class B AIS transponders. We anticipate that with this added capability, our addressable market will increase to more than one million vessels by 2020. AIS was originally designed as a collision avoidance system; however, it has been widely recognised for some time that such open broadcast information can be collected and used to track and monitor shipping activity close to shore from terrestrial AIS stations (terrestrial systems are physically limited by the curvature of the earth and are only effective for approximately 50 nautical miles, or approximately 100 kilometres). We have led the way in overcoming this limitation by pioneering the reception of such AIS signals from low earth orbit ("**LEO**") satellites, thus eliminating the distance restriction imposed by the terrestrial AIS stations, and for the first time in maritime history providing a real-time unrestricted global view of all shipping regardless of location, and importantly, proximity to a coastline.

Satellites

We receive AIS data from our constellation of LEO satellites. The first satellite, EV-0 was launched by COM DEV in 2008 for the purpose of validating the concept of collecting maritime AIS signals from space, but is now non-operational. Between 2011 and 2013, we launched and commissioned four more advanced AIS satellites, including EV-1, EV-2, EV-5 and EV-6. These satellites incorporated advanced AIS payloads designed to further improve AIS message detection from space. Our satellite constellation grew once again in December 2014 when we announced the successful integration of three advanced in-orbit AIS satellites into our exactView constellation through a contract under which we purchased one satellite, EV-11, and licensed data from two more. These are month to month lease agreements which can be terminated by the company at any point and are subject to minimum service level requirements. Our new equatorial satellite, EV-9, was launched on September 28, 2015 and commissioning has been completed. The data from these four additional AIS satellites significantly increased the capacity of our global vessel monitoring service, expanded our constellation to nine satellites, and further enhanced our world-leading AIS message detection performance from space. We expect to receive data from two additional satellites EV-7 and EV-8. EV-7 was launched on June 22, 2016 and commissioning for EV-7 was completed on May 30-2017. EV-8 has been built and is awaiting launch, but no confirmed launch date has been announced at this time.

On February 3, 2017, we lost contact with one of our satellites – EV-5. When subsequent recovery efforts were not successful, we filed an insurance claim for the full insured value. The claim was paid in full in April 2017. For more details on this transaction please refer to the section titled "other income" later on in this document.

As described in the "Strategic Alliances" section below, we have just begun commissioning on the first four (of 58) of our second-generation fleet of satellites using exactView™ RT Powered by Harris ("exactView RT"), which will be the world's first global real-time S-AIS service.

Ground infrastructure and data processing

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

Products and services

Through a variety of products and services, we provide what we believe to be the most advanced location-based information on maritime traffic commercially available today. We provide the flexibility needed to customize our products and services to suit the needs of our customers on a timely basis.

Subscription Services encompasses the sale of Data-as-a-Service ("**DaaS**"), Software-as-a-Service ("**SaaS**") and Information-as-a-Service ("**IaaS**"). DaaS includes the provision of continuous data feeds in various formats and delivery systems through secure data connections over the Internet. We provide a SaaS solution that allows users to access the ship information derived from our AIS data sources within an easy-to-use mapping environment. Our value-add Information Services product offerings encompass our IaaS solutions.

Data Products include raw data and customized reports derived from our extensive and growing archive which dates back to July 5, 2010. Revenue from the sale of these products is generally recognized when they are delivered to the customer and is not necessarily recurring in nature.

Other Products and Services include special projects with Governments and space agencies to research methods and applications related to the satellite AIS business, Class B transponders (described in the "AIS" section above), as well as specific analysis and reporting contracts. These projects are sporadically announced by Governments and there are no guarantees that they will be awarded to exactEarth. Revenue from these projects may span several months with no certainty that there will be similar projects in the future from which we will be able to earn revenue.

Customers

As the primary supplier of data delivery, our customers include both Government departments (defense; intelligence and security; search and rescue; border patrol and maritime safety; Government and space agencies; as well as other ministries and organizations) and Commercial and Other customers (commercial fishing; business intelligence and risk management; port management; commercial offshore (oil and gas); commercial shipping; hydrographic and charting; as well as other academic and research institutions). Our S-AIS data service provides enhanced maritime domain awareness for improved vessel management, scheduling, environmental protection, search and rescue operations, and defence and border securing applications.

Strategic alliances

In May 2014, we entered into a strategic collaboration agreement with Software Radio Technology plc ("**SRT**") aimed at optimizing satellite reception from low cost AIS transponders. SRT is a leading provider of Class B AIS transponders, identifiers and other AIS-based products to the global market. In August 2016 we successfully renegotiated our agreement with SRT to be non-exclusive. This will enable exactEarth to partner with other Class B transponder vendors, which we anticipate will broaden our market for this capability. The detection range of AIS transponders by a coastal monitoring system is approximately 50 nautical miles (or approximately 100 kilometres). However, many vessels, large and small frequently operate outside of the detection range of such systems. The ability to reliably receive AIS transmissions from Class B transponders from space and therefore without coastal range limitations will enable countries to significantly improve their vessel monitoring capabilities. Under our Agreements with SRT, intellectual property that is jointly developed will be jointly owned by the parties while the originator of such intellectual property will maintain ownership of such intellectual property. SRT acts as a manufacturer and distributor for the physical identifiers (transponders) with exactEarth providing the data collection and distribution services.

In July 2014, we announced a strategic alliance with Genscape International Inc. ("**Genscape**"), a leading real-time energy information supplier to commercial markets. Genscape acquired our existing partner VesselTracker GmbH ("**VesselTracker**") who provided the use of certain terrestrial stations. Pursuant to a 2012 agreement we included VesselTracker's Global Terrestrial AIS data into our products and services. In addition, VesselTracker offered exactEarth Satellite AIS data, as a distributor, to their customers primarily in the commercial sector. Genscape now provides the most extensive terrestrial AIS information available as well as expansive ship information. Our agreements with Genscape are non-exclusive and operate on a revenue share basis.

On June 8, 2015 we announced the Harris Agreement which will allow us to apply our expertise and technology in AIS signal detections from space on-board Iridium NEXT. The payload utilizes Harris' powerful AppStar applications platform and will employ an in-orbit version of our patented AIS detection algorithms, creating an unrivaled AIS detection capability for global maritime tracking. exactEarth's Second Generation Constellation, called exactView RT, will collect information across the entire maritime frequency band and provide real-time access to and from the ground enabling real-time delivery of the collected maritime information on a global scale.

When fully deployed, exactView RT will provide persistent real-time global coverage with detection performance rivaling ground-based systems. The robustness of the constellation, programmability of the payloads and support for multiple in-orbit applications makes this the global maritime information collection system designed to meet and exceed the needs and expectations of the world's maritime community for the foreseeable future.

As part of the Harris Agreement, the two companies will share their respective AIS product revenue with each other. Please refer to the Company's AIF for details pertaining to the Harris Agreement.

The initial SpaceX launch took place on January 14, 2017, carrying ten Iridium satellites, of which four contained exactEarth hosted AIS payloads. These hosted payloads are now commissioned and were brought into service on May 30, 2017. The second launch is expected to take place on June 25, 2017. This will be followed by six more launches, all to be completed by mid 2018. Ultimately, we will have 58 second-generation satellites in orbit, not counting in-orbit spares. We are now forecasting our revenue stream from the Harris Agreement to begin in mid 2017 with a gradual ramp-up until 2020, achieving full potential thereafter.

On November 23, 2015, we announced an AUD$2,000 (CAD$1,894) minority ownership investment in technology company, Myriota Pty Ltd. ("**Myriota**") of Adelaide, Australia. As part of the Myriota investment, exactEarth has obtained an exclusive license to utilise their technology in the maritime market. The Company elected to allow the option to make further investments in Myriota expire and does not anticipate increasing its shareholding in Myriota. The Myriota technology uses advanced signal processing Intellectual Property ("IP") developed at the University of South Australia (UniSA) in order to develop advanced terminals, infrastructure, and applications for the fast growing Satellite Internet of Things (SIoT) global market. This core IP has been developed to create a disruptively low-cost solution for this marketplace which will have the capability of supporting many millions of global users.

Myriota is particularly focused on the location tracking and sensor data applications markets. Our investment of AUD $2,000 has been recorded as a technology licence and classified as an intangible asset. The Company will pay a 3.5% royalty on revenue derived from the technology under licence. It is expected that this intangible will be in use during Fiscal 2018 and therefore royalties will begin at that point. For additional information, refer to note 4 (Investment) and note 6 (Intangible assets) in the Notes to the Interim Condensed Consolidated Financial Statements.

On April 14, 2016, we announced a twenty-four-month Strategic Alliance with Larus Technologies Corporation ("**Larus**"), an Ottawa-based provider of adaptive learning and predictive analytics software. Under the Agreement, the two companies will work together to develop and market Big Data analytics-based software applications and information services for the global surveillance and intelligence markets. These products would be part of the IaaS category described above. As part of the Agreement, exactEarth will gain an exclusive license to Larus' Big Data analytics platform (Total::Insight™) for the Maritime market for consideration of $700, payable in twenty-four equal monthly payments commencing April 15, 2016. In return, Larus will gain access to exactEarth's map visualisation IP for integration into Total::Insight-based solutions for non-Maritime markets and to exactEarth's extensive data archive to perform advanced pattern-of-life analysis. exactEarth will enhance existing, and develop new, maritime-focused information products and services by integrating technology from the Total::Insight™ platform into its existing Maritime Big Data processing and supply chain IT infrastructure. New application areas will include shipping movement and behavioural analysis and the companies will work together to advance the capabilities in the exciting area of predictive analytics. The Agreement includes an option to purchase all of the shares of Larus during the twenty-four-month term of the agreement and during the six months following completion of the alliance. The option to purchase is currently valued at nil. At the end of the twenty-four month term, we will begin paying a royalty of 30% on the gross sales of products that are derived from the Larus Total::Insight™ technology. For additional information, refer to note 6 (Intangible assets), note 8 (Loans payable, financial instruments and foreign exchange) and note 10 (Commitments and contingencies) in the Notes to the Interim Condensed Consolidated Financial Statements.

In December 2015, the Government of Canada ("GoC") initiated a request-for-proposal ("RFP") competitive process to procure S-AIS services and on May 5, 2016, the contract was awarded exclusively to exactEarth. With its decision, the GoC selected a service level that was well below that which it previously subscribed to. The awarded contract value represents approximately $100 per year, which is approximately $7,100 per year lower than the annual revenue level generated by exactEarth for S-AIS data services that was previously provided to the GoC for their domestic use.

The GoC initiated a second RFP to procure S-AIS services in October 2016. On February 24, 2017, we received notice from the GoC that our proposal had not been selected for the new S-AIS contract. While the loss of revenue from the current contract with the GoC is not significant, the GoC remains a customer of ours and we will continue to explore ways to work with them, such as we are doing on the Polar Epsilon 2 project, which we announced in November 2016.

On May 5, 2016, Innovation, Science and Economic Development Canada announced a $54,000 Technology Demonstration Program contribution to MDA Systems Ltd. ("MDA") and its partners. The funding is designed to support large scale technology demonstration projects related to the Canadian aerospace, defence, space, and security industries. On May 9, 2016, exactEarth entered into a Technology Demonstration Program Collaboration Agreement ("TDP Agreement") with MDA as a Partner Recipient under the Technology Demonstration Program related to Space Technology and Advanced Research ("STAR"). The TDP Agreement provides funding at 50% of eligible costs in respect of STAR projects to a maximum total funding value of $1,250. This funding is available to partially offset eligible STAR project costs during the period commencing August 12, 2014 and ending March 31, 2022. The funding recognized as an offset to cost of revenue in the six months ended April 30, 2017 was $150. We had recognized $667 as at October 31, 2016 hence the total recovery to date is $817.

In August 2016, we won our first small-vessel contract with the Ghana Fisheries Commission, an agency of the Ministry of Fisheries and Aquaculture Development (MOFAD) of the Government of Ghana, for the supply, installation, training and commissioning of Class B AIS on 450 fishing vessels. The contract is for a twelve-month period. As of April 30, 2017, we have completed installation on 250 boats while the other 200 have been delivered as spares. As such we recognized $1,037 of revenue related to this project in the second quarter.

We also announced a small vessel tracking contract with the UK Space Agency in the first quarter of this year. This contract has a similar arrangement to the Ghana Fisheries Commission contract and involves 1,550 fishing vessels

- 1,500 in South Africa and 50 in Madagascar. We had not recognized any revenue on this project as of January 31, 2017. As of April 30, 2017, one of the 1,500 boats for South Africa has been deployed with a transponder, while 200 have been declared to be spares. As such, we recognized $233 of revenue from this project in the second quarter.

Staffing

We rely on the knowledge and talent of our employees and we make use of their expertise in satellite operations, Big Data architecture, web services, software and product development, and consulting services. With the deployment of our first-generation Constellation nearing completion, we are now able to reduce our satellite infrastructure operating costs as we continue to transition to an information and intelligence company.

In November 2016, we announced a restructuring aimed at re-organizing and streamlining our organization in order to enhance our data delivery, strengthen our sales capabilities, and lower our cost base. The restructuring resulted in the termination of 14 employees effective October 13, 2016.

The number of full-time employees at April 30, 2017 was 46 (April 30, 2016: 65).

Overall Performance

Revenue for the three and six months ended April 30, 2017 was $3,711 and $7,047 compared to $5,222 and $11,602 over the same period in 2016. Governments are our primary target market since our system capabilities are closely matched to their service requirements. Government customers contributed $2,409 and $4,332 to the revenue in the three and six months ended April 30, 2017, compared to $4,108 and $9,170, in the three and months ended April 30, 2016. The change in year-over-year revenue was primarily due to lower revenue generated from the GoC contract during the first quarter of 2017.

There was a 17% and 12% increase in non-government department customer revenues during the same periods with revenue growing to $1,302 and $2,715 in the three and six months ended April 30, 2017 from $1,114 and $2,424 in 2016.

Order Bookings for the three and six months ended April 30, 2017 were $4,516 and $13,367 compared to $1,672 and $5,896 the three and six months ended April 30, 2016. The increased order intake in 2017 is due to our expanding customer base and the sale of additional product offerings. We recorded a $1,450 award this quarter when we signed a new data services agreement with one of our resellers. The significant contributors to awards in our first quarter were: Antrix Corporation (India) $2,328 and a partnership agreement for $2,665 to provide S-AIS services to another large country in Asia and a deal with the UK Space Agency $1,835 totalling $6,828.

Revenue related to Subscription Service orders will typically be realized over a twelve-month period, while revenue related to product orders is realized upon delivery. The backlog of orders won but not yet recognized in revenue is $28,872, up 2.9% from the $28,066 reported at January 31,2017 and 28.0% from the $22,551 backlog reported at October 31, 2016. $5,378 of the current backlog is forecasted to be earned in the remainder of 2017 while $6,583 is expected to be earned in 2018. The balance $16,911 will be earned between 2019 and 2024.

Volatility in exchange rates between Canadian and foreign currencies such as the US dollar, the Euro and the Pound sterling impact the business as a portion of our revenues are billed in non-Canadian currencies (predominately in Pounds sterling) and recognized in our Consolidated Statements of Financial Position in the form of cash, receivables, and payables. The Bank of Canada average noon GBP/CAD exchange rate during the three and six months ended April 30, 2017 was $1.6622 and $1.6585, compared to an average of $1.8959 and $1.9663 for the same period in 2016. The Bank of Canada average noon Euro/CAD exchange rate during the three and six months ended April 30, 2017 was $1.4227 and $1.4210, compared to an average of $1.4847 and $1.4856 for the same period in 2016. The Bank of Canada average noon USD/CAD exchange rate during the three and six months ended April 30, 2017 was $1.3316 and $1.3311, compared to an average of $1.3271 and $1.3500 for the same period in 2016.

Adjusted EBITDA for the three and six months ended April 30, 2017 was ($1,016) and ($1,460) compared to ($204) and $1,155 in the same periods last year. The decrease in Adjusted EBITDA was driven primarily by lower revenue from the GoC contract renewal and increased cost of revenue and operating expenses. Please refer to the Adjusted EBITDA reconciliation included later in this MD&A.

For an analysis of the risks we face, please refer to the "Risk Factors" section in our AIF.

Results of Operations

Revenue

We sell products in three broad categories: Subscription Services, Data Products, and Other Products and Services. Generally, Subscription Services are sold with a twelve-month period of service with revenue recognized equally over the contract term. Data Products and Other Products and Services are generally sold on an as-demanded basis and the revenue is recognized when the product is delivered to the customer, or for long-term projects, on a percentage of completion basis. Revenue for the Data Products and for the Other Products and Services tends to be less predictable and is subject to fluctuations from one period to the next.

Revenues for the three months ended April 30, 2017:

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 1,164	$ 228	$ 1,017	$ 2,409
Commercial and other	$ 1,162	113	27	1,302
Total revenue	$ 2,326	$ 341	$ 1,044	$ 3,711

Revenues for the six months ended April 30, 2017:

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 3,011	$ 249	$ 1,072	$ 4,332
Commercial and other	$ 2,353	300	62	2,715
Total revenue	$ 5,364	$ 549	$ 1,134	$ 7,047

Revenues for the three months ended April 30, 2016:

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 2,985	$ 912	$ 211	$ 4,108
Commercial and other	1,067	47	-	1,114
Total revenue	$ 4,052	$ 959	$ 211	$ 5,222

Revenues for the six months ended April 30, 2016:

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 7,290	$ 982	$ 905	$ 9,177
Commercial and other	$ 2,144	281	-	2,425
Total revenue	$ 9,434	$ 1,263	$ 905	$ 11,602

Our total revenue for the three and six months ended April 30, 2017 was $3,711 and $7,047 compared to $5,222 and $11,602 in the same periods last year.

We anticipate that the drivers for the next phase of revenue growth will be the expansion of our satellite constellation on-board Iridium NEXT, new analytics applications for the S-AIS and maritime information services markets and sales traction within the small vessel tracking market.

Our Subscription Services revenue is generally earned on a monthly recurring basis under annual or multi-year contracts and therefore provides a solid foundation for our revenue growth. Subscription Services revenue for the three and six months ended April 30, 2017, was $2,326 and $5,364, compared to $4,052 and $9,434 in the same periods last year. Subscription-based revenue represented 63% and 76% of our total revenue in the three and six months ended April 30, 2017 compared to 78% and 81% in the same periods last year.

Revenue from Data Products was $341 and $549 in the three and six months ended April 30, 2017, compared to $959 and $1,263 in the corresponding periods in the same periods last year. It should be noted that the comparatives for 2016 include $815 in Data Products supplied resulting from an Asset Transfer Agreement with Communitech related to the EV9 satellite.

Revenue from Other Products & Services was $1,044 and $1,134 in the three and six months ended April 30, 2017 compared to $211 and $905 in the same periods last year. $968 and $1,004 of "other products" revenue in the three and six months ended April 30, 2017 was revenue from the two small vessel contracts mentioned in the "strategic alliances" section above. This revenue type is generated from on-demand customer requests and is therefore variable in its timing.

Revenue by quarter

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue	Basic & Diluted (Loss) per Share
Q2 2015	$ 5,104	$ 282	$ 553	$ 5,939	$ (0.16)
Q3 2015	$ 5,136	$ 1,891	$ 754	$ 7,781	$ (0.13)
Q4 2015	$ 5,297	$ 1,690	$ 475	$ 7,462	$ (0.09)
Q1 2016	$ 5,382	$ 304	$ 694	$ 6,380	$ (0.09)
Q2 2016	$ 4,052	$ 959	$ 211	$ 5,222	$ (1.89)
Q3 2016	$ 2,822	$ 1,016	$ 170	$ 4,008	$ (1.77)
Q4 2016	$ 2,823	$ 166	$ 319	$ 3,308	$ (1.90)
Q1 2017	$ 3,038	$ 208	$ 90	$ 3,336	$ (.09)
Q2 2017	$ 2,326	$ 341	$ 1,044	$ 3,711	$ (0.02)

The quarter over quarter variance in revenue is caused by the mix in the type of revenue earned in that quarter. Subscription Services revenue tends to be steady due to the generally recurring nature of those client agreements. Data Products Revenue is on demand and therefore less predictable. Other Products & Services revenue is predominantly project based revenues and varies depending on the timing of revenue recognition based on the progress of the projects. For some of our projects this is based on percentage completion based on costs while in the case of the small vessel contracts, it is based on our progress in the installation of the Class B transponders. The quarterly revenues tend to vary quarter to quarter based on the progress made on the various projects.

The operating results for interim periods should not be relied upon as an indication of results to be expected or achieved in any future period or any fiscal year as a whole. Factors affecting our revenue and results, many of which are beyond our control, are described in greater detail under the heading "Risks Relating to Our Business and Industry" in our Annual Information Form.

We have two remaining satellites that will complete our First-Generation constellation, EV-7 and EV-8. EV-7 was launched on June 22, 2016 and commissioning activities continue. EV-8 is awaiting launch, but no confirmed launch date has been announced at this time. Growth in Subscription Services revenue is expected to be muted until these assets are in operation and until our second-generation constellation begins to come on line.

Gross margin

	Three months ended		Six months ended	
(in thousands of dollars)	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Gross profit	$ 881	$ 2,668	$ 2,378	$ 6,420
Gross margin	23.7%	51.1%	33.7%	55.3%

Gross margin for the three and six months ended April 30, 2017 was 23.7% and 33.7% compared to 51.1%. and 55.3% in the same periods last year.

As mentioned in the "strategic alliances" section we had revenue from two small vessel contracts in the second quarter. These projects include the supply of Class B transponders that are required for the detection of our exact-Trax data.. We purchase the transponders from a supplier in the U.K. and are also sometimes responsible for the installation of the hardware and training of the users. This element of these projects drives low margins. The data provision phase of the projects generates higher margin then the supply and installation of the hardware. While for the Ghana project we have completed the hardware delivery portion in this quarter, for the Oasis project, only 201 of the 1,500 units have been delivered. These two projects led to lower margins for the second quarter and year-to-date period.

Gross margin decreased from last year due to lower revenue in the Subscription and Data Products categories. Our cost of revenue was offset in part ($51 and $150 in the three and six months ended April 30, 2017) by the reimbursement of costs related to the TDP Agreement. Costs increase relative to the number of satellites and ground stations, and volume of data processing, rather than relative to the number of customers. Therefore, as our customer base expands, we expect that our cost base will grow more slowly than the growth of our revenues which will result in increased gross margins. We have completed the build-out of our ground station expansion which became operational in March 2017 and therefore we expect our ground station costs to remain constant for the remainder of the fiscal year.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses in the three months and six months ended April 30,2017 were $1,472 and $3,435 compared to $2,133 and $4,074 in the same periods last year. SG&A has decreased primarily due to the lower cost base resulting from the restructuring that the Company undertook in Q4 2016. SG&A however, may fluctuate from quarter to quarter depending on the volume of new subscriptions versus renewals and the timing of renewals, since commission expenses are included in the SG&A line.

Product development & Research and Development ("R&D")

Product Development expenses in the three months and six months ended April 30, 2017 were $426 and $836 compared to $467 and $930 spent in the same periods last year. We continue to focus on developing more web based functionality as well as new analytics-based product offerings during fiscal 2017.

We did not incur any expense for research and development in the three and six months ended April 30, 2017. R&D has remained low as the technology used to receive and de-collide S-AIS signals has matured and efforts have been more focused on customer facing product development.

Impairment losses

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

CGU. The recoverable amount is the greater of value in use (“VIU”) and fair value less costs of disposal.

The Company’s market capitalization remains lower than the carrying amount as at April 30, 2017. However, there were no significant developments in the quarter that would require changes to the model used for the October 31, 2016 impairment test or significant changes to the carrying value. Accordingly, the Company did not test for impairment as at April 30, 2017 and no further impairment was recorded. The company recorded an impairment charge of $27,987 in April 2016.

Other Income:

On February 3, 2017 the company lost contact with one of its Satellites, EV5. When subsequent recovery efforts were not successful, the company filed an insurance claim for the full insured value of the satellite amounting to $3,500. The settlement was received in April 2017.

We accounted for this transaction by offsetting the remaining book value of the asset against the insurance settlement and including the net amount as other income. The details are as follows:

Proceeds from Insurance claim for EV 5	$	3,500
Total cost of EV 5 satellite		4,633
Depreciation charged to EV 5		-1,390
Net book value of EV 5 before impairment charge		3,243
Gain before impairment charge		257
Impairment charge		1,198
Other Income as reported	$	1,455

This isolated satellite issue has not had, and is not expected to have, a material adverse effect on service levels. Additionally, the first four of our second-generation satellites came into service on May 30, 2017 which begins the rollout of the 58-satellite exactView RT constellation being produced under the Company's agreement with the Harris Corporation.

Other expenses:

	Three months ended					
	April 30, 2017		April 30, 2016		Change	
Other Income	$	(1,455)	$	-	$	1,455
Other expense		45		80		35
Restructuring charge		(40)		-		40
Foreign exchange loss		(377)		57		434
Net interest expense		17		21		4
Total other expense	$	(1,810)	$	158	$	1,968

Restructuring Charge:

As set-out above in the "Staffing" section, we underwent a restructuring in October 2016. The $40 expense recovery relates to the adjusting of the restructuring reserve revalued in January 2017 for the accrual for Stock Options and RSU/PSU payouts owed to the 14 employees that were terminated. The reserve needed to be reduced since the share price decreased from $1.99 at January 31, 2017 to $1.31 at April 30, 2017.

Foreign exchange

Foreign exchange amounts in the Interim Consolidated Statements of Comprehensive Loss include realized and unrealized gains and losses that result from translation of foreign denominated balances in our Consolidated Statements of Financial Position. The impact of translation of outstanding foreign denominated balances in the Interim Consolidated Statements of Financial Position and of settling foreign denominated balances into cash during the three and six months ended April 30, 2017 was a gain of $377 and $259 compared to a loss of $57 and $735 in the same period last year.

Interest (income) expense

Our net interest expense for the three and six months ended April 30, 2017 was $17 and $32 compared to $21 and $315 in the same periods in 2016. Interest expense decreased due to the conversion of shareholder credit facilities and accounts payable to shareholders' equity upon completion of the Spinout Transaction in February 2016.

Adjusted EBITDA

(in thousands of dollars)	Three months ended April 30, 2017	Three months ended April 30, 2016	Six months ended April 30, 2017	Six months ended April 30, 2016
Net loss	$ (176)	$ (29,512)	$ (2,170)	$ (30,513)
Interest expense	17	21	32	315
Income tax expense	8	-	13	-
Depreciation and amortization	961	1,435	1,906	2,812
EBITDA	$ 810	$ (28,056)	$ (219)	$ (27,386)
Unrealized foreign exchange loss (gain)	(333)	(401)	(347)	288
Share-based compensation	2	266	377	266
Restructuring Costs	(40)	-	(8)	-
Other income	(1,455)	-	(1,455)	-
Impairment losses	-	27,987	-	27,987
Adjusted EBITDA	$ (1,016)	$ (204)	$ (1,652)	$ 1,155

Adjusted EBITDA for the three and six months ended April 30, 2017 was $(1,016) and ($1,652) compared to ($204) and $1,155 in the same periods last year. Even though the net loss was lower in both the three and six- month periods ending April 30, 2017 compared to 2016, the adjusted EBITDA was lower in both periods due lower depreciation expense, lower interest expense and the other income of $1,455 resulting from the loss of EV5. Management believes that adjusted EBITDA provides a relevant measure of the results of our main business activities before taking into consideration how they are financed or taxed and excluding the impact of certain non-cash expenses and items that are considered to be outside of our ongoing operating results.

Net loss

Net loss was $176 and $2,170 in the three and six months ended April 30, 2017, compared to $29,512 and $30,513 in the same periods last year. Excluding the $27,987 non-cash impairment and write-down of certain assets in 2016, net loss for the three and six months ended April 30,2017 were lower than than in the respective perods of 2016 by $1,349 and $356.

Financial position:

The following chart outlines the significant changes in the Consolidated Statements of Financial Position between October 31, 2016 and April 30, 2017:

(in thousands of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	$ (1,974)	Insurance proceeds $3,500 plus invoicing collection $3,900 less operating and payrolls $8,500 less long-term payments $800
Accounts receivable	$ 826	Accounts receivable balance fluctuates with changes in billings and collections.
Inventory	(425)	Inventory transferred to project cost of sales and other current assets
Unbilled revenue	$ 549	Unbilled revenue reflects the amount of revenue recognized in advance of billings.
Prepaid expenses and other	$ 762	Prepaid sub contract costs have been moved to projects. Includes $678 of transponder costs moved from inventory to other current assets pending installation since hardware has been delivered to customer.
Property, plant and equipment	$ 1,242	Includes $2,045 decrease due to net book value for EV 5, written off this quarter. Also includes increase due to transfer of EV-09 from intangible assets to data rights $5,133
Intangible assets	$ (4,885)	Includes decrease due to transfer of EV-09 from intangible to data rights $5,133
Current accounts payable and accrued liabilities	$ (1,981)	Includes renegotiation of a ground station contract resulting in a reduction in the accounts payable of $988k and payments for Small Vessel transponders hardware and installation of $447k.
Restructuring Reserve	$ (820)	On going payments due to salary continuance for 14 employees affected by the restructuring in October 2016.
Deferred revenue	$ 201	Deferred revenue reflects billings that occur in advance of revenue recognition.
Loans payable and Government loan payable (current and non-current)	$ (352)	The reduction is due to principal payments made on the Government and Larus loans in the six month period.
Long-term incentive plans (current and non-current)	$ 62	A portion RSU vesting and paid out in February 2017 and liability reduced due to lower stock price as of April 30,2017.
Contributed surplus	$ 190	Increase related to expense recognized on stock options during the six month period. These stock options will be equity settled.
Accumulated other comprehensive loss	$ (133)	Increase attributed to foreign exchange on translation of the foreign subsidiary.
Deficit	$ (2,170)	Net loss of $2,170.

Liquidity and capital resources

The key liquidity and capital resource items are as follows:

(in thousands of dollars)	April 30, 2017	October 31, 2016	% Change
Cash	$ 11,706	$ 13,680	(14%)
Trade accounts receivable	$ 2,604	$ 1,778	46%
Prepaid and Other current assets	$ 1,629	$ 867	88%
Accounts payable and accrued liabilities	$ 3,428	$ 5,409	(37%)
Loans payable	$ 1,552	$ 1,904	(18%)

Working Capital

Working capital increased $811 during the six months ended April 30, 2017 to $9,022. The increase since October 31, 2016 is driven by:

(in thousands of dollars)	Increase/ (Decrease) to working capital
Decrease in cash	$ (1,974)
Decrease in unbilled revenue	$ (549)
Increase in accounts receivable	$ 826
Decrease in Inventory	(425)
Increase in prepaid expenses and other assets	$ 762
Decrease in accounts payable	$ 1,981
Increase in deferred revenue	$ (201)
Decrease in current portion of restructuring provision	$ 484
All other	$ (93)
Total	$ 811

Current assets are available at varying times within twelve months following the balance sheet date. Cash and cash equivalents are readily available to settle obligations related to current and future expenditures. Management believes these provisions will not adversely affect the Company's ability to meet its commitments when due.

Significant cash flows:

	Three months ended		Six months ended	
(in thousands of dollars)	April 30, 2017	April 30,2016	April 30, 2017	April 30, 2016
Cash from (used in) operating activities	$ (2,709)	$ 1,610	$ (4,764)	$ 1,230
Cash from / (used in) investing activities	3,263	(1,801)	3,109	(5,108)
Cash from (used in) financing activities	(211)	20,288	(422)	23,165
Effect of exchange rate changes on cash	209	(192)	103	(71)
Net increase in cash and cash equivalents	$ 552	$ 19,905	$ (1,974)	$ 19,216
Cash, beginning of the period	11,154	1,676	13,680	2,365
Cash, end of the period	$ 11,706	$ 21,581	$ 11,706	$ 21,581

Operating activities

Cash used in operations for the three and six months ended April 30, 2017 was $2,709 and $4,761, compared cash generated from operations of $1,610 and $1,230 in the same periods last year. The variance of $4,319 between Q2 2017 and Q2 2016 was primarily driven by a lower revenue $1,511. The Q2 2016 revenue included $2,130 from the government of Canada.

Investing activities

Cash flows generated from investing activities for the three and six months ended April 2017 was $3,263 and $3,109 compared with cash flows used in investing activities of $1,801 and $5,108 in the same periods last year. The cash generated this quarter includes the insurance settlement of $3,500 for the EV-5 satellite in April 2017.

Financing activities

Cash flows used in financing activities for the three and six months ended April 30, 2017 was $211 and$422 compared with generating $20,288 and $23,165 in the same periods last year. The increased financing activities in the second quarter of 2016 was related to issuing common shares of $20,440 offset by repayment of the Government loan.

Contractual obligations

The following table outlines the contractual cash obligations (excluding accounts payable and accrued liabilities) as at April 30, 2017:

(in thousands of dollars)	Total	Less than one year	1-3 years	4-5 years	>-5 years
Lease obligation	$ 488	$ 104	$ 195	$ 189	$ -
Government loan	1,395	492	903	-	-
Larus Technologies debt	321	321	-	-	-
Restructuring Reserve	776	670	106		
Capital commitments	4,881	2,165	429	1,358	929
Total contractual obligations	$ 7,861	$ 3,752	$ 1,633	$ 1,547	$ 929

As at April 30, 2017, we had various contractual cash obligations, including Government debt and capital commitments.

We entered into an arrangement effective March 17, 2015 committing us to provide in-kind datasets at a value of $3,666, not licensed for commercial use, in exchange for title to the EV-9 satellite, subject to certain restrictions on the use, sale or transfer of the satellite within the six-year period ending March 31, 2021. All datasets valued at $3,666, based on comparable revenue transactions with third parties and the Company's pricing methodology, have been transferred as at January 31, 2017. For additional information, refer to note 10 (Commitments and contingencies) in the notes to the Interim Condensed Consolidated Financial Statements.

Credit facilities

A Canadian Schedule I Bank has provided exactEarth Ltd with a demand operating credit facility of $2,000. Canadian dollar loans will be available by way of overdrafts. Interest will be calculated at the bank's prime rate per annum. US dollar loans will also be available by way of overdraft. US Interest will be calculated at US Base Rate per annum. This credit facility may be terminated by the bank at any time. There are no financial covenants established as yet, with the necessity for specific covenants assessed in future as financing needs of exactEarth Ltd continue to change/evolve. As of April 30, 2017, $234 was drawn on the bank credit facility in the form of Letters of Guarantee required for certain customer contracts. There has been no further activity on this line of credit as of June 06, 2017.

Off-balance sheet arrangements

As at April 30, 2017, we do not have any off-balance sheet arrangements, other than operating leases as disclosed in note 10 (Commitments and contingencies) in the Notes to the Interim Condensed Consolidated Financial Statements.

Proposed transactions

We did not have any proposed transactions as at April 30, 2017.

Summary of Significant Accounting Policies

Critical accounting estimates

The preparation of our Interim Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates are based upon management's historical experience and various other assumptions that are believed by management to be reasonable under the circumstances. Such assumptions and estimates are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources as well as the periodic recognition of revenue and cost of revenue. Actual results could differ from these estimates.

We believe the following critical accounting policies affect the more significant estimates and assumptions used in the preparation of our Consolidated Financial Statements.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when 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

We occasionally provide goods, including Class B transponders, and services to its customers under long-term contracts. When there are more than one good or service included in an arrangement, it is necessary to assess the whether those components should be separated or combined for purposes of recognizing revenue. Further, it is necessary to assess the fair value of distinct components and allocate the total contract value based on the relative fair values.

The Company recognizes revenue on long-term contracts based on the stage of completion in accordance with IAS 18 if the contract is a service contract or IAS 11 if the contract represents a construction contract. Depending on the nature of the contract, the stage of completion may be assessed based on costs incurred relative to the estimated total contract costs or other measures. Losses on such contracts are accrued when the estimate of total costs indicates that a loss will be realized. Accruals are drawn down as loss contracts progress. Contract billings received in excess of recognized revenue are included in current liabilities as deferred revenue.

Project costs to complete

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

Allowance for doubtful accounts

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

Useful life of intangible and long-term assets

We have established policies for determining the useful life of our intangible and long-term assets, and amortize the costs of these assets over those useful lives. The useful life for each category of asset is determined based on the expectation of our ability to continue to generate revenues, and thus, our cash flows. This ability is tested periodically to ensure the conditions still exist to allow the asset to be reflected at its net-recorded value in our accounts, and any impairment to the valuation is reflected in such accounts at the time the impairment is determined.

Recoverable amount for long-lived assets

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset or at the CGU level if individual assets do not have largely independent cash inflows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Capitalization of development costs

When capitalizing development costs, we 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 our projects.

Financial instruments

The valuation of our financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value is estimated are provided in note 8 (Loans payable, financial instruments and foreign exchange) in the Condensed Notes to the Consolidated Financial Statements.

Changes in Accounting Policies Including Initial Adoption

There were no changes to accounting policies during the quarter ended April 30, 2017 compared to the accounting policies applied in the audited consolidated financial statements for the year ended October 31, 2016.

Future changes in accounting policies

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

<u>International Financial Reporting Standard 9 Financial instruments: classification and measurement</u>

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is evaluating the impact of adopting this new standard.

<u>International Financial Reporting Standard 15 Revenue from contracts with customers</u>

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which establishes a single comprehensive model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and timing of when it is recognized. IFRS 15 supersedes current revenue recognition guidance, which is found currently across several standards and interpretations including IAS 11, *Construction Contracts* and IAS 18, *Revenue*. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the amount an entity expects to be entitled in exchange for those goods and services. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard becomes effective for the Company on November 1, 2018. The Company is currently assessing the impact of adopting this new standard.

<u>International Financial Reporting Standard 16, Leases</u>

On January 13, 2016, the IASB issued IFRS 16, *Leases*, which will replace International Accounting Standard ("IAS") 17, *Leases*. The new standard will be effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. The standard becomes effective for the Company on November 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The Company is currently assessing the impact of adopting this new standard.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's report on internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. The Company used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the effectiveness of internal control over financial reporting.

Changes in internal controls over financial reporting

The Company made no changes to internal controls over financial reporting during the quarter ended April 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTSTANDING SHARE DATA

The number of issued and outstanding Common Shares was 21,605,506 as of the date of this MD&A.