Consolidated financial statements

exactEarth Ltd.

October 31, 2017 and 2016

Building a better
working world

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
exactEarth™ Ltd.

We have audited the accompanying consolidated financial statements of **exactEarth™ Ltd.**, which comprise the consolidated statements of financial position as at October 31, 2017 and 2016, and the consolidated statements of changes in equity, loss and comprehensive loss, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **exactEarth™ Ltd.** as at October 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Kitchener, Canada
January 23, 2018

A member firm of Ernst & Young Global Limited

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

		As at October 31, 2017	As at October 31, 2016
		$	$
ASSETS			
Current assets			
Cash		8,117	13,680
Trade accounts receivable		3,171	1,778
Inventory		-	425
Unbilled revenue	(note 16)	425	794
Prepaid expenses and other assets		1,266	867
Total current assets		12,979	17,544
Property, plant and equipment	(notes 6, 8 and 17)	12,576	31,423
Intangible assets	(notes 7, 8 and 17)	5,405	18,855
Total assets		30,960	67,822
LIABILITIES & EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	(notes 9 and 15)	3,722	5,431
Deferred revenue	(note 16)	2,064	1,968
Restructuring provision - current	(note 19)	388	1,154
Loans payable - current	(note 9)	567	716
Long-term incentive plan liability - current	(note 11)	166	64
Total current liabilities		6,907	9,333
Government loan payable	(notes 4 and 9)	662	1,045
Loans payable	(note 9)	-	143
Long-term incentive plan liability	(note 11)	343	316
Restructuring provision	(note 19)	-	442
Other long-term liabilities	(note 9)	45	-
Total liabilities		7,957	11,279
Shareholders' equity			
Share capital	(note 11)	123,781	123,769
Contributed surplus	(note 11)	1,070	699
Accumulated other comprehensive income (loss)		(44)	45
Deficit		(101,804)	(67,970)
Total shareholders' equity		23,003	56,543
Total liabilities and shareholders' equity		30,960	67,822

See accompanying notes

On behalf of the Board:

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

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

For the Year Ended October 31, 2017		Total	Deficit	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus
		$	$	$	$	$
Balance at October 31, 2016		56,543	(67,970)	45	123,769	699
Stock-based compensation expense	(note 11)	380	-	-	-	380
Issuance of common shares	(note 11)	3	-	-	12	(9)
Comprehensive loss		(33,923)	(33,834)	(89)	-	-
Balance at October 31, 2017		23,003	(101,804)	(44)	123,781	1,070
For the Year Ended October 31, 2016						
Balance at, October 31, 2015		23,066	(32,007)	(296)	55,120	249
Stock-based compensation expense	(note 11)	450	-	-	-	450
Comprehensive income (loss)		(35,622)	(35,963)	341	-	-
7,349,780 common shares issued on conversion of debt	(note 18)	48,209	-	-	48,209	-
3,144,615 common shares issued for cash	(note 18)	20,440	-	-	20,440	-
Balance at October 31, 2016		56,543	(67,970)	45	123,769	699

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

For the Year Ended		October 31, 2017	October 31, 2016
		$	$
Revenue	(notes 16 and 17)	12,833	18,918
Cost of revenue	(note 4)	8,618	9,772
Gross margin		4,215	9,146
Operating expenses			
Selling, general and administrative		7,004	7,463
Product development and R&D		1,692	1,950
Depreciation and amortization	(notes 6 and 7)	3,791	4,649
Impairment losses	(note 8)	26,886	27,987
Loss from operations		(35,158)	(32,903)
Other expenses (income)			
Other income	(note 20)	(1,455)	(55)
Other expense		197	-
Restructuring expense (recovery)	(note 19)	(99)	1,744
Foreign exchange loss (gain)		(43)	1,026
Interest expense	(notes 4 and 9)	52	304
Total other expenses (income)		(1,348)	3,019
Income tax expense	(note 13)	24	41
Net loss		(33,834)	(35,963)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net income:			
Foreign currency translation, net of income tax expense of nil		(89)	341
Total other comprehensive income (loss)		(89)	341
Comprehensive loss		(33,923)	(35,622)
Loss per share			
Basic and diluted loss per share	(note 11)	(1.57)	(1.90)

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

For the Year Ended		**October 31, 2017**	**October 31, 2016**
		$	**$**
Net loss		(33,834)	(35,963)
Add (deduct) items not involving cash			
Non-monetary transaction	(note 12)	(618)	(3,048)
Non-cash interest	(notes 4 and 9)	126	153
Impairment losses	(note 8)	26,886	27,987
Depreciation and amortization	(notes 6 and 7)	3,791	4,649
Loss on disposal of assets		3	-
Foreign exchange loss on revaluation of foreign currency shareholder loans		-	452
Long-term incentive plan expense	(note 11)	245	320
Gain on insurance settlement	(notes 6 and 20)	(1,455)	-
Stock-based compensation	(note 11)	380	450
Technology demonstration program recovery	(note 4)	(381)	(667)
Restructuring reserve - revaluation/cancellation of units	(note 19)	(99)	-
Net change in non-cash working capital balances		(2,347)	1,214
Other operating cash flows		-	-
Restructuring provision - payment of salary continuance	(note 19)	(1,109)	1,596
Settlement of RSU units	(note 11)	(112)	-
Technology demonstration program funding received	(note 4)	817	-
Cash flows used in operations		(7,707)	(2,857)
Investing activities			
Acquisition of property, plant and equipment	(note 6)	(780)	(2,372)
Reimbursement of acquisition costs of property, plant and equipment	(note 6)	396	120
Insurance recovery	(notes 6 and 20)	3,500	-
Acquisition of intangible assets	(note 7)	(121)	(6,307)
Cash flows from (used in) investing activities		2,995	(8,559)
Financing activities			
Government loan repayment	(notes 4 and 9)	(451)	(492)
Long-term debt repayment	(note 9)	(350)	(204)
Shares issued	(note 11)	-	20,440
Shareholder loan advances		-	3,000
Cash flows from (used in) financing activities		(801)	22,744
Effect of exchange rate changes on cash		(50)	(13)
Net increase (decrease) in cash		(5,563)	11,315
Cash, beginning of the year		13,680	2,365
Cash, end of the year		8,117	13,680
Supplemental cash flow information			
Interest paid		-	334
Interest received		79	110
Income taxes paid		24	41

See accompanying notes

1. DESCRIPTION OF THE BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements present the Company's results of operations and financial position as at and for the year ended October 31, 2017, including the comparative period, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on January 23, 2018.

b) Basis of presentation

These consolidated financial statements include the accounts of the Company and its subsidiary with intercompany transactions and balances eliminated. The Company has two divisions, one in Cambridge, Ontario, Canada, and one in Harwell, United Kingdom.

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

The Company has experienced lower than planned revenues that when combined with the fixed operating costs of the Company's satellite system have generated operating losses and result in a reduction in cash. Management has reviewed the forecast of the business and has assessed and concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Management applied significant judgment in assessing the Company's ability to be generate sufficient cash flow to continue to fund operations and other committed expenditures including:

- The amount of the sales pipeline, new sales orders generated in the first quarter 2018, contracted backlog and total revenue ;
- The timing of generating those new sales and recognizing contracted backlog and the timing of the related cash flow;
- The ability to draw upon existing financing facilities and/or to add additional funding sources ;
- The ability to re-negotiate existing contracts to reduce expenditures or delay the timing of payments; and
- The assessment of expenditures that could be reduced, eliminated or delayed.

Management is currently assessing potential additional financing alternatives including government incentive programs and other funding sources. Given the judgement involved, actual results may lead to a materially different outcome.

c) Cash

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

d) Property, plant and equipment

Property, plant and equipment ("PP&E") are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the PP&E and borrowing costs for eligible long-term construction projects. When significant parts of an item of PP&E are required to be replaced at intervals, the Company derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the PP&E as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as incurred.

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

Leasehold improvements	five years
Satellites	ten years
Electrical equipment	ten years
Computer hardware	three to five years
Furniture and fixtures	three to five years

An item of PP&E and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or eventual disposition. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

e) Intangible assets

Finite-life intangible assets are valued at cost less accumulated amortization and accumulated impairment losses, if any, and which is provided at rates sufficient to write off the costs over the estimated useful lives of the assets, using the straight-line method as follows:

Computer software not integral to the hardware on which it operates	three to ten years
Internally developed technology	five to seven years
Data rights	ten years
Technology licences	seven years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization

method for an intangible asset with a finite useful life are reviewed at least as at the end of each reporting period. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated prospectively as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of loss and comprehensive loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

Costs that are directly attributable to the development and testing of identifiable and unique internally developed technology controlled by the Company are recognized as intangible assets when the criteria specified in International Accounting Standards ("IAS") 38, *Intangible Assets* ("IAS 38") are met. Capitalized costs include employee costs for staff directly involved in technology development and other expenditures directly related to the project.

Research and development expenditures

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset only when they have met the conditions of IAS 38. Investment tax credits ("ITCs") reduce research and development expense and/or intangible assets in the same period in which the related expenditures are charged to income or capitalized provided there is reasonable assurance the benefit will be realized. Otherwise, the incentives are recorded when the benefit is expected to be realized.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Research and development costs that are funded by the Company are presented separately on the consolidated statements of loss and comprehensive loss. Government grants, ITCs, and other funding for research activity are presented as a reduction of the related expense.

f) Impairment of long-lived assets

The Company assesses as at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell ("FVLCS") and its value in use ("VIU"), and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the assessment is made at the cash-generating unit ("CGU") level. A CGU is the smallest identifiable group of assets that generate cash flows that are largely independent of cash inflows from other assets or groups of assets. The Company currently is a single CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing 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. Given the Company is a single CGU, the market capitalization of the Company is a relevant measure of FVLCS.

g) Leases

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

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

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

i) Income taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income. Current income taxes related to items recognized directly in equity are recognized in equity and not in the consolidated statements of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes

Deferred taxes are provided using the liability method on temporary differences as at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred taxes are recognized for all taxable temporary differences, except in specific circumstances outlined in IAS 12, *Income Taxes* ("IAS 12").

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except in specific circumstances outlined in IAS 12.

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred tax asset will be utilized.

Unrecognized deferred tax assets are reassessed as at each reporting date and are recognized to the extent that it has become probable the benefit will be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances existing at the acquisition date changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Revenue, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Trade accounts receivable or accounts payable and accrued liabilities are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of trade accounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

j) Revenue recognition

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

Sale of data

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

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

Provision of products and services

The Company may enter into arrangements involving multiple products or services including data subscriptions and sales of historic, archive data or sales of Class B transponders and data subscriptions. The Company allocates the arrangement consideration to the various products and services based on the relative fair value of each component. The fair value of each product or service is determined considering sales of the products or services on a stand-alone basis, and the Company's pricing policies.

The Company occasionally provides goods and services to its customers under long-term contracts. The Company recognizes revenue on such long-term contracts on the percentage of completion basis, based on costs incurred relative to the estimated total contract costs. Losses on such contracts are accrued when the estimate of total costs indicates that a loss will be realized. Accruals are drawn down as loss contracts progress. Contract billings received in excess of recognized revenue are included in current liabilities as deferred revenue.

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

The Company is providing data in exchange for unrestricted title to the EV9 satellite. The fair value of the data provided and recognized as revenue is determined based on comparable revenue transactions with third parties and the Company's pricing methodology.

l) Foreign currency translation

A functional currency is the currency of the primary economic environment in which the entity operates and is normally the currency in which the entity generates and expends cash. Each entity that is part of the Company determines its own functional currency. Each entity's financial statements are translated from their functional currency to Canadian dollars, which is the presentation currency of these consolidated financial statements.

Transactions

Foreign currency transactions are initially recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange spot rate as at the reporting date. All differences are recorded in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Translation

The assets and liabilities of foreign operations are translated into Canadian dollars at year-end exchange rates and their revenue and expense items are translated at exchange rates prevailing at the date of the transactions. The resulting exchange differences are recognized in "Other comprehensive income (loss)". On disposal of a foreign operation, the foreign exchange in "Accumulated other comprehensive income (loss)" relating to that particular foreign operation is recognized in income in the consolidated statements of loss and comprehensive loss.

m) Financial instruments

Financial assets

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

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

Trade accounts receivable

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

accounts receivable is recorded through "Selling, general and administrative expenses" in the consolidated statements of loss and comprehensive loss.

Derecognition

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

Impairment of financial assets

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

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

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

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

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

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

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

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

Loans payable

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of loss and comprehensive loss.

n) Government assistance

Government assistance is periodically received in the form of grants, loans or ITCs (see "Research and development expenditures") that may be repayable in the form of royalties based on future sales levels related to the technology funded. Amounts that are repayable will be accounted for in the period in which conditions arise that will cause repayment. Government assistance with predetermined repayment requirements or conditional criteria is recorded as a liability when received or until the conditions are satisfied. If no predetermined repayment requirements exist, the assistance is treated as a reduction in the cost of the related item.

Interest-free government loans are measured at amortized cost using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is split between operating costs and capital costs based on the costs to which the loan relates. The grant related to capital is recognized as a reduction to the carrying amount of an eligible asset and is realized over the life of the asset as reduced amortization expense. The grant related to operating expense is recognized in "Other income".

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

Stock options

The Company recognizes compensation cost for all stock options granted to employees under the exactEarth stock option plan. exactEarth measures at fair value all stock options issued to employees or directors. The option exercise price is the share price of the Company's common shares at the date of the grant. IFRS 2, *Share-based Payments*, requires that the Company record these amounts as "Contributed surplus". The fair value of the direct grants of stock is determined by the quoted market price of the Company's stock at the time of the award and the fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of awards at the date of grant is recorded as an expense in these

consolidated financial statements and is recognized over the vesting period based on the number of options expected to vest. When options are exercised, they are settled with shares.

Long-term incentive plan

The Company has established a long-term incentive plan ("LTIP") for executives and certain employees. Under the terms of this plan, participants are eligible to receive incentive remuneration in the form of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs").

RSUs are time-based and will vest on a cliff or graded basis, depending on the type of RSU. Type one RSUs cliff vest three years after the grant date. Type two RSUs vest on a graded basis at 25% one year after the grant date and 75% two years after the grant date. Type three RSUs vest on a graded basis of 50% at two and three years after the grant date. Type four RSUs vest on a graded basis of 33.3% at three, four and five years after the grant date. Each RSU, once vested, entitles the holder to receive the cash value of one common share of the Company.

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

The Company intends to cash settle the RSUs and PSUs to satisfy obligations under the LTIP plan. The estimated value of the RSUs and PSUs is recognized as compensation expense over the vesting period based on the market value of the Company's shares at the end of each period and the time elapsed during the vesting period and is presented as a liability in the consolidated statements of financial position.

Deferred share unit plan

The Company has adopted a deferred share unit ("DSU") plan for non-employee directors. Directors are required to receive a portion of their annual compensation in the form of DSUs, and can elect to increase the percentage paid in DSUs. The DSUs vest over the quarterly service period for the director after the grant date and will be settled upon the director's retirement from the Board.

Each DSU entitles the holder to receive either cash, based on the share value at the time of settlement, or one common share of the Company. The estimated value of the DSUs is recognized as compensation expense over the vesting period based on the market value of the Company's shares at the end of each period and the time elapsed during the vesting period and is presented as a liability in the consolidated statements of financial position.

Employee Share Purchase Plan

The Company implemented the ESPP during the quarter ended July 31, 2016. The ESPP offers employees the option of contributing between 1% and 10% of their gross salary towards the purchase of common shares of the Company. The Company will issue one share for every four shares that employees purchase during the ESPP year, which runs from March 1 to February 28. The Company's matching contribution will be issued to the employee contingent upon the employee remaining employed by the Company on the last day of the ESPP year. The fair values on the date that the employees commit to purchase shares are used to

determine the applicable compensation expense to the Company. The compensation expense is recognized over the period from the date the employee acquires the shares to the date the Company matching shares are issued to the employee. The accumulated amount of ESPP expense charged to income, but not yet issued, is included in contributed surplus.

p) Employee future benefit plan

Defined contribution pension plan

The Company sponsors a defined contribution pension plan for certain of its employees. The cost of providing benefits through the defined contribution pension plan is charged to income in the period in which the contributions become payable.

q) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of loss and comprehensive loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

r) Inventory

Inventory consists of purchased small vessel tracking transponders and is stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value represents the estimated selling price in the ordinary course of business, less estimated selling costs. There have been no inventory amounts included in cost of revenue during the year.

s) Critical judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market fluctuations or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the critical judgments, estimates and assumptions that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Allowance for doubtful accounts

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

Capitalization of development costs

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

Capitalization of borrowing costs

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

Impairment

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

Revenue recognition and contracts in progress

Revenue on construction contracts is recognized on a percentage of completion basis. In applying the accounting policy on construction contracts, judgment is required in determining the estimated costs to complete a contract. These cost estimates are reviewed as at each reporting period and by their nature may give rise to income volatility.

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

To estimate income (loss) on completion, the Company takes into account factors inherent to the contract by using historical and/or forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized immediately and recorded in "Accounts payable and accrued liabilities" in the consolidated statements of financial position. The accrual is drawn down over the completion of the contract using the percentage of completion method.

3. FUTURE ACCOUNTING CHANGES

Standards issued, but not yet effective or amended up to the date of issuance of the Company's consolidated financial statements, are listed below. This listing is of standards and interpretations

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

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

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

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, 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. The standard becomes effective for the Company on November 1, 2018. Retrospective application is required, but comparative information is not compulsory. The Company is evaluating the impact of adopting this new standard on its consolidated financial statements.

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

In May 2014, the IASB issued 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 on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16")

On January 13, 2016, the IASB issued IFRS 16, which will replace IAS 17, *Leases* ("IAS 17"). 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 12 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 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 Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

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

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

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

Uncertainty over Income Tax Treatments provides guidance when there is uncertainty over income tax treatments including (but not limited to) whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and the impact of changes in facts and circumstances. The new interpretation is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of the new interpretation in its consolidated financial statements.

4. GOVERNMENT ASSISTANCE

Federal Development Agency Loan

On November 16, 2012, exactEarth signed an interest-free loan agreement with the Federal Development Agency for Southern Ontario ("FED DEV"). Under this agreement, exactEarth was eligible to receive interest-free repayable funding for certain expenditures incurred from May 6, 2011 to March 31, 2014 to a maximum of $2,491. The interest-free loan is repayable in 60 equal consecutive monthly instalments that began on April 1, 2015. During the year ended October 31, 2017, the Company made payments of $451 (2016 – $492). The undiscounted amount payable related to the FED DEV loan is $1,190 (2016 – $1,641) (note 9).

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 when the funding was received. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant, which is recognized as an operating grant and a capital grant based on the relative proportion of eligible expenditures incurred. The operating grant is recorded as "Other expense (income)" in the 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 arrangement are as follows:

Recognized in the consolidated statements of loss and comprehensive loss as follows:	2017	2016
Interest expense	$ 101	$ 131
Reduction of amortization expense	(30)	(32)
Net impact	$ 71	$ 99

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 funding recognized as an offset to cost of revenue in the year ended October 31, 2017 was $381 (2016 – $667).

5. INVESTMENT

On November 10, 2015, the Company entered into a shareholder's agreement, licence agreement and services agreement with Myriota Pty. Ltd. ("Myriota"). Myriota is located in Adelaide, Australia, and has a fiscal year ending June 30. The Company invested AUD$2,000 (CAD$1,894) in exchange for 34% ownership, options for further equity investment, and a licence to an advanced signal processing technology. This technology was developed at the University of South Australia in order to develop advanced terminals, infrastructure and applications for the fast-growing Satellite Internet of Things ("SIoT") focused on the location tracking and sensor data applications global market. The Company assessed the fair value of each component and allocated the full value of the investment to the licence based on a relative fair value calculation. The fair value of the technology was assessed using a discounted cash flow method. The Company will pay a 3.5% royalty on revenue derived from the technology under licence. Services will be provided to Myriota in exchange for additional equity or for cash consideration. Management is expecting amortization of this licence to commence in late calendar 2019 when the development of the technology is incorporated into exactEarth's product lines.

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 year ended October 31, 2017. The Company's share of these losses is not reflected in the Company's consolidated statements of loss and comprehensive loss, because the investment has a carrying value of nil based on the relative fair value calculation. The Company does not have an obligation to fund losses and will recognize its share of Myriota's income only after its share of the income equals its share of losses not recognized.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2016	$ 46	$ 55,664	$ 6,061	$ 3,053	$ 147	$ 64,971
Transfers	-	6,893	(424)	424	-	6,893
EV5 satellite write-off	-	(4,633)	-	-	-	(4,633)
Deductions	(46)	(396)	(695)	(3)	(60)	(1,200)
Additions	53	884	9	446	4	1,396
Translation adjustment	-	-	20	-	-	20
at October 31, 2017	$ 53	$ 58,412	$ 4,971	$ 3,920	$ 91	$ 67,447

Accumulated Depreciation	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2016	$ 46	$ 28,069	$ 2,647	$ 2,657	$ 129	$ 33,548
Depreciation expense (recovery)	8	2,475	307	189	(21)	2,958
Impairment (note 8)	27	16,907	1,457	391	22	18,804
Deductions	(46)	-	-	(3)	(52)	(101)
Transfers	-	2,239	(424)	424	-	2,239
EV5 satellite write-off	-	(2,588)	-	-	-	(2,588)
Translation adjustment	-	-	11	-	-	11
at October 31, 2017	$ 35	$ 47,102	$ 3,998	$ 3,658	$ 78	$ 54,871

Net Book Value	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2016	$ -	$ 27,595	$ 3,414	$ 396	$ 18	$ 31,423
at October 31, 2017	$ 18	$ 11,310	$ 973	$ 262	$ 13	$ 12,576

Included in property, plant and equipment as at October 31, 2017 is $5,805 (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, Ontario, Canada, 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 table above.

The transfer from intangible assets of $6,893 in the same table 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 7 (Intangible Assets) while more detail with respect to the in-kind contribution can be found in note 12 (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 ("NBV") (cost of $4,633 less accumulated depreciation of $2,588 for NBV of $2,045) of EV5 was written off at the same time. Details with respect to this transaction can be found in note 20 (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 and received a credit for the amount expended. This is reflected as a deduction of $695 in the electrical equipment section of the table 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 year ended October 31, 2017 are shown net of $396 (2016 – $120) of cost reimbursements received by the Company for assisting in the development of a satellite under construction.

Borrowing costs capitalized in the cost of certain assets were nil (2016 – $408 using an average capitalization rate of 8%).

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2016	$ 3,672	$ 8,880	$ 2,715	$ 19,924	$ 35,191
Transfers	47	(47)	-	(6,893)	(6,893)
Additions	76	43	-	-	119
at October 31, 2017	$ 3,795	$ 8,876	$ 2,715	$ 13,031	$ 28,417

Accumulated Amortization	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
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	289	503	-	41	833
Impairment (note 8)	232	1,924	1,026	4,900	8,082
at October 31, 2017	$ 3,633	$ 7,597	$ 2,029	$ 9,753	$ 23,012

Net Book Value	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2016	$ 560	$ 3,710	$ 1,712	$ 12,873	$ 18,855
at October 31, 2017	$ 162	$ 1,279	$ 686	$ 3,278	$ 5,405

Included in intangible assets is $2,804 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 licences of $686 (2016 – $1,712).

Borrowing costs capitalized in the cost of certain assets were nil (2016 – $260 using an average capitalization rate of 8%).

Significant individual assets included in the amounts above as at October 31, 2017 are as follows:

Description	Category		Carrying Amount	Remaining Amortization Period (Months)
De-collision software	Internally developed technology	$	847	123
Alora ground control software	Internally developed technology	$	327	41
Class B detection technology	Internally developed technology	$	55	42
Larus licence	Technology licence	$	168	84
Myriota licence	Technology licence	$	518	84
Harris data licence	Data rights	$	3,278	119

The Harris data licence represents access to data from the full constellation of Iridium Next. As these satellites are put into service, they begin depreciating on an individual satellite basis. The remaining amortization period is calculated based on the amortization taken to date as a percentage of the total expected amortization, applied to the useful life of the constellation.

8. IMPAIRMENT OF LONG-LIVED ASSETS

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

During fiscal 2017, the market capitalization of the Company has been frequently below the carrying value. Since the market capitalization is below the carrying value for a sustained period of time, this is considered an indicator of impairment. In particular during the fourth quarter of the fiscal year, the market capitalization declined significantly below the carrying value.

The recoverable amount used in the impairment test was based on fair value less cost to sell using a market approach determined using a market capitalization. The market capitalization, based on the five-day volume-weighted average price up to and including October 31, 2017, was $22,987. The carrying value, represented by the book value of the Company's shareholder's equity was $49,873. The carrying value was higher than the book value by $26,886 (2016 – $27,987). As a result, at October 31, 2017, impairment losses recognized are $18,804 (2016 – $17,728) related to property, plant and equipment and $8,082 (2016 – $10,259) related to intangible assets, allocated on a pro rata basis. The impairment amount has been recorded in the consolidated statement of loss and comprehensive loss. The effect of this is to write the carrying value of the Company down to the fiscal year-end market capitalization value. The market capitalization of the Company is considered a Level 1 measurement within the fair value hierarchy.

9. LOANS PAYABLE, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

a) Loans payable

Loans payable are comprised of the following:

		2017		2016
FED DEV (note 4)	$	1,087	$	1,437
Larus Technologies debt (note 9 b)		142		467
	$	1,229	$	1,904
Less: current portion of loans		567		716
Long-term loans payable	$	662	$	1,188

Principal repayments are due as follows:

For the years ending October 31		
2018	$	637
2019	$	492
2020	$	206

b) Financial instruments

Fair values

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

For the Company's cash, trade accounts receivable and accounts payable and accrued liabilities, the fair values approximate their respective carrying amounts due to their short-term maturities. The FED DEV loan, included in government loan payable, has a carrying value as at October 31, 2017 of $1,087 (2016 – $1,437), which approximates fair value as the loan was recorded at fair value when the cash was received, and the Company's borrowing rate has not materially 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 licence the Total::Insight™ IP from Larus Technologies Corporation ("Larus") for $700, payable in 24 equal monthly payments commencing April 15, 2016. During 2017, $350 was paid against the note payable (2016 – $204). The fair value of the Larus Technologies debt, which is interest-free, was calculated using the effective interest rate method to arrive at discounted cash flows with a discount rate of 8% indicative of the Company's borrowing rate. Imputed interest will be recognized over the remaining term as interest expense.

The Larus loan has a carrying value as at October 31, 2017 of $142 (2016 – $467), which approximates fair value as the loan was recorded at fair value when the cash was received, and the Company's borrowing rate has not changed during the year.

The Larus agreement also includes an option to purchase all the shares of Larus during the 24-month term of the agreement, and for the following six months. The option to purchase is currently valued at nil.

As at October 31, 2017, approximately 31% of cash, 84% of trade accounts receivable, and 21% of accounts payable and accrued liabilities are denominated in foreign currencies (2016 – 28%, 31%, and 28%, respectively). These foreign currencies include the US dollar, British pound and euro.

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

Currency		Cash		Trade Accounts Receivable		Accounts Payable and Accrued Liabilities
USD	$	322	$	1,777	$	263
GBP	£	136	£	46	£	194
EUR	€	1,253	€	391	€	74

Fair value hierarchy

The Company categorizes financial assets and liabilities recorded at fair value in the consolidated statements of financial position based on a fair value hierarchy. Fair values of assets and liabilities included in Level I are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data. The disclosure of both the fair value of the FED DEV loan and the Larus Technologies debt is considered to be a Level II measurement.

Foreign currency risk

Transaction exposure

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the Canadian dollar. The majority of the Company's revenue is transacted in Canadian dollars. Portions of the revenue are denominated in US dollars, British pounds and euros. The majority of salaries, purchases, certain operating costs and manufacturing overhead are incurred primarily in Canadian dollars.

Translation exposure

The Company's foreign operation is exactEarth Europe. The assets and liabilities of the foreign operations are translated from British pounds into Canadian dollars using the exchange rates in effect as at the dates of the consolidated statements of financial position. Unrealized translation gains and losses are recognized in "Other comprehensive income (loss)". The accumulated currency translation adjustments are recognized in income when there is a reduction in the net investment in the foreign operations.

Foreign currency risks arising from translation of assets and liabilities of foreign operations into the Company's functional currency are generally not hedged.

The majority of the Company's foreign exchange risk resides with US dollar, euro and British pound transactions. To evaluate the sensitivity of net income to potential changes in exchange rates, actual changes in exchange rates during the fiscal year were considered as an indicative range of potential changes in exchange rates as noted in the table below. The

rates were entered into models that show the valuation impact to customer contracts, cash balances and foreign currency denominated monetary balance sheet items.

For the year ended October 31, 2017

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

For the year ended October 31, 2016

Currency	Change in Exchange Rate vs CAD	Increase (Decrease) in Net Income
USD	+1%	$65
	-1%	($65)
EUR	+ 2%	$55
	- 2%	$(55)
GBP	+ 8%	$26
	- 8%	($26)

Interest rate risk

The Company's risk exposure to market interest rates relates primarily to new financing or renewals of existing financing arrangements. The Company's policy is to review its borrowing requirements on a continual basis and to enter into fixed or variable interest rate borrowing arrangements as required. Both the FED DEV loan and Larus loans are non-interest bearing loans recorded at amortized cost. Therefore, the Company is not exposed to fluctuations in interest rates.

Credit risk

Credit risk arises from the inability of customers to discharge their obligation to the Company. If one or more customers were to delay, reduce or cancel orders, the overall orders of the Company may fluctuate and could adversely affect the Company's operations and financial condition.

The maximum exposure to credit risk as at the consolidated statements of financial position dates is best represented by the carrying amount of the Company's trade accounts receivable and unbilled revenue. The Company is exposed to credit risk from the potential default by counterparties that carry the Company's cash, and attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions the Company transacts with meet these qualifications.

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

are non-interest bearing and are generally on 30- to 60-day payment terms. Seven customers comprise 67% of total trade accounts receivable as at October 31, 2017 (2016 – five customers comprised 67%).

The Company has reviewed its outstanding trade accounts receivable in detail and provided an allowance for doubtful accounts with respect to three customers. The aging profiles for the remaining customers are within historical expectations and have no apparent credit issues. The trade accounts receivable balance outstanding greater than 60 days past due as at October 31, 2017, but not impaired, is $1,389 (2016 – $646).

The carrying amount of trade accounts receivable is reduced through the use of an allowance account. An allowance of $354 (2016 – $393) was recognized in the consolidated statements of loss and comprehensive loss within "Selling, general and administrative" expenses for trade accounts receivable that were considered impaired as a result of delays in collection and credit issues. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts and trade accounts receivable. Subsequent recoveries of amounts previously written off are credited against "Selling, general and administrative" expenses.

The Canadian Imperial Bank of Commerce ("CIBC") has provided exactEarth 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 CIBC prime rate per annum. US dollar loans will also be available by way of overdraft. US interest will be calculated at the US base rate per annum. This credit facility may be terminated by CIBC at any time. There are no financial covenants established as yet, the necessity for specific covenants will be assessed in the future as financing needs of exactEarth continue to change and evolve. As at October 31, 2017, $27 (2016 – $234) was drawn on the CIBC credit facility in the form of Letters of Guarantee required for certain customer contracts.

Liquidity risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial assets (e.g., trade accounts receivable and other financial assets), liabilities (e.g., accounts payable and accrued liabilities and loans), and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank, and purchase contracts. The Company's policy is to ensure that adequate funding is available from operations, established lending facilities and other sources as required.

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

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

October 31, 2016	< 3 Months	3 to 12 Months	1 to 5 Years	Total
Government loan payable	$ 123	$ 369	$ 1,149	$ 1,641
Larus Technologies debt	87	263	146	496
Accounts payable and accrued liabilities	4,962	447	-	5,409
Restructuring provision	433	721	442	1,596
Long-term incentive plan liability	-	86	316	402
Total	$ 5,605	$ 1,886	$ 2,053	$ 9,544

10. CAPITAL MANAGEMENT

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

- to ensure that the Company maintains strong credit ratings and exceeds its borrowing covenants in order to support its business and maximize shareholder value; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk undertaken.

The Company monitors capital on a basis consistent with others in the industry, based on total debt to shareholders' equity. Capital is defined as shareholders' equity as presented in the consolidated statements of financial position, excluding "Accumulated other comprehensive income (loss)", and total debt is defined as the sum of short-term and long-term debt. The Company uses the percentage of total debt to total capital to monitor the capitalization of the Company. The Company is not subject to any capital requirements imposed by a regulator.

11. SHARE CAPITAL

Issued capital

The Company has authorized an unlimited number of preferred shares of which none are outstanding. The Company has authorized an unlimited number of common shares with no par value. As at October 31, 2017, the issued and outstanding shares total 21,614,120 (2016 – 21,605,506).

Details of share capital are as follows:

	Number of Shares	Value of Shares
Balance as at October 31, 2015	11,111,111	$ 55,120
Add: Share issuances	10,494,395	68,649
Less: Share repurchases	-	-
Balance as at October 31,2016	21,605,506	$ 123,769
Add: Share issuances	8,614	12
Less: Share repurchases	-	-
Balance as at October 31,2017	21,614,120	$ 123,781

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 year ended October 31,

2017, exactEarth granted nil (2016 – 1,428,222) stock options 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% and 30% basis over three years and have a contractual life of six years. Type two options vest on a 25% and 75% basis over two years and have a contractual life of six years. Type three options vest on a 40%, 30% and 30% basis in years three through five and have a contractual life of eight years. All stock options are accounted for as equity-settled awards.

The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Type One	Type Two	Type Three
Average risk-free interest rate	0.65%	0.63%	0.94%
Dividend yield	0%	0%	0%
Average volatility	77.1%	77.4%	74.4%
Average expected life of options (years)	4	3.75	6
Remaining contractual life	4.3	4.3	6.3
Weighted average fair value of options outstanding	$ 1.08	$ 1.06	$ 1.32
Weighted average exercise price of options outstanding	$ 6.50	$ 6.50	$ 6.50

Volatility was calculated using the historical volatility of comparable companies for the period commencing when those entities were publicly traded and corresponding to the expected life of each option type. The estimated fair value of the options is amortized to expense over the vesting periods of the options. For the year ended October 31, 2017, the stock-based compensation expense recognized was $362 (2016 – $371). This amount was added to contributed surplus. Vested options can be exercised prior to their expiry date. 123,047 options have vested as at October 31, 2017 (2016 – nil) with weighted average exercise price of $6.50.

A summary of the option activity is as follows:

	Stock Options
Balance as at October 31, 2015	-
Granted	1,428,222
Forfeited	(336,954)
Balance as at October 31, 2016	1,091,268
Granted	-
Forfeited	(843)
Balance as at October 31, 2017	1,090,425

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

Employee Share Purchase Plan

The ESPP expense amount for the year ended October 31, 2017 was $18 (2016 – $3). The estimated number of shares, if all outstanding ESPP shares were issued, is 432,110.

Long-term incentive plan

The following details the RSUs, PSUs and DSUs as at October 31, 2017:

	RSU	PSU	DSU
Share unit balance, beginning of period	410,424	33,725	89,355
Share units granted	-	-	154,861
Share units settled	(55,183)	-	-
Share units forfeited	(296)	-	-
Share unit balance, end of period	354,945	33,725	244,216
Aggregate fair value of units granted as at the end of the period	$ 376	$ 36	$ 284
Fair value of share units outstanding as at the end of the period	$ 1.06	$ 1.06	$ 1.06

The corresponding details as at October 31, 2016 were as follows:

	RSU	PSU	DSU
Share unit balance, beginning of period	-	-	-
Share units granted	479,964	54,997	89,355
Share units forfeited	(69,540)	(21,272)	-
Share unit balance, end of period	410,424	33,725	89,355
Aggregate fair value of units granted as at the end of the period	$ 607	$ 50	$ 132
Fair value of share units outstanding as at the end of the period	$ 1.48	$ 1.48	$ 1.48

For the year ended October 31, 2017, compensation expense of $245 (2016 – $402) was recognized for the Company’s LTIP.

Loss per share

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

	2017	2016
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	$ (33,834)	$ (35,963)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	21,614,120	18,881,551
Basic and diluted loss per share	$ (1.57)	$ (1.90)

There are 447,873 (2016 – 152,717) units that are antidilutive.

12. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company has incurred $182 (2016 – $178) in lease expenses during the year ended October 31, 2017. The Company has commitments under lease agreements as follows:

	Less than 1 Year	1 to 5 Years	After 5 Years
Facilities	$ 69	$ 319	$ -
Photocopier lease	2	8	-
Computer lease	24	-	-
Total	$ 95	$ 327	$ -

Capital commitments

As at October 31, 2017, capital commitments in respect of the purchase of property, plant and equipment were $3,298 (2016 – $4,598). There were no other material capital commitments outstanding as at October 31, 2016.

Harris commitment

As at October 31, 2017, there were eight Sea Smart AC units for the Iridium Next Constellation commissioned and in service. The Company is committed to pay an operational fee of USD$50 per unit per year to a maximum of USD$750 per quarter. This payment will continue for 12.5 years following the date at which all Sea Smart AC units are in service.

Harris Fees	Less than 1 Year	1 to 5 Years	After 5 Years
Operational fees payable	$ 516	$ 2,064	$ 3,870

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 year, datasets with a value of $618 were transferred to qualifying third parties and recognized as revenue. This commitment was satisfied as at January 31, 2017 as data assets with a total value at $3,666 were transferred to qualifying third parties under the terms of the arrangement, fulfilling final condition of the transfer agreement.

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 24-month term of the agreement, to pay a 30% royalty on the gross sales of products that are derived from the Larus Total::Insight™ technology. The technology is expected to be put in use in the second quarter of fiscal 2018 and royalty payments are expected to commence at that time.

Claims or legal actions

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

13. INCOME TAXES

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

	2017	2016
Current income tax expense	$ 24	$ 41
Deferred income tax expense:		
Origination and reversal of temporary differences	$ (8,768)	$ (8,648)
Losses not recognized	8,768	8,648
Deferred income tax expense	$ -	$ -
Total income tax expense	$ 24	$ 41

The Company's consolidated effective tax rate for the year ended October 31, 2017 was 0% (2016– 0%). The difference in the effective tax rates compared to the Company's statutory income tax rates were mainly caused by the following:

	2017	2016
Loss before income taxes	$ (33,810)	$ (35,922)
Statutory tax rate	26.5%	26.5%
Income taxes based on the statutory income tax rate	(8,960)	(9,519)
Losses not recognized	8,768	8,648
Permanent differences – other	192	294
Permanent differences – non-deductible impairment	-	577
Argentinian withholding taxes	24	41
Income tax expense	$ 24	$ 41

The Canadian statutory tax rate during fiscal 2017 was 26.5% (2016 – 26.5%).

The income tax expense of $24 (2016 – $41) represents a 15% withholding tax on revenue generated from Argentina. The Company has deemed the $24 to be unrecoverable and has recognized the amount as an expense.

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

	2017	2016
Taxable temporary differences	$ 26	$ 35
Property, plant and equipment and intangible assets	-	3,590
Non-capital losses	(26)	(3,625)
Total change in deferred income taxes	$ -	$ -

The deferred income tax asset (liability) recognized in the consolidated statements of financial position for the years ended October 31 is comprised of the following:

	2017	2016
Taxable temporary differences	$ (28)	$ (54)
Non-capital losses	28	54
Deferred income tax	$ -	$ -

For the purposes of the above table, deferred income tax assets are shown net of deferred income tax liabilities where these occur in the same entity and jurisdiction.

Deductible temporary differences and unused tax losses for which no deferred income tax assets have been recognized are attributable to the following:

		2017		2016
Canadian deductible temporary differences	$	1,093	$	2,024
Scientific research and experimental development ("SRED") pool	$	2,710	$	2,881
Property, plant and equipment and intangible assets	$	33,089	$	12,351
Canadian non-capital tax losses	$	53,403	$	41,142
Canadian capital tax losses	$	617	$	617
UK non-capital losses	$	2,121	$	1,931

These unused Canadian income tax losses expire from 2029 through 2037. The UK non-capital losses have an unlimited carry-forward period. The SRED pool does not expire.

Unrecorded ITCs are as follows:

		2017		2016
Federal	$	680	$	706
Ontario	$	166	$	174

These unrecorded ITCs expire from 2029 through 2035.

14. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the year ended October 31, 2017, the Company's contributions, which are based on the contributions by employees, were $190 (2016 – $264) and are included in "Cost of revenue" and "Selling, general and administrative" expenses in the consolidated statements of loss and comprehensive loss.

Long-term profit sharing plan

The Company had a long-term profit sharing plan for certain of its employees, which ceased at the time of the Company's spinout. During the year ended October 31, 2016, the amount recognized as a recovery based on the forecasted net income was $82. There was nil recovery in 2017. The long-term profit sharing plan expense previously recognized was reversed upon completion of the Spinout Transaction.

Salaries and benefits

Total salaries and employee benefits expense for the year ended October 31, 2017 were $6,387 (2016 – $8,699).

15. RELATED PARTIES

Compensation of key management personnel and Board of Directors

The following table includes compensation of the key management personnel and Board of Directors for the years ended October 31, 2017 and 2016, included in the consolidated statements of loss and

comprehensive loss. Key management personnel include the Company's Chief Executive Officer (CEO) and the executives who report directly to him.

		2017		2016
Short-term salaries and benefits	$	1,372	$	2,007
Post-employment benefits		29		23
Long-term incentive plans		163		289
Stock options		275		198
	$	1,839	$	2,517

Short-term salaries and benefits include expenses for base salaries, bonuses and other short-term benefit expenses. Post-employment benefits represent the Company's defined contribution pension plan.

Related parties

The following table details 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 years ended October 31:		2017		2016
Purchase of services	$	-	$	102
Purchase of property, plant and equipment	$	-	$	36
Rent	$	-	$	18
Interest charged by COM DEV	$	-	$	703

The following table details transactions and balances between the Company and Hisdesat, a shareholder that has significant influence through an equity investment.

For the years ended October 31:		2017		2016
Interest charged by Hisdesat	$	-	$	221
Revenue from Hisdesat	$	492	$	294
Directors' expenses	$	87	$	74

As at October 31:		2017		2016
Trade accounts receivable	$	242	$	-

On June 1, 2015, exactEarth recorded a payable to Hisdesat for the purchase of property, plant and equipment related to the Company's payload on the PAZ satellite. The accounts payable to Hisdesat was converted to share capital as of February 4, 2016. The accounts payable bore interest at 8%. For the year ended October 31, 2017, total interest charged with respect to this balance was nil (2016 – $100), which was capitalized through assets under construction. The agreement related to the PAZ satellite includes a commitment to pay a monthly operating fee of $20 to Hisdesat once the satellite is commissioned.

16. CONSTRUCTION CONTRACT REVENUE

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

	2017	2016
Percentage of completion revenue contracts		
Costs incurred	$ 75	$ 1,249
Estimated profits	73	1,328
Progress billings	(300)	(2,878)
Total contracts in progress	$ (152)	$ (301)
Disclosed as:		
Unbilled revenue	$ -	$ 665
Deferred revenue	(152)	(966)
Total contracts in progress	$ (152)	$ (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 in fiscal 2017 was $226 (2016 – $1,394).

17. SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

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

Revenue by product type

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

For the years ended October 31:	2017	2016
Subscription services	$ 10,617	$ 15,079
Data products	991	2,445
Other products and services	1,225	1,394
	$ 12,833	$ 18,918

Geographic information

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

For the years ended October 31:	2017	2016
Canada	$ 1,266	$ 8,619
United States	931	1,050
Europe	5,414	6,161
Other	5,222	3,088
	$ 12,833	$ 18,918

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.

As at October 31:	2017	2016
Property, plant and equipment		
Canada	$ 12,502	$ 31,218
United Kingdom	74	205
	$ 12,576	$ 31,423
Intangible assets		
Canada	$ 5,405	$ 18,855
United Kingdom	-	-
	$ 5,405	$ 18,855

For the year ended October 31, 2017, one customer had revenue in excess of 10% of the Company's total revenue (2016 - three customers). The details are as follows:

	2017		2016	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Customer 1	$ 1,605	13%	$ 5,379	28%
Customer 2	-	-	3,048	16%
Customer 3	-	-	2,444	13%
	$ 1,605	13%	$ 10,871	57%

18. SPINOUT TRANSACTION

COM DEV completed a Spinout Transaction of the Company's shares on February 4, 2016. At the date of the Spinout Transaction, COM DEV, Hisdesat and Company executives subscribed for an additional 3,144,615 common shares, in exchange for $20,440 in cash. The COM DEV and Hisdesat debt outstanding as of the date of the Spinout Transaction of $48,209 was converted into 7,349,780 common shares. COM DEV's investment in the Company was spun out to its existing shareholders. When the Spinout Transaction was completed, the Company became a reporting issuer in all of the Provinces of Canada and became subject to the continuous disclosure reporting requirements under the securities laws of each province.

19. RESTRUCTURING PROVISION

The Company underwent a restructuring in October 2016, and a restructuring provision was set up to provide for the salary continuance and RSU/PSU amounts due to the affected employees. As of October 31, 2017, there was $388 of restructuring provision remaining. The entire amount is recorded in current liabilities since the last payment is due in May 2018. The liability also includes RSUs that will be earned during their continuance period for certain terminated employees.

Two of the employees that were terminated in October 2016 have since found other suitable employment thereby enabling the Company to reduce the provision that needs to be carried forward. This adjustment of $74 was recorded in the third quarter.

The details of the restructuring provision are as follows:

As at October 31, 2016	$	1,596
Market revaluation of RSUs during 2017		(25)
Reduction related to terminated employees		(74)
Salary continuance		(1,109)
As at October 31, 2017	$	388

Represented by:		
Current	$	388
Long-term		-
	$	388

As part of the restructuring, the stock options granted to certain former employees will vest during the continuance period and the full expense of nil (2016 – $79) has been recognized and recorded in contributed surplus as at October 31, 2017.

20. 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 EV5	$	3,500
Total cost of EV5 satellite		4,633
Depreciation and impairment charged to EV5		(2,588)
Other income as reported	$	1,455

21. COMPARATIVE BALANCES

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