Interim Condensed Consolidated Financial Statements

exactEarth Ltd.

April 30, 2017 and 2016

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

		As at April 30, 2017	As at October 31, 2016
		$	$
ASSETS			
Current assets			
Cash		11,706	13,680
Trade accounts receivable	(note 13)	2,604	1,778
Inventory		-	425
Unbilled revenue	(note 14)	245	794
Prepaid expenses and other assets		1,629	867
Total current assets		16,184	17,544
Property, plant and equipment	(notes 5, 7 and 15)	32,665	31,423
Intangible assets	(notes 6, 7 and 15)	13,970	18,855
Total assets		62,819	67,822
LIABILITIES & EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		3,428	5,409
Deferred revenue	(note 14)	2,169	1,968
Restructuring provision - current	(note 16)	670	1,154
Loans Payable - current	(note 8)	716	716
Incentive plan liability - current	(notes 9)	179	86
Total current liabilities		7,162	9,333
Government loan payable	(notes 3 and 8)	836	1,045
Loans payable	(note 8)	-	143
Long-term incentive plan liability	(note 9)	285	316
Restructuring provision	(note 16)	106	442
Total liabilities		8,389	11,279
Shareholders' equity			
Share capital	(note 9)	123,769	123,769
Contributed surplus	(note 9)	889	699
Accumulated other comprehensive loss		(88)	45
Deficit		(70,140)	(67,970)
Total shareholders' equity		54,430	56,543
Total liabilities and equity		62,819	67,822

See accompanying notes

On behalf of the Board: - -

Maria Izurieta - Director - exactEarth Ltd.
Peter Mabson - Director - exactEarth Ltd.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(in thousands of Canadian Dollars)

Unaudited

		Three months ended		Six months ended	
		April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
		$	$	$	$
Revenue	(notes 14 & 15)	3,711	5,222	7,047	11,602
Cost of revenue		2,830	2,554	4,669	5,182
Gross margin		881	2,668	2,378	6,420
Operating expenses					
Selling, general and administrative	(note 12)	1,472	2,133	3,435	4,074
Product development & R&D		426	467	836	930
Depreciation and amortization	(notes 5 and 6)	961	1,435	1,906	2,812
Impairment losses	(note 7)	-	27,987	-	27,987
Loss from operations		(1,978)	(29,354)	(3,799)	(29,383)
Other income and expense					
Other income	(note 17)	(1,455)	-	(1,455)	-
Other expense		45	80	48	80
Restructuring gain	(note 16)	(40)	-	(8)	-
Foreign exchange loss		(377)	57	(259)	735
Interest expense		17	21	32	315
Total other expense		(1,810)	158	(1,642)	1,130
Income tax expense	(note 11)	8	-	13	-
Net loss		(176)	(29,512)	(2,170)	(30,513)
Other comprehensive loss					
Items that may be subsequently reclassified to net income:					
Foreign currency translation, net of income tax expense of nil		(138)	154	(133)	166
Total other comprehensive (loss)/income		(138)	154	(133)	166
Comprehensive loss		(314)	(29,358)	(2,303)	(30,347)
Loss per share	(note 9)				
Basic loss per share		(0.01)	(1.39)	(0.10)	(1.89)

Interim Condensed Consolidated Statements of Changes in Equity
(in thousands of Canadian Dollars)
Unaudited

For the Six Months Ended April 30, 2017		**Total**	**Deficit**	**Accumulated Other Comprehensive Loss**	**Share Capital**	**Contributed Surplus**
		$	**$**	**$**	**$**	**$**
Balance October 31, 2016		56,543	(67,970)	45	123,769	699
Stock option expense	(note 9)	190	-	-	-	190
Comprehensive loss		(2,303)	(2,170)	(133)	-	-
Balance April 30, 2017		54,430	(70,140)	(88)	123,769	889

For the Six Months Ended April 30, 2016						
Balance October 31, 2015		23,066	(32,007)	(296)	55,120	249
Stock Option expense	(note 9)	119	-	-	-	119
Comprehensive loss		(30,347)	(30,513)	166	-	-
7,349,780 common shares issued on conversion of debt		48,209	-	-	48,209	-
3,144,615 common shares issued for cash		20,440	-	-	20,440	-
Balance April 30, 2016		61,487	(62,520)	(130)	123,769	368

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

		Three months ended		Six months ended	
		April 30, 2017	**April 30, 2016**	**April 30, 2017**	**April 30, 2016**
		$	**$**	**$**	**$**
Net loss		(176)	(29,512)	(2,170)	(30,513)
Add (deduct) items not involving cash					
Non-monetary transaction	(note 10)	-	(882)	(618)	(882)
Non-cash interest		34	33	71	69
Impairment losses	(note 7)	-	27,987	-	27,987
Depreciation and amortization	(notes 5 and 6)	961	1,435	1,906	2,812
Loss on disposal of assets		-	-	3	-
Long-term incentive plan expense	(note 9)	(91)	45	174	65
Gain on insurance settlement	(note 5 and 17)	(1,455)	-	(1,455)	-
Stock-based compensation	(notes 9 and 12)	87	119	190	119
Technology demonstration program recovery	(note 3)	(51)	-	(150)	-
Net change in non-cash working capital balances		(1,488)	2,385	(2,335)	1,573
Other operating cash flows					
Restructuring provision - payment of salary continuance	(note 16)	(418)	-	(820)	-
Settlement of RSU units	(note 9)	(112)	-	(112)	-
Technology demonstration program funding	(note 3)	-	-	552	-
Cash flows from (used in) operations		(2,709)	1,610	(4,764)	1,230
Investing activities					
Acquisition of property, plant and equipment	(note 5)	(100)	(301)	(423)	(1,288)
Reimbursement of acquisition costs of property, plant and equipment	(note 5)	-	120	224	120
Insurance recovery	(note 5 and 17)	3,500	-	3,500	-
Acquisition of intangible assets	(note 6)	(137)	(1,620)	(192)	(3,940)
Cash flows from (used in) investing activities		3,263	(1,801)	3,109	(5,108)
Financing activities					
Government loan repayment	(notes 3 and 8)	(123)	(123)	(246)	(246)
Long-term debt repayment	(note 8)	(88)	(29)	(176)	(29)
Shares issued		-	20,440	-	20,440
Shareholder loan advances		-	-	-	3,000
Cash flows from (used in) financing activities		(211)	20,288	(422)	23,165
Effect of exchange rate changes on cash		209	(192)	103	(71)
Net increase (decrease) in cash		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
Supplemental cash flow information					
Interest paid		-	-	-	334
Interest received		-	30	-	34
		8	-	13	-

See accompanying notes

1. DESCRIPTION OF THE BUSINESS

Founded in 2009, exactEarth™ Ltd. (the "Company" or "exactEarth") is a provider of space-based maritime tracking data from its satellites. exactEarth leverages advanced microsatellite technology to deliver monitoring solutions. The Company is incorporated under the *Canada Business Corporations Act* and its shares are listed on the Toronto Stock Exchange. The Company's head office is located at 260 Holiday Inn Drive, Cambridge, Ontario, Canada. The Company became a publicly traded company on February 9, 2016 through a spin-out transaction from Com Dev International Ltd. ("the Spinout Transaction").

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These Interim Condensed Consolidated Financial Statements present the Company's results of operations and financial position as at and for the three months ended April 30, 2017, including the comparative period, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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, 2016.

These Interim Condensed 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 Interim Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on June 6, 2017.

b) Basis of presentation

These Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiary, with intercompany transactions and balances eliminated. The Company has two divisions, one in Cambridge, Ontario, Canada and one in Harwell, United Kingdom.

These Interim Condensed Consolidated Financial Statements are presented in Canadian dollars and have been prepared on a historical cost basis.

3. GOVERNMENT ASSISTANCE

Federal Development Agency Loan

On November 16, 2012, exactEarth signed an interest-free loan agreement with the Federal Development Agency for Southern Ontario ("FED DEV"). Under this agreement, exactEarth was eligible to receive interest-free repayable funding for certain expenditures incurred from May 6, 2011 to March 31, 2014 to a maximum of $2,491. The interest-free loan is repayable in 60 equal consecutive monthly instalments that began on April 1, 2015. During the quarter ended April 30, 2017, the Company made payments of $123 (April 30, 2016 – $123). The undiscounted amount payable related to the FED

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

DEV loan is $1,395. 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 expense" in the interim condensed consolidated statements of loss and 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.

The amounts recognized in respect of the FED DEV for the three months ended April 30 are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:		April 30, 2017		April 30, 2016
Interest expense	$	28	$	33
Cost of revenue – amortization of capital grant		(8)		(8)
Net impact	$	20	$	25

The amounts recognized in respect of the FED DEV for the six months ended April 30 are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:		April 30,2017		April 30,2016
Interest expense	$	54	$	69
Cost of revenue – amortization of capital grant		(16)		(16)
Net impact	$	38	$	53

Technology Demonstration Program Funding

On May 5, 2016, Innovation, Science and Economic Development Canada announced a $54,000 Technology Demonstration Program contribution to MDA Systems Ltd. ("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 inception to date funding recognized as an offset to cost of revenue is $817, of which $552 has been received in cash.

4. INVESTMENT

On November 10, 2015, the Company entered into a shareholder's agreement, license 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 36% ownership, options for further equity investment, and a license 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 license based on a relative fair value calculation. The fair value of the technology was assessed using a discounted cash flow method. The Company will pay a 3.5% royalty on revenue derived from the technology under license. Services will be provided to Myriota in exchange for additional equity. Management is expecting amortization of this license to commence in the third quarter of 2017 when the development of the technology is incorporated into excatEarth's product lines.

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

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 April 30, 2017.

The Company's share of these losses is not reflected in the Company's interim condensed consolidated statements of loss and comprehensive loss because the investment has a carrying value of nil based on the relative fair value calculation. The Company does not have an obligation to fund losses and will recognize its share of Myriota's income only after its share of the income equals its share of losses not recognized.

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
As at October 31, 2016	46	55,664	6,061	3,053	147	64,971
Transfer from intangible assets	-	6,893	-	-	-	6,893
EV5 Satellite write-off	-	(4,633)	-	-	-	(4,633)
Deductions	(46)	(224)	(695)	(4)	(61)	(1,030)
Additions	53	753	218	-	-	
						1,024
Translation Adjustment	-	-	37	-	-	37
As at April 30, 2017	53	58,453	5,621	3,049	86	67,262

Accumulated Amortization	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
As at October 31, 2016	46	28,069	2,647	2,657	129	33,548
Amortization Expense	3	1,282	160	65	(27)	1,483
Deductions	(46)	-	-	-	(61)	(107)
Transfer from intangible	-	2,239	-	-	-	2,239
EV5 Satellite Write off	-	(2,588)	-	-	-	(2,588)
Translation Adjustment	-	-	22	-	-	22
As at April 30, 2017	3	29,002	2,829	2,722	41	34,597

Net Book Value	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
As at October 31, 2016	-	27,595	3,414	396	18	31,423
As at April 30, 2017	50	29,449	2,794	327	45	32,665

Included in property, plant and equipment as at April 30, 2017 is $14,513 (October 31, 2016 – $16,356) of satellite equipment that has not yet commenced being depreciated as the assets are under construction and not yet ready for use.

The Company moved its offices to a new location in Cambridge in January 2017. At the time, the book value of the leasehold improvements made to the former location along with furniture and equipment that was not transferred to the new location was written off. These amounts are reflected in the "deductions" line of the chart above.

The transfer from intangible assets of $6,893 in the same chart relates to an asset transfer arrangement that the Company made to provide in-kind datasets at a value of $3,666 in exchange for title to the EV9 satellite. This commitment was satisfied as at January 31, 2017, resulting in the Company transferring the carrying value of the EV9 data rights of $6,893 from intangible assets to property, plant and equipment. The transfer out is reflected in Note 6 (Intangible Assets) below while more detail with respect to the in-kind contribution can be found in Note 10 (Commitments and Contingencies).

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. The remaining net book value (cost $4,633 less accumulated depreciation $2,588 for NBV $2,045) of EV 5 was written off at the same time. Details with respect to this transaction can be found in Note 17 (Other Income).

In November 2016, the Company renegotiated its service contract with its Ground Station developer, Kongsberg Satellite Services. Following that negotiation, the Company cancelled its requirement for a planned ground station in Chile. This is reflected as a deduction of $695 in the electrical equipment section of the chart above. This ground station was in the process of being developed and hence is included in capital in progress, which is why there is no corresponding reduction to accumulated depreciation.

Additions to satellites for the three and six months ended April 30, 2017 were $77 and $753. The Company received $224 of cost reimbursements for assisting in the development of a satellite under construction (April 30, 2016 $120 and $120).

Borrowing costs capitalized in the cost of certain assets during both the three and six months ended April 30, 2017 were nil (three and six months ended April 30, 2016 – nil and $393 using an average capitalization rate of 8%).

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

6. INTANGIBLE ASSETS:

Intangible assets consist of the following:

Cost	Computer Software	Internally Developed Technology	Technology Licence	Data Rights	Total
As at October 31, 2016	3,672	8,880	2,715	19,924	35,191
Transfer to property, plant, and equipment	-	-	-	(6,893)	(6,893)
Additions	19	173	-	-	192
As at April 30, 2017	3,691	9,053	2,715	13,031	28,490

Accumulated Amortization	Computer Software	Internally Developed Technology	Technology Licence	Data Rights	Total
As at October 31, 2016	3,112	5,170	1,003	7,051	16,336
Transfer to property, plant, and equipment	-	-	-	(2,239)	(2,239)
Amortization Expense	176	247	-	-	423
As at April 30, 2017	3,288	5,417	1,003	4,812	14,520

Net Book Value	Computer Software	Internally Developed Technology	Technology Licence	Data Rights	Total
As at October 31, 2016	560	3,710	1,712	12,873	18,855
As at April 30, 2017	403	3,636	1,712	8,219	13,970

Included in intangible assets is $8,219 of data rights (2016 – $8,215) that have not yet commenced being amortized as the underlying assets that will provide data rights are still under development and not yet ready for use. Other intangible assets that have not yet commenced amortization are technology licenses of $1,712 (October 2016 – 1,712).

Borrowing costs capitalized in the cost of certain assets were nil for the three and six months ended April 30, 2017 (2016 – $252 using an average capitalization rate of 8%).

7. IMPAIRMENT OF LONG-LIVED ASSETS

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

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

The Company's market capitalization remains lower than the carrying amount as at April 30, 2017. However, there have been 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 impairment charge was recorded. The Company recorded an impairment charge of $27,987 in April 2016.

8. LOANS PAYABLE & FINANCIAL INSTRUMENTS

Loans payable comprise the following:

	April 30, 2017	October 31, 2016
FED DEV (note 3)	$ 1,244	$ 1,437
Larus Technologies debt	308	467
	$ 1,552	$ 1,904
Less: current portion of loans	716	716
Government loan payable	$ 836	$ 1,188

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 of $1,244 as at April 30, 2017 (October 31, 2016 – $1,437), 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 Company entered into an agreement to license the Total::Insight™ IP from Larus Technologies Corporation ("Larus") for $700, payable in 24 equal monthly payments commencing April 15, 2016. The Larus loan has a carrying value of $308 as at April 30, 2017 (October 31, 2016 - $467), which approximates the fair value as the loan was recorded at fair when received. The Larus interest-free payable was calculated using discounted cash flows with a discount rate of 8% indicative of the Company's borrowing rate. Imputed interest is being recognized over the remaining term as interest expense.

The Larus agreement also includes an option to purchase all of the shares of Larus during the twenty-four-month term of the agreement, and for the following six months. The option to purchase is currently valued at nil.

As at April 30, 2017, approximately 34% of cash, 67% of trade accounts receivable, and 14% of accounts payable and accrued liabilities are denominated in foreign currencies (October 31, 2016 – 28%, 32%, and 28%, respectively). These foreign currencies include the US dollar, the British pound, and the Euro.

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

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

Currency		Cash		Trade accounts receivable		Accounts payable and accrued liabilities
USD	$	1,308	$	1,053	$	41
GBP	£	69	£	103	£	61
EUR	€	1,396	€	86	€	201

9. SHARE CAPITAL

Issued capital

The Company has authorized an unlimited number of preferred shares, of which none are outstanding. The Company has authorized an unlimited number of common shares with no par value. As at April 30, 2017, the issued and outstanding shares total 21,605,506 (2016 – 21,605,506).

Stock-based compensation

The Company recognizes compensation cost for all stock options granted to employees under the exactEarth stock option plan. The exercise price for all options is the Spinout Transaction share price of the Company's common shares at the date of the grant. During the three and six months ended April 30, 2017, the Company did not grant any new stock options. During 2016, 1,428,222 stock options were granted to its employees. The maximum number of common shares authorized for grant under the option plan is 2,160,550.

All options vest on a graded basis depending on the type of option. Type one options vest on a 40%, 30%, 30% basis over three years and have a contractual life of six years. Type two options vest on a 25%, 75% basis over two years and have a contractual life of six years. Type three options vest on a 40%, 30%, 30% basis in years three through five and have a contractual life of eight years. All stock options are accounted for as equity-settled awards.

The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model.

	Type one	Type two	Type three
Average risk-free interest rate	0.65%	0.63%	0.94%
Dividend yield	0%	0%	0%
Average volatility	77.1%	77.4%	74.4%
Average expected life of options (years)	4	3.75	6
Remaining contractual life (years)	4.81	4.81	6.81
Weighted average fair value of options outstanding	$ 1.08	$ 1.06	$ 1.32
Weighted average exercise price of option granted	$ 6.50	$ 6.50	$ 6.50

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

Volatility was calculated using the historical volatility of comparable companies for the period commencing when those entities were publicly traded and corresponding to the expected life of each option type. The estimated fair value of the options is amortized to expense over the vesting periods of the options. For the three and six months ended April 30, 2017, the compensation expense recognized was $87 and $190 (three and six months ended April, 2016 – $119 and $119). This expense is reflected in the cost of revenue and selling, general and administrative expense in the interim consolidated statements of comprehensive loss. This amount was added to contributed surplus. Vested options can be exercised prior to their expiry date. No options have vested as at April 30, 2017.

A summary of the option activity for the three and six months ended April 30, 2017 is as follows:

	2017	2016
Balance as at October 31	1,091,268	-
Options granted	-	-
Options forfeited	-	-
Balance as at January 31	1,091,268	-
Options granted	-	1,428,222
Options forfeited	-	-
Balance as at April 30	1,091,268	1,428,222

Employee Share Purchase Plan ("ESPP")

The share purchase plan expense amount for the three and six months ended April 30, 2017 was $6 and $13 (three and six months ended April 2016 – nil). The estimated number of shares, if all outstanding ESPP shares were issued, is 432,110.

Long-term incentive plan ("LTIP")

The following details the RSUs, PSUs and DSUs as at April 30, 2017:

	RSU	PSU	DSU
Share unit balance, beginning of period	445,503	43,613	89,355
Share units Settled	(54,969)	-	-
Share units granted	-	-	141.349
Share units forfeited	-	-	-
Share unit balance, end of period	390,534	43,613	230,704
Aggregate fair value of units granted at the end of the period	$ 512	$ 57	$ 302
Fair value of share units outstanding as at the end of the period	$ 1.31	$ 1.31	$ 1.31

For the three and six months ended April 30, 2017, compensation expense of $(91) and $174 (April 30 2016 – $147 and $147) was recognized for the Company's LTIP.

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

Loss per share

The following table sets forth the computation of basic and diluted earnings per share for the three months ended:

	April 30, 2017	April 30, 2016
Numerator for basic loss per share available to common shareholders:		
Net loss attributable to common shareholders	$ (176)	$ (29,512)
Effect of dilutive securities		
Market value adjustment	(248)	(18)
Numerator for diluted loss per share	(424)	(29,530)
Denominator for basic loss per share:		
Weighted average number of shares outstanding	21,605,506	21,255,693
Effect of dilutive securities	282,562	22,305
Denominator for diluted loss per share	21,888,068	21,277,998
Basic loss per share	$ (0.01)	$ (1.39)
Diluted loss per share	$ (0.02)	$ (1.39)

The following table sets forth the computation of basic and diluted earnings per share for the six months ended:

	April 30, 2017	April 30, 2016
Numerator for basic loss per share available to common shareholders:		
Net loss attributable to common shareholders	$ (2,170)	$ (30,513)
Effect of dilutive securities		
Market value adjustment	(125)	(18)
Numerator for diluted loss per share	(2,295)	(30,531)
Denominator for basic loss per share:		
Weighted average number of shares outstanding	21,605,506	16,127,662
Effect of dilutive securities	366,971	22,305
Denominator for diluted loss per share	21,972,477	16,149,967
Basic and diluted loss per share	$ (0.10)	$ (1.89)

10. COMMITMENTS AND CONTINGENCIES

Lease commitments

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

The Company has incurred $34 and $85 in lease expense during the three and six months ended April 30, 2017. The Company has commitments under lease agreements as follows:

	Less than 1 Year	1 to 5 Years	After 5 Years
Facilities	$ 71	$ 366	$ -
Photocopier lease	$ 1	$ 10	$ -
Computer lease	$ 32	$ 8	$ -
Total	$ 104	$ 384	$ -

Capital commitments

As at April 30, 2017, capital commitments in respect of the purchase of property, plant and equipment were $4,881. There were no other material capital commitments outstanding as at April 30, 2017.

In-kind contribution commitment

The Company 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. During the quarter ended January 31, 2017, data sets with a value of $618 were transferred to qualifying third parties. This commitment was satisfied as at January 31, 2017 as data assets valued at $3,666 were transferred to qualifying third parties under the terms of the arrangement, fulfilling final condition of the transfer agreement. As such, the value of the datasets that had been added to the carrying value of the EV9 data rights classified as an intangible asset was transferred to property, plant and equipment and reported as a satellite cost as at January 31, 2017.

Royalty commitment

The Company has entered into an agreement with Larus, which includes a commitment that takes effect after the conclusion of the twenty-four month term of the agreement, to pay a 30% royalty on the gross sales of products that are derived from the Larus Total::Insight™ technology. The technology is expected to be put in use in June 2017. Royalty payments are expected to commence in July 2017.

Claims or legal actions

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

11. INCOME TAXES

For the three and six months ended April 30, 2017, the Company's effective income tax rate of nil (three and six months ended April 30, 2016 – nil) differs from the combined federal and provincial income tax rate of 26.5% (April 30, 2016 – 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.

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

The income tax expense for the three and six months ended April 30, 2017 of $8 and $13 represents a 15% withholding tax on revenue generated from Argentina. The Company deemed the $8 to be unrecoverable and as recognized the amount as an expense.

12. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the three and six months ended April 30, 2017, the Company's contributions, which are based on the contributions by employees, were $46 and $94 (2016 – $70 and $139) and are included in "Cost of revenue" and "Selling, general and administrative" expense in the interim condensed consolidated statements of loss and comprehensive loss.

Salaries and benefits

Total salaries and employee benefits expense for the three and six months ended April 30, 2017 was $1,713 and $3,697 (2016 – $2,075 and $4,401).

13. RELATED PARTIES

The following table details the transactions and balances between the Company and COM DEV (and its subsidiaries). COM DEV was a related party up until the Spinout Transaction on February 4, 2016.

For the three months ended April 30:	2017	2016
Purchase of services	$ -	$ -
Purchase of property, plant and equipment	-	-
Rent	-	41
Interest charged by COM DEV	-	11

For the six months ended April 30:	2017	2016
Purchase of services	$ -	$ 102
Purchase of property, plant and equipment	-	30
Rent	-	59
Interest charged by COM DEV	-	703

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

On November 1, 2014, COM DEV began charging interest on the value of certain accounts payable owing by the Company. For the three and six months ended April 30, 2017, total interest charged with respect to this deferred balance was nil (2016 – $11 and $365), of which nil (2016 – $260) was capitalized through assets under construction. The following table details transactions and balances between the Company and Hisdesat, a shareholder that has significant influence through an equity investment.

For the three months ended April 30:	2017	2016
Interest charged by Hisdesat	$ -	$ 7
Revenue from Hisdesat	18	15
Directors' expenses	(12)	-

For the six months ended April 30:	2017	2016
Interest charged by Hisdesat	$ -	$ 221
Revenue from Hisdesat	258	253
Directors' expenses	39	-

As at	April 30, 2017	October 31, 2016
Trade accounts receivable	$ 61	$ 62
Accounts payable	-	5,084
Outstanding term loan	-	6,052

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

14. CONSTRUCTION CONTRACT REVENUE

The following details the construction contracts in progress as at:

		April 30, 2017		October 31, 2016
Percentage of completion revenue contracts				
Costs incurred	$	252	$	1,249
Estimated profits		38		1,328
Progress billings		(373)		(2,878)
Total contracts in progress	$	(83)	$	(301)
Disclosed as:				
Unbilled revenue	$	46	$	665
Deferred revenue		(129)		(996)
Total contracts in progress	$	(83)	$	(301)

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 for the three and six months ended April 30, 2017 was $52 and $106 (2016 – $211 and $905).

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

15. SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

The Company has one reportable segment, which is engaged in the sale of space-based maritime tracking data and related products and services from satellites.

Revenue by product type

Revenue is divided into three categories based on the types of products sold. Subscription Services are recognized over the life of the contract term, Data Products are sold on demand and recognized on delivery, and Other Products and Services include various other revenue streams and are recognized based on the contract terms.

For the three months ended:		April 30, 2017		April 30, 2016
Subscription Services	$	2,326	$	4,052
Data Products		341		959
Other Products & Services		1,044		211
	$	3,711	$	5,222

For the six months ended:		April 30, 2017		April 30, 2016
Subscription Services	$	5,364	$	9,434
Data Products		549		1,263
Other Products & Services		1,134		905
	$	7,047	$	11,602

Geographic Information

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

For the three months ended:		April 30, 2017		April 30, 2016
Canada	$	83	$	3,075
United States	$	242	$	190
Europe	$	1,396	$	1,214
Other	$	1,990	$	743
	$	3,711	$	5,222

For the six months ended:		April 30, 2017		April 30, 2016
Canada	$	786	$	6,322
United States	$	458	$	559
Europe	$	2,836	$	3,260
Other	$	2,967	$	1,461
	$	7,047	$	11,602

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

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

	April 30, 2017	October 31, 2016
Property, plant and equipment		
Canada	$ 32,461	$ 31,218
United Kingdom	204	205
	$ 32,665	$ 31,423
Intangible assets		
Canada	$ 13,970	$ 18,855
	$ 13,970	$ 18,855

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

For the three and six months ended April 30, 2017, two customers had revenue in excess of 10% of the Company's total revenue (2016 – three and two customers). The details are as follows:

Three months ended:	April 30, 2017		April 30, 2016	
	Revenue $	% of Total Revenue	Revenue $	% of Total Revenue
Customer 1	1,039	28%	2,130	41%
Customer 2	437	12%	882	17%
Customer 3	-	-	546	10%
	1,476	40%	3,558	68%

Six months ended:	April 30, 2017		April 30, 2016	
	Revenue $	% of Total Revenue	Revenue $	% of Total Revenue
Customer 1	1,045	15%	5,324	46%
Customer 2	938	13%	1,175	10%
	1,983	28%	6,499	56%

16. RESTRUCTURING PROVISION

The Company underwent a restructuring in October 2016 and a restructuring reserve was set up to provide for the salary continuance and RSU/PSU amounts due to the affected employees. As of April 30, 2017, there was $776 of restructuring provision remaining. The portion of the liability that extends beyond April 2018 is recorded in long-term liabilities while the balance is recorded in current liabilities. The long-term portion has been discounted at 0.56%, which is consistent with the risk associated with this liability. The liability also includes RSUs for certain terminated employees that will be earned during their continuance period.

The details of the restructuring reserve are as follows:

As at October 31, 2016	$	1,596
Market revaluation of RSUs as at January 31, 2017		32
Market revaluation of RSUs as at April 30, 2017		(40)
Salary continuance		(812)
As at April 30, 2017	$	776
Represented by:		
Current		670
Long-term		106
	$	776

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

17. 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. The remaining net book value of $2,045 was written off at the same time resulting in a net gain of $1,455. 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		3,243
Gain before impairment charge		257
Impairment charge		1,198
Other Income as reported	$	1,455