



**URTHECAST CORP.**  
**CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**(unaudited)**

**For the three and nine months ended September 30, 2019 and 2018**

**UrtheCast Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(unaudited)  
(in thousands of Canadian dollars)

As at	September 30, 2019	December 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 5,573	\$ 1,438
Restricted term deposits	237	8,058
Trade and other receivables (Note 6)	16,514	22,178
Prepaid expenses and deposits	713	1,128
	<u>23,037</u>	<u>32,802</u>
Assets held for sale (Note 5)	54,683	-
<b>Non-current assets</b>		
Restricted term deposits	-	234
Trade and other receivables (Note 6)	1,416	-
Property and equipment (Note 7)	3,898	32,425
Intangible assets (Note 8)	63,909	48,178
	<u>63,909</u>	<u>48,178</u>
<b>Total assets</b>	<u>\$ 146,943</u>	<u>\$ 113,639</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Trade and other payables	\$ 20,286	\$ 24,936
Income taxes payable	957	720
Bank and other loans (Note 9)	22,752	6,807
Current portion of long-term debt (Note 10)	-	10,252
Convertible debentures (Note 11)	7,921	4,852
Other financial liabilities (Note 13)	9,983	2,167
Deferred revenue	4,440	801
	<u>66,339</u>	<u>50,535</u>
Liabilities directly associated with assets held for sale (Note 5)	35,870	-
<b>Non-current liabilities</b>		
Long-term debt (Note 10)	6,368	20,274
Convertible debentures (Note 11)	7,822	7,406
Derivative financial instruments (Note 12)	10,336	6,415
Other financial liabilities (Note 13)	14,245	5,823
Deferred revenue	-	144
Deferred income tax liabilities (Note 4)	7,459	552
	<u>148,439</u>	<u>91,149</u>
<b>Total liabilities</b>	<u>148,439</u>	<u>91,149</u>
<b>Shareholders' equity</b>		
Share capital (Note 14)	221,407	219,356
Contributed surplus and other reserves	10,256	9,798
Accumulated other comprehensive income	7,276	7,198
Accumulated deficit	(240,435)	(213,862)
	<u>(1,496)</u>	<u>22,490</u>
<b>Total shareholders' equity</b>	<u>(1,496)</u>	<u>22,490</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 146,943</u>	<u>\$ 113,639</u>

Corporate Information and Going Concern (Note 1)

Commitments (Note 20)

Subsequent Events (Note 21)

The accompanying notes form an integral part of these consolidated financial statements

**UrtheCast Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(unaudited)

(in thousands of Canadian dollars, except for per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
		(Re-presented) (Note 5)		(Re-presented) (Note 5)
Revenue (Note 16(a))	\$ 4,429	\$ 1,225	\$ 13,912	\$ 6,019
Other operating income (Note 8(c))	377	172	927	404
	4,806	1,397	14,839	6,423
<b>Operating costs</b>				
Direct costs, selling, general and administrative expenses	5,650	4,764	16,632	16,438
Impairment of assets	-	744	-	744
Research expenditures	392	842	920	1,454
Depreciation and amortization	1,641	96	4,789	378
Share-based payments (Note 15)	1,082	1,108	2,046	1,985
	8,765	7,554	24,387	20,999
<b>Operating loss</b>	(3,959)	(6,157)	(9,548)	(14,576)
<b>Other income (expenses)</b>				
Finance income	2	35	11	120
Finance costs	(2,897)	(1,393)	(6,874)	(7,173)
(Loss) gain on derivative financial instruments (Note 18(a))	(7,733)	(1,802)	(4,627)	2,576
Foreign exchange (loss) gain	(691)	(298)	(1,420)	407
<b>Loss before income taxes</b>	(15,278)	(9,615)	(22,458)	(18,646)
Income tax recovery (expense)	398	(24)	982	(75)
<b>Net loss from continuing operations</b>	(14,880)	(9,639)	(21,476)	(18,721)
Net loss from discontinued operation (Note 5)	(18)	(6,890)	(5,097)	(22,119)
<b>Net loss</b>	(14,898)	(16,529)	(26,573)	(40,840)
<b>Other comprehensive income:</b>				
Items that may subsequently be reclassified to net loss:				
Foreign currency translation gain (loss)	365	(650)	78	251
<b>Comprehensive loss</b>	\$ (14,533)	\$ (17,179)	\$ (26,495)	\$ (40,589)
<b>Loss per common share, basic and diluted (Note 19)</b>	\$ (0.11)	\$ (0.13)	\$ (0.20)	\$ (0.33)
<b>Loss per common share, basic and diluted - continuing operations (Note 19)</b>	\$ (0.11)	\$ (0.08)	\$ (0.16)	\$ (0.15)

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**UrtheCast Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(unaudited)  
(in thousands of Canadian dollars)

Nine months ended September 30, 2019	Share capital (Note 14)	Reserves		Accumulated other comprehensive income	Accumulated deficit	Total
		Warrants	Contributed surplus			
December 31, 2018	\$ 219,356	\$ -	\$ 9,798	\$ 7,198	\$ (213,862)	\$ 22,490
Net loss for the period	-	-	-	-	(26,573)	(26,573)
Share-based payments (Note 15)	-	-	1,505	-	-	1,505
Shares issued for vested restricted share units	1,047	-	(1,047)	-	-	-
Shares issued on conversion of debentures (Note 11(b))	1,004	-	-	-	-	1,004
Foreign currency translation	-	-	-	78	-	78
September 30, 2019	\$ 221,407	\$ -	\$ 10,256	\$ 7,276	\$ (240,435)	\$ (1,496)

Nine months ended September 30, 2018	Share capital (Note 14)	Reserves		Accumulated other comprehensive income	Accumulated deficit	Total
		Warrants	Contributed surplus			
December 31, 2017	\$ 216,633	\$ 165	\$ 9,469	\$ 6,536	\$ (130,610)	\$ 102,193
Net loss for the period	-	-	-	-	(40,840)	(40,840)
Share-based payments (Note 15)	-	-	2,277	-	-	2,277
Shares issued for vested restricted share units	1,945	-	(1,945)	-	-	-
Shares issued on conversion of debentures	507	-	-	-	-	507
Warrants expired	-	(165)	165	-	-	-
Foreign currency translation	-	-	-	251	-	251
September 30, 2018	\$ 219,085	\$ -	\$ 9,966	\$ 6,787	\$ (171,450)	\$ 64,388

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**UrtheCast Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)  
(in thousands of Canadian dollars)

For the nine months ended	September 30, 2019	September 30, 2018 (Re-presented)
<b>Cash flows from (used in) operating activities</b>		
Net loss from continuing operations for the period	\$ (21,476)	\$ (18,718)
Items not affecting operating cash flows:		
Depreciation of property and equipment	808	378
Amortization of intangible assets	3,981	-
Impairment loss on assets	-	744
Share-based payments	2,046	1,985
Finance income	(11)	(120)
Finance costs	6,874	7,173
Unrealized gain on derivative financial instruments	4,547	(2,343)
Loss on disposal of property and equipment	14	72
Unrealized foreign exchange loss (gain)	882	(234)
Income tax (recovery) expense	(982)	74
Interest paid	(175)	(234)
Interest received	15	124
Changes in operating assets and liabilities	3,362	2,555
<b>Net cash used in continuing operating activities</b>	<b>(115)</b>	<b>(8,544)</b>
<b>Cash flows used in investing activities</b>		
Acquisition of Geosys, net of cash acquired (Note 4)	(5,202)	(6)
Acquisition of property and equipment	(18)	2
Expenditures on intangible assets	(5,938)	(7,801)
Proceeds from government grants	707	2,695
<b>Net cash used in continuing investing activities</b>	<b>(10,451)</b>	<b>(5,110)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from subscription receipts offering	-	19,537
Proceeds from issuance of convertible debentures (Note 11)	2,881	-
Proceeds from bank and other loans (Note 9)	23,378	7,244
Repayment of bank and other loans (Note 9)	(6,807)	(2,689)
Proceeds from long-term debt (Note 10)	664	1,060
Repayment of long-term debt (Note 10)	-	(19)
Reduction in other financial liabilities	(557)	-
Interest paid on bank and other loans and convertible debentures	(899)	(588)
Financing costs	(1,586)	(9,617)
Purchase of restricted term deposits as security	-	(6,124)
Redemption of restricted GIC as security	36	-
<b>Net cash from continuing financing activities</b>	<b>17,110</b>	<b>8,804</b>
<b>Net increase (decrease) in cash during the period, continuing operations</b>	<b>6,544</b>	<b>(4,850)</b>
<b>Net decrease in cash during the period, discontinued operation (Note 5)</b>	<b>(2,163)</b>	<b>(11,406)</b>
<b>Cash at beginning of year</b>	<b>1,438</b>	<b>23,206</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>4</b>	<b>329</b>
<b>Cash at end of period</b>	<b>\$ 5,823</b>	<b>\$ 7,202</b>
Cash attributable to continuing operations	\$ 5,573	\$ 7,202
Cash attributable to discontinued operation (Note 5)	\$ 250	-

The accompanying notes form an integral part of these consolidated financial statements

## **1. CORPORATE INFORMATION AND GOING CONCERN**

### **a) Corporate Information**

UrtheCast Corp. ("UrtheCast" or the "Company") is a Vancouver-based technology company that serves the rapidly growing and evolving geospatial and geo-analytics markets with a wide range of information-rich products and services. UrtheCast has designed and proposes to build and launch a satellite constellation designed to capture high-quality, medium-resolution optical imagery of the Earth's entire land mass (excluding Antarctica) everyday, called UrtheDaily™, and has developed advanced synthetic aperture radar technology for satellites, called OptiSAR™.

In January 2019, UrtheCast acquired Geosys, a digital agriculture company that provides a suite of geo-analytics products and services to agribusinesses around the world. The acquisition of Geosys (the "Geosys Acquisition") positions UrtheCast as a fully vertically-integrated geo-analytics solution provider for precision agriculture, able to integrate satellite imagery services with analytics.

The Company currently owns and operates two Earth Observation ("EO") satellites, Deimos-1 and Deimos-2. Imagery data from these sensors is continuously downlinked to ground stations around the world and distributed directly to partners and customers in multiple markets. UrtheCast also processes and distributes imagery data and value-added products on behalf of the PanGeo Alliance, a network of seven EO satellite operators with a combined 13 medium- and high-resolution EO sensors, led by Deimos Imaging, S.L.U., a wholly-owned subsidiary of UrtheCast. During the first quarter of 2019, the Company committed to a formal plan and commenced a bid process to sell all or substantially all of the assets of Deimos Imaging as further described in Note 5.

Common shares of UrtheCast trade on the Toronto Stock Exchange ("TSX") under the symbol "UR".

The Company's office and principal place of business is located at #33 - 1055 Canada Place, Vancouver, BC, V6C 0C3.

### **b) Going Concern**

These consolidated financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must estimate future cash flows for a period of at least, but not limited to, twelve months following the end of the reporting period by considering relevant information about the future.

The Company has a history of significant recurring operating losses, working capital deficiencies and insufficient cash flows from operations to fund its activities and continues to face significant liquidity challenges. Based on the Company's forecasted cash flows for the next twelve months, the Company's current cash flow from operations may not be sufficient to cover its commitments, obligations and operating costs for at least the next twelve months, which could have a negative impact on its ability to continue as a going concern. The Company monitors its risk of shortage of funds by monitoring forecasted and actual cash flows, maturity dates of existing financial liabilities and commitments as well as compliance with long-term debt and funding agreements and is actively managing its capital to ensure a sufficient liquidity position to finance its general and administrative, working capital and overall capital expenditures.

The Company will need to secure additional sources of financing or asset sales in order to obtain funds to pay for its ongoing costs of operations, service its working capital deficiency, meet its commitments to lenders, fund the development, build and launch of the UrtheDaily Constellation, and pay the remaining consideration to the vendor for the acquisition of Geosys.

In order to address its working capital deficiency, during the nine months ended September 30, 2019, the Company raised US \$15,000 from three secured term loan financings, US \$5,000 from an unsecured debenture financing, and secured a US \$10,000 receivables purchasing agreement to finance qualifying trade receivables. The Company also implemented significant cost reductions and committed to a formal plan to sell all or substantially all of its Spanish earth observation assets comprising the Deimos-1 and Deimos-2 satellites, operations and ground station assets, as further described in Note 5. The Company also expects Geosys to generate positive operating cash flows, specifically from the 13-year agreement to provide services to Land O'Lakes as further described in Note 4.

**UrtheCast Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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The Company is actively working towards securing financing arrangements in order to finance the UrtheDaily Constellation and is targeting to secure a binding commitment from potential institutional investors in the fourth quarter of 2019 which is also expected to provide additional liquidity for its general working capital needs.

The Company's ability to continue as a going concern is dependent upon its ability to generate cash flows from operations, asset sales, equity financings or through other arrangements, accretive acquisitions and/or new engineering contracts, and its ability to access new sources of financing for the UrtheDaily Constellation as described above. While the Company has been successful in arranging financing in the past, there can be no assurance that future financings will be completed on the terms currently being negotiated or at all. The Company is also seeking an amendment to the terms of the SADI funding agreement or waiver of certain requirements in order to regain compliance with the agreement as further described in note 10(b). While the Company expects to resolve the matter and on favourable terms, there can be no assurance that these efforts will be successful.

The above noted conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern or otherwise execute on its business strategies. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

## **2. BASIS OF PREPARATION**

### **a) Statement of Compliance**

Except as described in Note 3, these unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2018. These condensed interim consolidated financial statements were prepared in compliance with International Accounting Standards ("IAS") 34 - *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"), and therefore do not contain all of the disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018, which are available at [www.sedar.com](http://www.sedar.com).

These consolidated financial statements were authorized for issue by the Board of the Directors on November 14, 2019.

### **b) Critical Accounting Estimates and Judgments**

The preparation of these condensed interim consolidated financial statements requires management to make certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018 and below for additional judgments applied in these condensed interim consolidated financial statements.

#### **Fair Values of Assets and Liabilities Acquired in Business Combinations**

The fair value of net assets acquired is determined using valuation techniques that require estimation of replacement costs, future net cash flows and discount rates. As described in Note 4, the Company made a preliminary allocation of the purchase price to the estimated fair value of the identifiable assets and liabilities acquired, based on management's best estimates. The Company expects that the preliminary fair value allocation will change once an independent valuation has been completed and the changes may be material. In addition, the final purchase price allocation could change if new information is obtained about facts and circumstances that existed as of the acquisition date. While title over the Geosys IP, as described in Note 4, is to be transferred from Land O'Lakes to the Company on second closing of the acquisition, the Company has determined that sufficient control over the assets existed at the time of first closing and therefore included the estimated fair value of the Geosys IP in intangible assets within the preliminary purchase price allocation.

### **3. ADOPTION OF ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES**

The following describes the impact of adopting IFRS 16 *Leases* and other changes in accounting policies effective January 1, 2019.

#### **a) Leases**

The Company adopted IFRS 16 *Leases* on January 1, 2019 using the modified retrospective approach, which requires transitional adjustments, if any, to be recorded in retained earnings on the date of initial application without restating prior year comparatives. The Company elected to apply the optional practical expedients such that for any expired or existing leases it did not reassess lease classification, initial direct costs or whether any expired or existing contracts are or contain leases.

IFRS 16 replaced IAS 17 *Leases* and eliminated the current distinction between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires that nearly all leases be capitalized by the lessee, with an exemption for leases of very low value or of a short-term duration, resulting in an accounting treatment similar to finance leases under IAS 17.

#### ***Lessee Accounting***

The Company leases assets, including office premises, antenna equipment and office equipment.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets ("ROU assets") and lease liabilities for most leases on its balance sheet.

However, the Company elected to apply the optional practical expedient such that short-term leases with a remaining term not exceeding 12 months as at adoption date as well as leases where the underlying asset is of low value were not recognized as ROU assets. The Company expenses the lease payments associated with these leases in direct costs, selling, general and administrative expenses.

On adoption of IFRS 16, the Company recognized lease liabilities for leases which had previously been classified as operating leases under IAS 17, other than short-term leases and leases of low value assets. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as of January 1, 2019 of 12%. The lease liabilities are included in Other Financial Liabilities (Note 13).

The following table presents the reconciliation of operating lease commitments disclosed at December 31, 2018 to the recognized lease liabilities as of January 1, 2019:



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Operating lease commitments disclosed as of December 31, 2018	\$ 4,306
Recognition exemption	
Current leases with a lease term of 12 months or less (short-term leases)	(651)
Other	(165)
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(817)
<b>Lease liabilities due to initial application of IFRS 16 as of January 1, 2019</b>	<b>\$ 2,673</b>
Lease liabilities from finance leases as of January 1, 2019	5,934
<b>Lease liabilities as of January 1, 2019</b>	<b>\$ 8,607</b>
Current lease liabilities	\$ 597
Non-current lease liabilities	8,010
Lease liabilities as of January 1, 2019	<b>\$ 8,607</b>

The associated ROU assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the ROU assets at the date of initial application. The ROU asset is depreciated on a straight-line basis over the lease term or, if it is shorter, over the useful life of the leased asset. The provisions of IAS 36 concerning the determination and recognition of impairments of assets also apply to ROU assets. The ROU assets are included in Property and Equipment (Note 7).

For leases previously classified as finance leases, the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The initial application of IFRS 16 resulted in recording ROU assets in the amount of \$2,605 and lease liabilities in the amount of \$2,673 in the condensed interim consolidated statements of financial position as at January 1, 2019. There were no transitional adjustments recognized in opening retained earnings.

#### ***Lessor Accounting***

The accounting policies applicable to the Company as lessor are not different from those under IAS 17. However, when the Company is an intermediate lessor, if the head lease is a short-term lease that the Company has accounted for applying the short-term lease exemption, the sublease has been classified as an operating lease. Otherwise, the sub-leases are classified with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

#### **b) Non-current assets held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

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Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets on the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities on the balance sheet.

A discontinued operation is a component of the Company's business, the operations and cashflows of which can be clearly distinguished from the rest of the Company and which represents a separate major line of business or geographic area of operations and is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or is a subsidiary acquired exclusively with the view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When the operation is classified as a discontinued operation, the interim consolidated statements of loss and comprehensive loss are re-presented as if the operation had been discontinued from the start of the comparative year.

**c) Cash-settled Share Based Payments**

The Company adopted a phantom Share unit ("PSU") plan in June 2019, as further described in Note 15(c), and the PSUs are considered cash-settled share-based payments.

Share-based awards are measured at fair value on the date of the grant, which for PSUs is the greater of the closing market price of the Common Shares on the day prior to the grant and the volume weighted average price of the shares for the five trading days prior to the grant date. Subsequent to the date of grant, PSUs are re-measured at their fair value at each reporting period based on the closing market price of the Common Shares.

The fair value of PSUs that are expected to vest is recognized as share-based payments expense over the vesting period with a corresponding increase in liabilities. The fair value of each tranche is expensed on a graded basis over the vesting period. Management uses judgment to determine the number of PSUs that are expected to vest, which includes an estimation of expected forfeiture rates and satisfaction of performance conditions.

All cash-settled PSUs are recorded as a liability until redeemed. Upon settlement, vested PSUs are cancelled and the liability is reduced by the settlement amount.

**d) Basis of consolidation**

As a result of the acquisition of Geosys as described in Note 4, the following additional material entities have been consolidated within the Company's financial statements since the acquisition closing date.

Entity	Registered	Holding	Status
Geosys SAS	France	100% owned	Active
Geosys Australia PTY	Australia	100% owned	Active
Geosys Brasil Ltda.	Brazil	100% owned	Active
Geosys Europe SARL	Switzerland	100% owned	Active
Geosys Intl Inc.	USA	100% owned	Active
1185781 B.C. Ltd.	British Columbia, Canada	100% owned	Active

#### **4. ACQUISITION OF GEOSYS**

On November 7, 2018, the Company announced that it had entered into a definitive purchase agreement (the “Purchase Agreement”) with Land O’Lakes Inc. (“Land O’Lakes”) for the acquisition of its wholly owned subsidiary, Geosys Technology Holding LLC (“Geosys”), and certain of its intellectual property (the “Geosys IP”) related to software for accessing, processing, cataloguing and retrieving of images, on substantially the same terms set forth in the binding letter of intent announced on August 14, 2018. The acquisition of Geosys positions UrtheCast as a fully vertically-integrated geo-analytics solution provider for the precision agriculture market, able to integrate satellite imagery services with analytics.

On January 14, 2019, the Company completed the first closing of the acquisition of Geosys (the “Geosys Acquisition”). The aggregate cash purchase price of the Geosys Acquisition of US \$20,000 is payable in three installments. The Company paid US \$5,000 to Land O’Lakes for 100% of the ownership of Geosys on the first closing of the transaction, US \$5,000 is payable within nine months of the first closing (the “Second Instalment”) and US \$10,000 is payable on second closing upon transfer of the Geosys IP from Land O’Lakes prior to April 13, 2021. As described in Note 21(c), the Company received a deferral from Land O’Lakes with respect to the payment of the Second Instalment which became due in October 2019. The transfer is subject to the Company completing separation of the Geosys IP from Land O’Lakes’ intellectual property. The deferred consideration of US \$15,000 is measured at fair value on the acquisition date by discounting the future consideration at a discount rate of 13.5%.

On first closing, the Company also entered into a new 13-year agreement to provide Land O’Lakes with certain services currently provided by Geosys to Land O’Lakes with total annual fees payable to the Company in excess of US \$10,000 per year, and an increased rate at such time that the UrtheDaily Constellation is operational (the “Winfield SLA”). Land O’Lakes has also agreed to provide to the Company certain services and a license for the Geosys IP from the first closing until the second closing under an interim services agreement.

The Company has accounted for the acquisition as a business combination using the acquisition method. A preliminary allocation of the purchase price to the fair value of the identifiable assets and liabilities of Geosys at January 14, 2019 is presented in the table below. This preliminary allocation is based on management’s best estimates. Due to the complex technical nature of the assets, the Company intends to complete an independent valuation of the tangible and intangible assets acquired. Following the valuation, it is expected that the preliminary fair values allocated to the Geosys IP and other intangible assets, goodwill and deferred income taxes will change, and the changes may be material. In addition, the final purchase price accounting may vary from the amounts below as a result of new information obtained about facts and circumstances that existed as of the acquisition date.

**UrtheCast Corp.**

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	Preliminary Fair Values at Acquisition Date			
	USD		CAD	
Cash	\$	1,080	\$	1,433
Trade and other receivables		2,531		3,358
Prepaid expenses and deposits		482		640
Restricted term deposits		68		90
Property and equipment		1,762		2,338
Intangible assets		22,727		30,156
<b>Total assets</b>		<b>28,650</b>		<b>38,015</b>
Trade and other payables		2,671		3,544
Income taxes payable		215		285
Deferred revenue		873		1,158
Other financial liabilities		1,435		1,904
Deferred income tax liabilities		6,388		8,476
<b>Total identifiable net assets at acquisition date</b>	<b>\$</b>	<b>17,068</b>	<b>\$</b>	<b>22,648</b>
<b>Purchase consideration</b>				
Cash paid	\$	5,000	\$	6,635
Deferred consideration		12,068		16,013
<b>Total purchase consideration</b>	<b>\$</b>	<b>17,068</b>	<b>\$</b>	<b>22,648</b>

The Company revised the total purchase consideration to reduce the preliminary estimated working capital adjustment receivable of \$851 at March 31, 2019 to nil at June 30, 2019. The adjustment to the preliminary fair values at acquisition date resulted in an increase of \$1,216 to the intangible assets and increase of \$365 to deferred income tax liabilities.

The Company recorded acquisition costs of \$57 and \$65 during the three and nine months ended September 30, 2019, respectively. Acquisition costs, including legal, tax and other advisory fees, of \$719 were recorded during the year ended December 31, 2018.

The Company's consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2019 includes revenue of \$4,429 and \$13,911, respectively, and net loss of \$521 and \$405, respectively, contributed by Geosys after the acquisition date.

Had Geosys been acquired on January 1, 2019, based on management estimates, the Company's consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2019 would have included additional revenue of \$63 and \$482, respectively with respect to the acquired operations.

## 5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

In the first quarter of 2019, the Company committed to a formal plan and commenced a bid process to sell all or substantially all of the assets of Deimos Imaging comprising the Deimos-1 and Deimos-2 satellites, operations and ground station assets. Accordingly, the associated assets and liabilities have been classified as held for sale and are presented at the lower of their carrying amount and their fair value less costs to sell as at September 30, 2019. The Company ceased to depreciate Deimos Imaging's significant property and equipment and intangible assets effective April 1, 2019.

The comparative interim consolidated statements of loss and comprehensive loss and statements of cash flows have been re-presented to classify the discontinued operation separately from continuing operations. The Company continues to explore a viable transaction but there can be no assurance that a binding transaction will be entered into.

The following assets and liabilities were classified as held for sale at September 30, 2019:

	<u>September 30, 2019</u>
<b>Assets</b>	
Cash	\$ 250
Trade and other receivables (Note 6)	6,671
Prepaid expenses and deposits	294
Restricted term deposits	7,455
Property and equipment (Note 7(a))	27,229
Intangible assets (Note 8(b))	12,784
<b>Total assets of disposal group held for sale</b>	<u>54,683</u>
<b>Liabilities</b>	
Trade and other payables	(7,591)
Long-term debt (Note 10)	(22,137)
Other financial liabilities (Note 13)	(5,892)
Deferred revenue	(250)
<b>Liabilities directly associated with disposal group held for sale</b>	<u>(35,870)</u>
<b>Net assets directly associated with disposal group</b>	<u>\$ 18,813</u>

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The results of the discontinued operation for the three and nine months ended September 30, 2019 and 2018 were as follows:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenue	\$ 2,335	\$ 926	\$ 8,520	\$ 3,776
Other operating income	40	-	502	-
	<b>2,375</b>	<b>926</b>	<b>9,022</b>	<b>3,776</b>
Operating costs	(2,095)	(7,607)	(13,703)	(25,178)
Operating income (loss)	280	(6,681)	(4,681)	(21,402)
Finance and other costs, net	(298)	(336)	(951)	(1,105)
Loss before income taxes	(18)	(7,017)	(5,632)	(22,507)
Income tax recovery	-	127	535	388
<b>Net loss from discontinued operation</b>	<b>\$ (18)</b>	<b>\$ (6,890)</b>	<b>\$ (5,097)</b>	<b>\$ (22,119)</b>
<b>Loss per share, basic and diluted - discontinued operation</b>	<b>\$ -</b>	<b>\$ (0.06)</b>	<b>\$ (0.04)</b>	<b>\$ (0.18)</b>

The cash flow information for the discontinued operation for the three and nine months ended September 30, 2019 and 2018 is as follows:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net cash (used in) from operating activities	\$ (239)	\$ (461)	\$ 98	\$ (3,362)
Net cash used in investing activities	(3)	(6)	(3)	(54)
Net cash used in financing activities	(81)	(1,614)	(2,258)	(7,990)
<b>Net decrease in cash from discontinued operation</b>	<b>\$ (323)</b>	<b>\$ (2,081)</b>	<b>\$ (2,163)</b>	<b>\$ (11,406)</b>

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## 6. TRADE AND OTHER RECEIVABLES

	September 30, 2019	December 31, 2018
Unbilled revenue	\$ 15,647	\$ 18,028
Trade accounts receivable (a)	4,107	1,251
Sales tax and other receivables	2,513	1,777
Government funding receivable (Note 8(c))	2,334	1,122
Total trade and other receivables	24,601	22,178
Assets held for sale (Note 5)	(6,671)	-
	17,930	22,178
Current portion	(16,514)	(22,178)
Non-current portion	\$ 1,416	\$ -

### a) US \$10,000 Receivables Purchasing Agreement

On February 26, 2019, the Company signed a US \$10,000 receivables purchasing agreement (the “RPA”) with a working capital financing agent (“Financing Agent”) which allows the Company to finance certain qualifying trade receivables. The RPA requires the Company’s customer to remit payment to the Financing Agent’s collection account; however, the Company continues to service collection of the receivables. The financed trade receivables are derecognized in full at the time of purchase by the Factoring Agent as substantially all of the risks and rewards are considered to have been transferred by the Company.

In March 2019, the Company financed trade receivables under the Winfield SLA with a fair value of US \$2,525 and received advance proceeds of approximately US \$2,196, which represented 90% of the face value of the trade receivables, net of interest of \$22 and facility fees of \$55. The remaining 10% of the financed receivables were collected.

In May 2019, the Company financed further trade receivables under the Winfield SLA with a fair value of US \$2,525 and received advance proceeds of approximately US \$2,363 which represented 95% of the face value of the trade receivables, net of interest of \$35. The remaining 5% of the financed receivables were subsequently collected.

In August 2019, the Company financed further trade receivables under the Winfield SLA with a fair value of US \$2,525 and received advance proceeds of approximately US \$2,371 which represented 95% of the face value of the trade receivables, net of interest of \$28. At September 30, 2019, the remaining 5% of the financed receivables were outstanding from the Factoring Agent and were subsequently collected in October 2019.

## 7. PROPERTY AND EQUIPMENT

### a) Assets Held for Sale

As described in Note 5, during the first quarter of 2019, the Company committed to a formal plan and commenced a bid process to sell all or substantially all of the assets of Deimos Imaging comprising the Deimos-1 and Deimos-2 satellites, operations and ground station assets. At September 30, 2019, the disposal group was stated at the lower of carrying amount and fair value less costs to sell and the assets and liabilities related to the discontinued operation were reclassified as held for sale. Property and equipment related to Deimos Imaging of \$27,229, including the Deimos-1 and Deimos-2 satellites and related equipment, ROU assets of \$236, computer equipment and furniture and fixtures, were reclassified from property and equipment to assets held for sale at September 30, 2019.

### b) Right of Use Assets (“ROU Assets”)

As a result of the adoption of IFRS 16 on January 1, 2019 as described in Note 3, the Company recorded ROU assets and recognized lease liabilities for most leases which had been expensed as operating leases prior to January 1, 2019. At September 30, 2019, ROU assets, including ROU assets acquired in the Geosys Acquisition, relating to leases of office premises, antenna equipment and office equipment totalled \$3,245 (December 31, 2018 - nil).

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**c) Acquisition of Geosys**

As part of the Geosys Acquisition described in Note 4, the Company acquired property and equipment with an estimated fair value of \$2,338 which was comprised of ROU assets related to leases of office premises, furniture and fixtures and computer equipment.

## **8. INTANGIBLE ASSETS**

**a) Acquisition of Geosys**

As a result of the preliminary purchase price allocation for the Geosys Acquisition described in Note 4, the Company recognized intangible assets of \$30,156 on acquisition date, primarily related to the intellectual property associated with accessing, processing, cataloguing and retrieving of images.

**b) Assets Held for Sale**

At September 30, 2019, the intangible assets related to Deimos Imaging of \$12,784 consisting of technologies and software in use, customer relationships and trade names and patents were reclassified from intangible assets to assets held for sale as described in Note 5.

**c) Government funding**

The Company filed claims related to its Strategic Aerospace & Defence Initiative ("SADI") totalling nil and \$653 for the reimbursement of eligible costs incurred in the three and nine months ended September 30, 2019, respectively (three and nine months ended September 30, 2018 - \$699 and \$2,086, respectively) and the grant portion of the eligible costs of \$277 was recognized as a reduction of the intangible asset. A receivable of \$339 is included in trade and other receivables as at September 30, 2019 (December 31, 2018 - \$600) (Note 6). The Company received proceeds of nil and \$1,203 during the three and nine months ended September 30, 2019, respectively, of which nil and \$6 was recognized as a long-term repayable government loan (Note 10).

In July 2019, the Company signed a project funding agreement with Canada's Digital Technology Supercluster ("Supercluster") to receive up to approximately \$1,400 in non-repayable funding to reimburse costs incurred to advance development of its UrthePipeline ground segment systems. The Company filed claims under the Supercluster agreement totalling \$791 for the reimbursement of eligible costs incurred in the three and nine months ended September 30, 2019 which were credited against technologies and software in development.

The Company recognized claims under other Canadian government funding programs of \$502 and \$1,356 for eligible costs incurred during the three and nine months ended September 30, 2019, respectively (three and nine months ended September 30, 2018 - \$359 and \$1,936, respectively), of which \$429 was credited against technologies and software in development and \$927 was recognized as other operating income during the nine months ended September 30, 2019.

## **9. BANK AND OTHER LOANS**

	September 30, 2019	December 31, 2018
Secured US \$12,000 Term Loan (a)	\$ 15,445	\$ -
Secured US \$1,500 June Term Loan (b)	1,866	-
Secured US \$1,500 July Term Loan (c)	1,887	-
Unsecured \$3,620 September Debenture (d)	3,554	-
Unsecured demand promissory note (e)	-	6,807
	<b>\$ 22,752</b>	<b>\$ 6,807</b>

**a) US \$12,000 Term Loan**

On January 14, 2019, the wholly-owned subsidiary of the Company that acquired Geosys (the "Borrower") entered into a US \$12,000 term loan (the "US \$12,000 Term Loan") with a group of lenders led by Bolzano Investments Limited ("Bolzano") and



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1112099 B.C. Ltd. ("1112099"). The US \$12,000 Term Loan accrues interest at a rate of 14% per annum, has a maturity date of one year and is secured by all of the Geosys assets owned by the Borrower.

In satisfaction of conditions required by the lenders, (i) Bolzano appointed an independent director of UrtheCast pursuant to a board appointment right granted by the Company to Bolzano (Note 17 (b)); (ii) the Borrower agreed to pay Bolzano a finance fee in the amount of US \$180 and the Company agreed to issue to Bolzano 19,800,000 common share purchase warrants of UrtheCast having a maturity date of May 25, 2023 and an exercise price of \$0.48 per common share; (iii) each UrtheCast director agreed to defer cash compensation from January 1, 2019 to June 30, 2019; and (iv) certain UrtheCast directors and executives agreed to contribute a minimum aggregate principal amount of US \$700, including other funds sourced by such directors and executives from investors acceptable to the lenders, on substantially the same terms as the US \$12,000 Term Loan or on such other terms acceptable to the lenders in consideration for a number of common share purchase warrants of UrtheCast proportionate to the number of common share purchase warrants that UrtheCast agreed to issue to Bolzano. The Company issued a total of 22,275,713 common share purchase warrants effective January 30, 2019 (the "Term Loan Warrants"), including the warrants issued to Bolzano, 660,000 warrants to 1112099 and 1,815,713 warrants to certain directors and officers. The Term Loan Warrants are accounted for as a derivative warrant liability as they do not meet the criteria for equity classification under IFRS as further described in Note 12(a). The initial fair value of the derivative warrant liability was recognized as deferred finance costs, along with the US \$180 finance fee and legal fees of US \$25, which were deducted against the debt liability and are being amortized as finance costs over the term of the loan.

Approximately US \$7,900 of the US \$12,000 Term Loan was advanced on January 14, 2019, US \$5,000 was used to repay the previously issued US \$5,000 unsecured demand promissory note dated September 28, 2018 to 1112099 described in (b) below and US \$2,500 was used to fund the first installment of the Geosys Acquisition. The balance of the US \$12,000 Term Loan from Bolzano was advanced on January 30, 2019 upon the satisfaction of certain conditions required by the lenders, including the completion of definitive documentation relating to the security of the US \$12,000 Term Loan and the lenders' conditions described above, and was available for general corporate purposes.

In connection with the US \$1,500 June Term Loan described in (b), the terms of the US \$12,000 Term Loan were amended to increase the interest rate from 14% to 17% per annum effective June 26, 2019 and include any net proceeds from the proposed sale of the Company's Deimos assets, if and when such a sale is completed, as security.

**b) Secured US \$1,500 June Term Loan**

On June 27, 2019, the Borrower entered into an additional US \$1,500 term loan (the "June Term Loan") with Bolzano. The June Term Loan accrues interest at a rate of 17% per annum, has a maturity date of January 15, 2020 and is secured by all of the Geosys assets owned by the Borrower and any net proceeds from the proposed sale of the Company's Deimos assets, if and when such a sale is completed.

In satisfaction of conditions required by the lender, the Borrower agreed to pay Bolzano a finance fee in the amount of US \$45 and the Company agreed to issue to Bolzano 10,560,000 common share purchase warrants of UrtheCast having a maturity date of June 26, 2024 and an exercise price of \$0.48 per common share.

**c) Secured US \$1,500 July Term Loan**

On July 26, 2019, the Borrower entered into a US \$1,500 term loan (the "July Term Loan") with Lunar Ventures Inc. ("Lunar") on the same terms as the June Term Loan. The July Term Loan accrues interest at a rate of 17% per annum, has a maturity date of January 15, 2020 and is secured by all of the Geosys assets owned by the Borrower and any net proceeds from the proposed sale of the Company's Deimos Imaging business or assets, if and when such a sale is completed.

In satisfaction of conditions required by the lender, the Borrower agreed to pay Lunar a finance fee of US \$45 and the Company issued to Lunar 10,560,000 common share purchase warrants of UrtheCast having a maturity date of June 26, 2024 and an exercise price of \$0.48 per common share, subject to adjustment in certain circumstances.

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**d) Unsecured \$6,600 Debenture Financing**

On September 11, 2019, the Company closed a \$6,600 (US \$5,000) financing (the “\$6,600 Debenture Financing”) with Vine Rose Limited (“Vine Rose”), consisting of a senior unsecured convertible debenture of the Company in the principal amount of \$2,980 (the “September Convertible Debenture”) (Note 11) and a senior unsecured non-convertible debenture of the Company in the principal amount of \$3,620 (the “September Debenture”).

The September Debenture accrues interest at a rate of 17% per annum and has a maturity date of October 31, 2019.

The September Convertible Debenture accrues interest at a rate of 17% per annum, has a maturity date of October 31, 2019 and is convertible into common shares of the Company (“Common Shares”) at the option of the Lender, at any time prior to the maturity date at a conversion price equal to \$0.32 per Common Share (the “Original Conversion Price”). The Original Conversion Price is subject to adjustment in certain circumstances, including if the Company issues any Common Shares or securities convertible into Common Shares (other than pursuant to its equity incentive plan) at a lower price, in which case the conversion price shall be reduced to such lower price but not less than \$0.24, subject to approval from the TSX.

In connection with the financing, the Company paid Vine Rose a 3% finance fee in the amount of US \$150 which was allocated on a pro-rata basis against the carrying value of each debenture.

**e) Unsecured Demand Promissory Note**

On September 28, 2018, the Company obtained a US \$5,000 unsecured demand promissory note from the backstop party which had an interest rate of 14% per annum, payable quarterly in arrears. The unsecured demand promissory note was repaid on January 14, 2019 as described in (a) above.

## 10. LONG-TERM DEBT

	September 30, 2019	December 31, 2018
Spanish Term Loan (a)	\$ 20,991	\$ 24,133
Financing fees	(130)	(228)
Government loans (b)	7,644	6,621
Total long-term debt	28,505	30,526
Long-term debt directly associated with assets held for sale (Note 5)	(22,137)	-
	6,368	30,526
Current portion	-	(10,252)
Non-current portion	\$ 6,368	\$ 20,274

**a) Spanish Term Loan**

On December 11, 2015, UrtheCast Imaging obtained a loan of €25,000 from a Spanish bank (the “Spanish Term Loan”). The loan, which is secured by the shares of UrtheCast Imaging and its subsidiaries, has a five-year term and will accrue interest, payable twice per year, at the 6-month Euro Interbank Offered Rate (“EURIBOR”), which shall be deemed to be no less than 0%, plus 2.6% per annum. During 2016, UrtheCast Imaging entered into an interest rate swap with the lender, which effectively fixed the EURIBOR rate at 0.19%. The fair value of the interest rate swap at September 30, 2019 of \$95 (December 31, 2018 - \$100) is included in Other Financial Liabilities (Note 13).

The loan is repayable in annual instalments of €4,000 over the first four years and €9,000 is repayable on the maturity date. The loan has a principal balance outstanding of €14,500 at September 30, 2019 (December 31, 2018 - €15,500).

Under the loan agreement, UrtheCast Imaging, at a consolidated level, is required to meet certain financial covenants consisting of a leverage ratio and a debt coverage ratio annually as at December 31 until maturity. In addition, under the loan agreement, UrtheCast Imaging is required to fund a Debt Service Reserve Account (“DSRA”) up to a maximum of €1,000 per year when EBITDA falls within certain thresholds. No DSRA funding has been required to date.

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UrtheCast Imaging was in compliance with the annual debt coverage ratio at December 31, 2018 and received a waiver from the lender in respect of compliance with the annual leverage ratio covenant at December 31, 2018. The lender agreed to defer €2,500 of the €4,000 principal payment which was due on December 11, 2018. The Company repaid €1,000 during the six months ended June 30, 2019 and the remaining €1,500 was deferred further by the Spanish lender to September 30, 2019. Subsequently, a further partial deferral of €1,350 was granted by the Spanish lender to January 31, 2020 as further described in Note 21(b).

**b) Government Loans**

Government loans consist of interest-free or low-interest loans provided by Spanish government agencies and the SADI loan described in Note 8(c), which are recorded at amortized cost. The loans are repayable in semi-annual or annual instalments ending in 2037.

In connection with some of its financing requirements, the Company was required to reduce and terminate its existing revolving demand credit facility with RBC and therefore is no longer in compliance with the terms of the SADI funding agreement. While the Company has not received default notice from SADI, management is currently seeking an amendment to the terms of the SADI funding agreement and/or a waiver of this requirement from the Government of Canada, or additional financing. While the Company expects to resolve this matter and on favourable terms, there can be no assurance that these efforts will be successful and that outstanding and future claims will be collected.

## **11. CONVERTIBLE DEBENTURES**

The following table summarizes the changes in the convertible debentures from January 1, 2018 to September 30, 2019:

	Principal Amount	Carrying Value
<b>Balance at January 1, 2018</b>	<b>\$ -</b>	<b>\$ -</b>
Principal amount of convertible debentures on issuance (a)	26,676	26,676
Fair value allocated to embedded derivative components (Note 12)	-	(14,324)
Fair value allocated to warrant liabilities (Note 12)	-	(2,808)
Transaction costs allocated to host liability	-	(1,025)
Debentures converted into Common Shares (b)	(774)	(246)
Accretion expense (c)	-	3,985
<b>Balance at December 31, 2018</b>	<b>\$ 25,902</b>	<b>\$ 12,258</b>
Principal amount of convertible debentures on issuance (9(d))	2,980	2,980
Transaction costs allocated to host liability	-	(99)
Debentures converted into Common Shares (b)	(1,733)	(658)
Accretion expense (c)	-	1,262
<b>Balance at September 30, 2019</b>	<b>27,149</b>	<b>15,743</b>
<b>Current portion (a)</b>	<b>(7,981)</b>	<b>(7,921)</b>
<b>Non-current portion</b>	<b>\$ 19,168</b>	<b>\$ 7,822</b>

**a) Issuance of Convertible Debentures**

The Company closed a private placement of 76,217,260 Subscription Receipts on May 3, 2018 which were sold at a purchase price of \$0.35 for total gross proceeds of \$26,676 which were placed in escrow on closing. The Subscription Receipts were sold through a combination of a brokered private placement for gross proceeds of \$20,659 and non-brokered private placement for gross proceeds of \$6,017 (together, the "Private Placement").

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The Subscription Receipts converted into non-interest bearing, unsecured senior convertible debentures in the principal amount of \$26,676 or \$0.35 per debenture (the “Debentures”) and 41,681,302 common share purchase warrants (the “Private Placement Warrants”) upon qualification for distribution.

On December 14, 2018, the Company entered into an amendment to the Escrow Release and Amending Agreement pursuant to which the debenture holder extended the date by which the Company must meet the first drawdown conditions under the Credit Agreement from December 31, 2018 until February 28, 2019 in consideration for a payment of \$50. On February 28, 2019, the debenture holder extended the date to April 30, 2019 in consideration for \$50 and a general security agreement over the Borrower’s assets. Further extensions were granted to August 31, 2019 and subsequently to December 31, 2019.

As a result, the carrying value of the non-derivative host liability of \$5,001 relating to the Interest-bearing Debentures has been classified as a current liability at September 30, 2019. Also, the fair values of the associated embedded derivative of \$1,554 and derivative warrant liability of \$249 at September 30, 2019 have been classified as current liabilities and presented within Other Financial Liabilities (Note 13).

**b) Conversion of Debentures into Common Shares**

During the nine months ended September 30, 2019, Debentures with a principal amount of \$1,733 were converted into 5,415,625 Common Shares. The debt host liability was reduced by the proportionate carrying value of the debentures on the conversion date of \$657 and the embedded derivative component was reduced by the conversion date fair value of \$347. The Company recognized the reclassification from financial liability to Common Shares at the aggregate carrying amount of the host liability and fair value of the embedded derivative component of \$1,004 (Note 14) in accordance with its accounting policy.

**c) Accretion Expense**

Accretion expense of \$413 and \$1,262 was recorded in finance costs during the three and nine months ended September 30, 2019, (three and nine months ended September 30, 2018 - \$405 and \$518, respectively), calculated using an effective interest rate of 19.2% (2018 - 19.2%). The Company also recognized \$209 and \$509 of interest expense on the Interest-bearing Debentures during the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 - \$211).

**d) Valuation**

The embedded derivatives and derivative warrant liability were measured first at their fair values on the date of initial recognition upon the release of proceeds to the Company and recorded separately. The debt host liability was measured at the residual value after deducting the fair values attributable to the embedded derivatives and derivative warrant liability from the total transaction price of the Convertible Debentures. The proceeds from the Debentures were bifurcated between the host debt liability and these derivative components on their respective dates of initial recognition.

The Company used a third-party valuation expert that applied FinCAD’s convertible bond model to value the Embedded Derivates upon initial measurement and subsequently.

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The key assumptions used in the model at September 30, 2019 are as follows:

	Debentures issued May and June 2018	Interest-bearing Debentures issued July 2018	Convertible Debentures issued September 2019 (i)
Share price	\$0.17	\$0.17	\$0.17
Risk-free interest rate	1.42%	1.42%	1.65%
Term to maturity (years)	4.7	4.7	0.1
Expected volatility	54.02%	54.02%	68.58%
Implied credit spread	36.42%	36.42%	36.42%
Probability of a downward adjustment to conversion price	25%	25%	25%
Fair value of embedded derivative	\$0.109	\$0.109	nil

The expected volatility rate was derived from the Company's historical volatility and adjusted for a 40% discount to reflect an estimated implicit volatility discount based on implicit discounts observed in the prices of traded warrants on the TSX.

(i) On date of initial recognition and at September 30, 2019, the fair value of the embedded derivative of the September Convertible Debenture was estimated to be nil as the conversion feature was unlikely to be exercised given the short term to maturity and that the conversion price was significantly higher than the share price on date of initial recognition of \$0.15 and at September 30, 2019 of \$0.17, respectively.

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## 12. DERIVATIVE FINANCIAL INSTRUMENTS

The following table reflects the continuity of the derivative financial instruments classified as non-current liabilities from January 1, 2018 to September 30, 2019:

	Embedded Derivatives (Note 13)	Derivative Warrant Liabilities (a)	Total
<b>Balance at January 1, 2018</b>	\$ -	\$ -	\$ -
Fair value allocated on issuance of convertible debentures	14,324	2,808	17,132
Fair value on issuance of Backstop Fee Warrants	-	3,460	3,460
Fair value on issuance of Lender Warrants (a)(i)	-	975	975
Fair value of debentures converted into Common Shares	(320)	-	(320)
Change in fair value	(9,321)	(4,441)	(13,762)
<b>Balance at December 31, 2018</b>	<b>4,683</b>	<b>2,802</b>	<b>7,485</b>
Fair value on issuance of Term Loan Warrants	-	507	507
Fair Value on issuance of June Term Loan Warrants	-	50	50
Fair Value on issuance of July Term Loan Warrants	-	123	123
Fair value of debentures converted into Common Shares (Note 11(b))	(347)	-	(347)
Change in fair value	3,186	1,135	4,321
<b>Balance at September 30, 2019</b>	<b>7,522</b>	<b>4,617</b>	<b>12,139</b>
<b>Current portion (Note 11(a))</b>	<b>(1,554)</b>	<b>(249)</b>	<b>(1,803)</b>
<b>Non-current portion</b>	<b>\$ 5,968</b>	<b>\$ 4,368</b>	<b>\$ 10,336</b>

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**a) Derivative Warrant Liabilities**

The following table reflects the continuity of warrants from January 1, 2018 to September 30, 2019:

	Number of Warrants	Fair Value	Weighted Average Exercise Price
<b>Balance at January 1, 2018</b>	-	\$ -	\$ -
Issuance of Private Placement Warrants	41,681,302	2,808	0.48
Issuance of Backstop Fee Warrants	23,617,500	3,460	0.15
Issuance of Lender Warrants (i)	14,275,172	975	0.48
Change in fair value	-	(4,441)	-
<b>Balance at December 31, 2018</b>	<b>79,573,974</b>	<b>\$ 2,802</b>	<b>\$ 0.38</b>
Issuance of Term Loan Warrants (ii)	22,275,713	507	0.48
Issuance of June Term Loan Warrants (iii)	10,560,000	50	0.48
Issuance of July Term Loan Warrants (iv)	10,560,000	123	0.48
Change in fair value	-	1,135	-
<b>Balance at September 30, 2019</b>	<b>122,686,687</b>	<b>\$ 4,617</b>	<b>\$ 0.42</b>

No warrants were exercised during the three and nine months ended September 30, 2019 and 2018.

The warrants described below are considered a derivative instrument and classified as financial liabilities at FVTPL as they do not meet the criteria for equity classification under IFRS. The warrants are initially measured at fair value and subsequent changes in fair value are recorded through the consolidated statements of loss and comprehensive loss.

Each warrant is exercisable at an exercise price of \$0.48 for one Common Share of the Company for a period of five years following issuance of the warrant. The exercise period can be accelerated at the option of the Company if the closing share price of the Common Shares of the Company equals or exceeds 250% of the exercise price for at least 20 consecutive trading days. The exercise price is subject to downward adjustment to a lower exercise price to match the lower issue price for shares issued during the life of the warrants, subject to a floor of \$0.32. Warrant holders have a cashless exercise option that if exercised, may elect to receive the number of Common Shares equal to the difference between the aggregate exercise price and aggregate market price at time of exercise divided by the market price at time of exercise.

**(i) Lender Warrants**

The Company issued 14,275,172 common share purchase warrants (the "Lender Warrants") to the senior lenders of the US \$142,000 credit agreement (the "Credit Agreement") dated May 18, 2018 to finance the UrtheDaily Constellation project on similar terms as the warrants described above. On February 13, 2019, as part of a mutual termination agreement to terminate the Credit Agreement, the Company agreed that in lieu of all termination fees otherwise payable under the Credit Agreement, the Lender Warrants will become exercisable upon alternative financing for the UrtheDaily Constellation being secured and drawn down, subject to approval from the TSX. In addition, the Company agreed to pay the expenses of the senior lenders in connection with the Credit Agreement in the amount of approximately \$325.

**(ii) Term Loan Warrants**

In connection with the secured US \$12,000 Term Loan described in Note 9(a), on January 30, 2019, the Company issued a total of 22,275,713 common share purchase warrants of UrtheCast, including 19,800,000 warrants to Bolzano, 660,000 warrants to 1112099 and 1,815,713 warrants to certain directors and officers. The Term Loan Warrants have a maturity date of May 25, 2023, an exercise price of \$0.48 per common share and have the same terms as described above.

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**(iii) US \$1,500 June Term Loan Warrants**

In connection with the secured US \$1,500 Term Loan described in Note 9(b), on June 26, the Company issued a total of 10,560,000 common share purchase warrants of UrtheCast to Bolzano (the “June Term Loan Warrants”). The US \$1,500 June Term Loan Warrants have a maturity date of June 26, 2024, an exercise price of \$0.48 per common share and have the same terms as described above.

**(iv) US \$1,500 July Term Loan Warrants**

In connection with the secured US \$1,500 July Term Loan described in Note 9(c), on July 26, the Company issued a total of 10,560,000 common share purchase warrants of UrtheCast to Lunar (the “July Term Loan Warrants”). The US \$1,500 Term Loan Warrants have a maturity date of June 26, 2024, an exercise price of \$0.48 per common share and have the same terms as described above.

**(v) Valuation**

The Company used a third-party valuation expert that applied FinCAD’s single barrier options model, which incorporates the Black-Scholes option pricing approach, to value the warrants upon initial measurement and subsequently at September 30, 2019.

The key assumptions used in the model at the date of initial recognition for the warrants issued during the nine months ended September 30, 2019 are as follows:

	Term Loan Warrants	June Term Loan Warrants	July Term Loan Warrants
Share price	\$0.16	\$0.11	\$0.12
Exercise price	\$0.48	\$0.48	\$0.48
Risk-free interest rate	1.83%	1.40%	1.39%
Term to maturity (years)	5.0	5.0	5.0
Expected volatility	52.51%	53.94%	52.55%
Probability of a downward adjustment to conversion price	25%	25%	25%
Fair value of warrant	\$0.023	\$0.005	\$0.012

The key assumptions used in the model at September 30, 2019 are as follows:

	Private Placement Warrants	Private Placement Warrants (July 2018)	Backstop Fee Warrants	Lender Warrants	Term Loan Warrants	June Term Loan Warrants	July Term Loan Warrants
Share price	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17
Exercise price	\$0.48	\$0.48	\$0.15	\$0.48	\$0.48	\$0.48	\$0.48
Risk-free interest rate	1.47%	1.47%	1.47%	1.47%	1.47%	1.47%	1.47%
Term to maturity (years)	3.75	3.75	3.75	3.75	3.75	4.75	4.75
Expected volatility	56.18%	56.18%	56.18%	56.18%	56.18%	56.18%	56.18%
Probability of a downward adjustment to conversion price	25%	25%	25%	25%	25%	25%	25%
Fair value of warrant	\$0.032	\$0.032	\$0.058	\$0.032	\$0.032	\$0.036	\$0.036

The expected volatility rate was derived from the Company’s historical volatility and adjusted for a 40% discount to reflect an estimated implicit volatility discount based on implicit discounts observed in the prices of traded warrants on the TSX.



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### 13. OTHER FINANCIAL LIABILITIES

	September 30, 2019	December 31, 2018
Deferred consideration related to the Geosys Acquisition (Note 4)	\$ 17,535	\$ -
Lease liabilities (a)	9,368	5,934
Derivative financial instruments (Note 18(a))	3,057	2,056
Other financial liabilities	160	-
Total other financial liabilities	30,120	7,990
Other financial liabilities directly associated with assets held for sale (Note 5)	(5,892)	-
	24,228	7,990
Current portion	(9,983)	(2,167)
Non-current portion	\$ 14,245	\$ 5,823

#### a) Lease liabilities

The Company has commitments under a Service Level Agreement and Option Agreement for the purchase of assets, pursuant to the original share purchase and sale agreement for the acquisition of Deimos Imaging in 2015. These commitments are being accounted for as a finance lease as they confer the right to use the assets with an option to purchase in 2020. The share purchase and sale agreement provided for a contingent increase of the purchase price of €3,200 should the Company not exercise the option to purchase the assets in 2020. The assets are included in assets held for sale (Note 5) with a carrying amount of \$2,777 at September 30, 2019. The Company has future minimum lease payments of \$5,573 which are payable in 2020.

As described in Note 3, on adoption of IFRS 16, the Company recognized lease liabilities for leases which had previously been classified as operating leases under IAS 17, other than short-term leases and leases of low value assets. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as of January 1, 2019 of 12%.

### 14. SHARE CAPITAL

The authorized share capital of UrtheCast Corp. includes an unlimited number of Common Shares with no par value. The holders of Common Shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

On June 26, 2019, the Company modified its authorized share capital by creating a new class of unlimited number of preferred shares with certain rights and restrictions to be determined by the Board at a future date. No preferred shares have been issued.

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The following is a summary of changes in the Company's share capital from January 1, 2018 to September 30, 2019:

	Number of Shares	Amount
<b>Balance at January 1, 2018</b>	121,265,933	\$ 216,633
Shares issued upon vesting of Restricted Share Units	3,630,134	2,157
Shares issued on conversion of debentures	2,418,750	566
<b>Balance at December 31, 2018</b>	<b>127,314,817</b>	<b>\$ 219,356</b>
Shares issued upon vesting of Restricted Share Units (Note 15(b))	2,199,165	1,047
Shares issued on conversion of debentures (Note 11(b))	5,415,625	1,004
<b>Balance at September 30, 2019</b>	<b>134,929,607</b>	<b>\$ 221,407</b>

## 15. SHARE-BASED PAYMENTS

The Company has an equity incentive plan (the "Equity Incentive Plan") that enables it to grant stock options and restricted share units ("RSUs") to its directors, employees, consultants and advisors up to a maximum of 15% of the issued and outstanding Common Shares on the date of the grant. The Company also has a phantom share unit plan that enables it to grant cash-settled PSUs to its employees.

The total expense arising from share-based payment transactions in the three and nine months ended September 30, 2019 was \$1,082 and \$2,046, respectively (three and nine months ended September 30, 2018 - \$1,063 and \$2,112, respectively. In addition, share-based payments associated with internal engineering staff involved in development activities of \$53 and \$165, respectively, were capitalized in the three and nine months ended September 30, 2018).

### a) Stock Options

The exercise price of stock options granted is determined based on the greater of the closing market price of the Common Shares on the day prior to the grant and the volume weighted average price of the shares for the five trading days prior to the grant date. Stock options vest equally over three years and expire after five years. No stock options were granted or exercised during the three and nine months ended September 30, 2019 or 2018.

The following table reflects the continuity of stock options for the nine months ended September 30, 2019 and 2018:

	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
<b>Outstanding, beginning of year</b>	4,321,500	\$ 0.97	5,867,168	\$ 1.43
Granted	-	-	100,000	0.29
Forfeited	(844,000)	1.01	(1,743,334)	1.45
Expired	(427,500)	1.22	(534,334)	1.77
<b>Outstanding, end of period</b>	<b>3,050,000</b>	<b>\$ 0.92</b>	<b>3,689,500</b>	<b>\$ 1.34</b>
<b>Vested, end of period</b>	<b>1,827,335</b>	<b>\$ 1.16</b>	<b>2,176,836</b>	<b>\$ 1.46</b>

### b) Restricted Share Units

Participants are entitled to receive one Common Share of the Company for each vested RSU. RSUs generally vest over a two or three year period in six-month or annual increments, except for RSUs granted to directors and certain consultants, which vest immediately. RSUs are valued at the greater of the closing market price of the Common Shares on the day prior to the grant and the volume weighted average price of the shares for the five trading days prior to the grant date.

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The following table reflects the continuity of RSUs for the nine months ended September 30, 2019 and 2018:

	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
	Number of RSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value
Outstanding, beginning of year	9,547,287	\$ 0.44	3,212,673	\$ 1.33
Granted	13,781,317	0.12	6,206,567	0.27
Released	(2,199,165)	0.48	(3,430,134)	0.57
Forfeited	(552,045)	0.41	(235,000)	1.22
Cancelled	(4,124,506)	0.22	-	-
Outstanding, end of period	16,452,888	\$ 0.22	5,754,106	\$ 0.65
Vested, end of period	4,210,908	\$ 0.50	3,735,535	\$ 0.68

During the nine months ended September 30, 2019, the Company granted 13,781,317 RSUs (2018 - 6,206,567) to certain directors and employees of the Company. 2,000,000 of these RSUs were granted to directors and vested immediately as they were not subject to performance conditions or forfeiture and are issuable as Common Shares upon the directors ceasing to be directors of the Company.

During the nine months ended September 30, 2019, 2,199,165 Common Shares were issued (2018 - 3,430,134) upon the vesting of RSUs (Note 14).

#### c) Phantom Share Units

The Company adopted a PSU plan in June 2019, which entitles participants to receive, for each vested PSU, a cash payment equivalent to the closing market price of the Company's Common Shares on the vesting date. At the discretion of the Company, it may instead settle the payout of PSUs by issuing an RSU, pursuant to the Equity Incentive Plan, for each PSU, subject to any required regulatory approvals and the existing limits and the participants' eligibility under the Equity Incentive Plan.

PSUs are initially valued at the greater of the closing market price of the Common Shares on the day prior to the grant and the volume weighted average price of the shares for the five trading days prior to the grant date. PSUs are subsequently revalued based on the closing market price of the Common Shares at the end of each reporting period.

During the nine months ended September 30, 2019, the Company granted 14,354,318 PSUs to various officers and employees of the Company. 8,350,271 PSUs were granted to employees which have a vesting date of March 31, 2020 and 6,004,047 PSUs were granted to various officers which vest over a two year period in annual increments. In determining the number of PSUs expected to vest, management applied an expected weighted average forfeiture rate of 8% and estimated that performance conditions required for vesting of 1,976,051 PSUs will not be satisfied.

The Company recognized share-based payment expense of \$473 arising from PSUs during the three and nine months ended September 30, 2019 and recognized a liability of \$473 at September 30, 2019 which was included in trade and other payables.

## 16. REVENUE AND GEOGRAPHIC INFORMATION

The Company's chief operating decision makers, consisting of the chief executive officer, the chief financial officer and the Board, examine the Company's performance based on one reportable operating segment which includes the provision of the Earth Observation imagery, geo-analytics products and services, and engineering and value-added services.

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**a) Revenue**

Revenue disaggregated by primary revenue sources is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Engineering and value-added services	\$ -	\$ 1,225	\$ -	\$ 6,019
Geo-analytics imagery products and services	4,429	-	13,912	-
	\$ 4,429	\$ 1,225	\$ 13,912	\$ 6,019

During the three and nine months ended September 30, 2019, one geo-analytics imagery products and services customer accounted for greater than 10% of revenue as a result of the Winfield SLA with Land O'Lakes described in Note 4. During the three and nine months ended September 30, 2018, one engineering and value-added services customer accounted for greater than 10% of revenue.

Revenue disaggregated by the geographic location of customers is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Americas	\$ 3,609	\$ -	\$ 10,771	\$ -
Europe and Russia	649	-	2,728	508
Asia-Pacific	105	-	250	-
Middle East, Africa and South Asia	66	1,225	163	5,511
	\$ 4,429	\$ 1,225	\$ 13,912	\$ 6,019

**b) Non-current assets**

The Company's non-current non-financial assets, comprised of property and equipment and intangible assets are geographically located as follows:

	Property and Equipment	Intangible Assets	Total
Canada	\$ 1,417	\$ 36,920	\$ 38,337
France	2,008	26,989	28,997
United States	473	-	473
<b>Balance at September 30, 2019</b>	<b>\$ 3,898</b>	<b>\$ 63,909</b>	<b>\$ 67,807</b>
Spain	\$ 32,058	\$ 14,831	\$ 46,889
Canada	303	33,347	33,650
United States	64	-	64
<b>Balance at December 31, 2018</b>	<b>\$ 32,425</b>	<b>\$ 48,178</b>	<b>\$ 80,603</b>

The non-current non-financial assets of Deimos Imaging were classified as held for sale at September 30, 2019 as described in Note 5.

## 17. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

### a) Key Management Compensation

The Company considers its officers and directors to be key management personnel. Key management compensation for the three and nine months ended September 30, 2019 and 2018 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Salaries and benefits	\$ 305	\$ 472	\$ 902	\$ 1,734
Directors' fees	56	131	294	282
Share-based payments	614	1,016	1,296	1,798
	<b>\$ 975</b>	<b>\$ 1,619</b>	<b>\$ 2,492</b>	<b>\$ 3,814</b>

In order to satisfy conditions under the US \$12,000 Term Loan described in Note 9(a), the Company deferred cash compensation to certain officers and directors. As at September 30, 2019, deferred cash compensation of \$239 was payable to certain officers in addition to directors' fees of \$294 to certain directors and former directors of the Company.

### b) Other Related Party Transactions

Under the conditions of the US \$12,000 Term Loan described in Note 9(a), certain officers and directors of the Company agreed to participate in the financing and in consideration, the Company issued 1,815,713 common share purchase warrants to those officers and directors.

In connection with the US \$12,000 Term Loan, Bolzano appointed an independent director of UrtheCast pursuant to a board appointment right granted by the Company to Bolzano.

The Company issued 22,275,713 common share purchase warrants in connection with the US \$12,000 Term Loan and 10,560,000 common share purchase warrants in connection with the US \$1,500 June Term Loan described in Note 9(b) and incurred interest expense of US \$321 and US \$662 to Bolzano during the three and nine months ended September 30, 2019.

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### a) Fair value measurement

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, restricted term deposits, and trade and other receivables approximate fair value due to their short-term nature. The fair value of the Company's trade and other accounts payables, bank and other loans, and long-term debt at September 30, 2019 may be less than the carrying value as a result of the Company's credit and liquidity risk (Note 1(b)).

#### Fair value hierarchy:

Derivative financial instruments are measured at fair value in accordance with IFRS 13, *Fair Value Measurement*, which requires classification of financial instruments within a hierarchy based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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The Company utilizes a variety of derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates and floating interest rates on long-term debt. The following table summarizes the fair values and fair value classification of derivative financial instruments as at September 30, 2019 and December 31, 2018:

	Classification	Hierarchy	Fair Value	
			September 30, 2019	December 31, 2018
Embedded derivatives (Note 12)	FVTPL	Level 2	\$ 7,522	\$ 4,683
Derivative warrant liabilities (Note 12)	FVTPL	Level 2	4,617	2,802
Foreign exchange forward contracts	FVTPL	Level 2	1,159	886
Interest rate swap	FVTPL	Level 2	95	100

The fair value of derivative financial instruments with respect to its foreign exchange forward contracts and interest rate swap of \$1,254 (December 31, 2018 - \$986) and the current portion of the fair value of the embedded derivatives of \$1,554 (December 31, 2018 - \$899) and derivative warrant liability of \$249 (December 31, 2018 - \$171) related to the Interest-bearing Debentures are included in Other Financial Liabilities (Note 13).

The following table summarizes the unrealized gain (loss) on derivative financial instruments for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Embedded derivatives (Note 12)	\$ (3,667)	\$ (859)	\$ (3,186)	\$ 2,052
Derivative warrant liabilities (Note 12)	(3,811)	(761)	(1,135)	936
Foreign exchange forward contracts	(255)	(182)	(306)	(411)
	\$ (7,733)	\$ (1,802)	\$ (4,627)	\$ 2,577

During the three and nine months ended September 30, 2019, an unrealized loss of \$3 and \$2, respectively (three and nine months ended September 30, 2018 - unrealized gain of \$6 and unrealized loss of \$2, respectively) on an interest rate swap has been included in the loss from discontinued operations (Note 5).

#### **b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company is currently experiencing severe cash flow constraints and may not have sufficient funds to be able to pay its debt and other obligations in the future. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing financial liabilities and commitments as well as compliance with long-term debt and funding agreements. These condensed interim consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future as discussed further in Note 1.

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## 19. LOSS PER SHARE

The basic loss per share amount is calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period. The effect of the conversion of options, RSUs, convertible debentures, warrants and other equity instruments would be anti-dilutive, making the basic and diluted loss per share equal.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss	\$ (14,898)	\$ (16,529)	\$ (26,573)	\$ (40,840)
Weighted average number of Common Shares	134,181,951	124,897,881	133,077,173	122,605,335
Basic and diluted loss per share	\$ (0.11)	\$ (0.13)	\$ (0.20)	\$ (0.33)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss from continuing operations	\$ (14,880)	\$ (9,639)	\$ (21,476)	\$ (18,721)
Weighted average number of Common Shares	134,181,951	124,897,881	133,077,173	122,605,335
Basic and diluted loss per share - continuing operations	\$ (0.11)	\$ (0.08)	\$ (0.16)	\$ (0.15)

## 20. COMMITMENTS

The Company has contractual capital commitments requiring future payments of \$5,684 in 2019 (December 31, 2018 - \$6,245) related to the development of its SAR technologies. These amounts will be recorded when the services are rendered.

In addition, the Company has commitments relating to bank and other loans (Note 9), long-term debt (Note 10), deferred consideration (Note 13) and leases (Note 13).

## 21. SUBSEQUENT EVENTS

### a) Amendment of \$6,600 Debenture Financing

Effective October 31, 2019, the Company and Vine Rose amended the September Convertible Debenture and Debenture agreements dated September 11, 2019 whereby amended unsecured fully convertible debentures of the Company in the aggregate principal amount of \$6,600 were issued with revised maturity dates of December 31, 2019 and with generally the same terms as the September Convertible Debenture described in Note 9(d). In addition, the Company agreed to issue to Vine Rose 6,034,745 common share purchase warrants of UrtheCast having a term to maturity date of five years and an exercise price of \$0.48 per common share, subject to adjustment in certain circumstances.

### b) Payment Deferral under Spanish Term Loan

In October 2019, UrtheCast Imaging agreed in principal with the Spanish lender to further defer €1,350 of the previously deferred principal repayment of €1,500 from September 30, 2019 to January 31, 2020 in exchange for a partial principal repayment of €150 and accrued interest. Furthermore, the Spanish lender also agreed to defer the €4,000 principal repayment that will be due in December 2019 to January 31, 2020 in order to provide the Company with additional time to complete the proposed sale of Deimos Imaging as described in Note 5.

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**c) Deferral of Second Instalment Payable to Land O'Lakes**

Subsequent to September 30, 2019, the Company received a deferral from Land O'Lakes with respect to the payment of the US \$5,000 Second Instalment for the Geosys Acquisition which became due in October 2019 as described in Note 4. Pursuant to an amendment to the Purchase Agreement, Land O'Lakes agreed to defer US \$750 to January 1, 2020 and US \$4,250 to be paid by February 14, 2020.