



**MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")**

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For the Three and Six Month Period Ended June 30, 2018

## **Basis of Presentation:**

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The following discussion of the financial condition and results of operations of Noble Iron Inc. ("Noble Iron," or the "Company") should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six-month period ended June 30, 2018 and June 30, 2017, which were prepared under International Financial Reporting Standards ("IFRS") using the Noble Iron Inc.'s functional currency of Canadian dollars. This MD&A has been prepared as of August 29, 2018 to help investors understand the financial performance of the Company and to provide information that management believes is relevant for an assessment and understanding of the business, risks, opportunities and performance measures of the Company. We have prepared this document in conjunction with our broader responsibilities for the accuracy and reliability of the financial statements and the development and maintenance of appropriate internal controls in our efforts to ensure that the financial information is complete and reliable. The Company's Board of Directors has reviewed this document and all other publicly reported financial information for integrity, usefulness and consistency.

Additional information about Noble Iron, including copies of the Company's continuous disclosure materials, is available at [www.nobleiron.com](http://www.nobleiron.com) or under the Company's profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com). Noble Iron maintains its registered head office in Ontario, Canada, with executive management based in California, USA. Noble Iron's Investor Relations department can be reached at 1 (866) 762-9475. The information on the Company's website is not considered to be a part of this MD&A.

## **Forward Looking Statements:**

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This document may contain forward-looking statements that reflect Noble Iron's current expectations regarding future events. The forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "estimate", "expect", "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. These forward-looking statements involve risk and uncertainties, including the difficulty in predicting acceptance of and demands for new products and services, the impact of the products, services and pricing strategies of competitors, delays in developing and launching new products and services, fluctuations in operating results and other risks, any of which could cause actual results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. There are many inherent risks in the industries in which Noble Iron operates; some are more specific to the Company. The reader should consult Noble Iron's ongoing quarterly filings for additional information on risks and uncertainties relating to these forward-looking statements. The reader should not place undue reliance on any forward-looking statements. Management assumes no obligation to update or alter any forward-looking statements whether as a result of new information, further events or otherwise, unless required by law.

## **Non-IFRS Measure:**

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The term "Adjusted EBITDA" refers to net earnings (loss) before interest expense, income taxes, depreciation, amortization, acquisition expenses, stock-based compensation, severances, foreign exchange, lease termination payments and other extra ordinary and non-recurring items. The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration the other items listed above. The MD&A presents a non-IFRS financial measure to assist readers in understanding the Company's performance. This non-IFRS measure does not have any standardized meaning and therefore is unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

## **Overview:**

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Noble Iron (symbol "NIR") operated directly in equipment rental and equipment sales until May 5, 2017 and continues to develop and sell cloud-based and on-premise software applications for construction and industrial equipment owners and users.

Following the sale of its equipment operations in May 2017, Noble Iron is focused on investing in scaling its software business by developing and deploying new Software-as-a-Service (SaaS) products to existing and new customers in various

construction, industrial and field service sectors. Noble Iron's strategy involves establishing a platform ecosystem, comprised of multiple software applications and services, to make our customers' work easy and instant. The strategy includes developing software products and new service offerings internally, as well as exploring acquisitions, partnerships, and other investment initiatives.

Up until May 5, 2017, Noble Iron's equipment rental and dealership business operated under the name "Noble Iron," and served customers in the State of California. This division offered construction and industrial equipment and accessories for rent and for sale. On May 5, 2017 the Company sold the assets comprising its Los Angeles, California based equipment rental operations to an arm's length third party. Accordingly, the results of operations for the equipment rental operations and the gain on sale of the business are presented as discontinued operations separate from the Company's continuing operations. Prior period information has been reclassified to present the Equipment Rental and Distribution segment as discontinued operations.

Noble Iron's software division operates under the name "Texada Software." Texada Software offers cloud or client-based software for equipment rental companies, equipment dealerships, construction companies, contractors, and customers who own or use construction or industrial equipment. Texada Software develops software applications to manage the equipment ownership lifecycle, including equipment purchasing, rental and sales transactions, inventory management, maintenance and depreciation tracking, as well as used equipment sales, disposal and inventory replenishment. Following the sale of the equipment rental and dealership operations, the Company's sole operating business is currently in software. Since June 2017, the Company has focused on investing in its software business, and has expanded its software resources with additional engineering, sales and marketing investment in Canada and the United States. The Company plans to further develop and deploy its existing software applications, including SRM (Systematic Rental Management), and new products such as FleetLogic, Gateway and RentalLogic. The Company also plans to consider additional strategic opportunities in addition to software.

The Company is subject to a number of risks and uncertainties associated with the achievement of sustainable profitability. The Company has incurred net losses and used significant cash in its operating activities since incorporation. It has relied significantly upon external financing to fund its operations and to establish its infrastructure, primarily through debt and private equity placements.

## **Recent Developments:**

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On May 5, 2017, the Company sold the assets of its Los Angeles, CA equipment rental and sales operations to Sunbelt Rentals Inc., a third party. The sale price for the Los Angeles, CA assets was \$46.3 million, including an escrow amount of \$1.3 million. During the third and fourth quarters of 2017, the Company collected \$0.9 million related to the release of funds in escrow. Part of the proceeds of the sale were used to repay credit facilities and other obligations. Included in the sale to Sunbelt were equipment rental fleet, vehicles, inventory, accounts receivable, and other tangible personal property used in the business. Certain intangible assets, including tradenames and other sundry assets were not included in the asset sale.

Over the course of 2017, the Company has invested in developing a stand-alone version of FleetLogic, which can be used independently of SRM, the Company's existing ERP (Enterprise Resource Planning) software product. FleetLogic, a mobile and desktop software application that enables users to manage inspections and work orders, track asset-specific history and parts specifications, and look up equipment availability, status and location in real-time. The first FleetLogic stand-alone sale to a customer occurred in October 2017. FleetLogic's first customer launch was with HirePool, New Zealand's largest independent equipment rental company. FleetLogic is being deployed to equipment service professionals managing HirePool's equipment fleet at over 60 locations.

On February 28, 2018, the Company announced that following Toromont's recent acquisition of the assets of Hewitt Equipment, representing the largest Caterpillar dealer acquisition to date, Texada Software, will implement its software products at Hewitt's equipment rental and dealership operations acquired by Toromont. Toromont provides specialized equipment to diverse sectors, and Toromont's Caterpillar dealership operates 120 branches across Canada.

In February 2018, the Company also announced two new software products under development, Vision X and RentalLogic. Vision X is an augmented reality (AR) application that empowers mechanics, field service technicians and drivers to more effectively diagnose and repair equipment issues. Users of Vision X interact with photorealistic 3D models of construction and industrial equipment to conduct virtual disassembly or repair procedures. Sales representatives can use Vision X as a

tool to virtually demonstrate equipment and parts. Vision X also integrates with a customer's inventory and work order management software, so users can view 3D AR models of specific equipment in their fleet, including an asset's complete service history, telematics sensor readings, and predictive analytics. Users can also see real-time parts inventory levels and order parts directly within Vision X. RentalLogic is a cloud-based software application designed to maximize productivity for any business offering rental transactions. RentalLogic captures reservations; manages inventory availability; and streamlines the contract, invoice generation, rental return and payment process. Additional modules such as work order management, e-commerce store, and integration with a company's accounting software will also be available to scale RentalLogic's capabilities.

In the second quarter, the Company was selected as a preferred software vendor by a large Canadian retail company for its 70+ rental locations.

## **Description of Noble Iron's Business:**

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### **Construction and Industrial Equipment Rental and Distribution**

Effective May 5, 2017, the Company sold its Los Angeles, CA equipment rental and sales operations. The results of the Los Angeles, CA equipment rental and sales business are disclosed as discontinued operations in this MD&A. Please refer to the "Quarterly Results" section of this MD&A for more information. Though the sale of the assets comprising the Company's Los Angeles operations occurred on May 5, 2017, the Company continued to complete various post-closing activities during 2017, including providing the Consolidated Omnibus Budget Reconciliation Act (COBRA) benefits for a number of employees who were not employed by the acquirer and were involved in managing areas such as collection of receivables.

### **Enterprise Asset Management Software**

The software segment's revenues are derived from license revenues that include user license fees, server license fees, Software-as-a-Service ("SaaS") subscription fees, contract development, and upgrade fees. In addition to these fees, the segment generates maintenance and service revenue. The products are generally licensed under single-year or multi-year terms, both of which are arranged to automatically renew. Maintenance fee arrangements generally include ongoing customer support and rights to certain product updates. Service revenue consists of professional fees charged for product training, consulting, and implementation and programming services. Contract revenue is derived from contracts for the development of custom applications. Customers typically purchase a combination of software, maintenance, and professional services.

## **Noble Iron's Markets:**

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### **Equipment Asset Management Software**

Customers in the North American construction equipment rental sector currently account for approximately 90% of the Company's software revenue. It is estimated that there are more than 30,000 companies worldwide that rent various types of equipment, 12,000 of which conduct business in the United States and Canada.

The market for rental management software has existed for over 30 years, and management estimates there are more than 200 providers of rental management software to the three primary segments of the rental market. Most companies in this sector are private companies, making it difficult to accurately assess the size of this market.

Management's view is that the increased adoption of cloud-based software and mobile applications among the Company's existing and target software customers presents significant growth opportunities.

## **2018 and 2017 Business Developments:**

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### **Company Results**

The Company's objectives during the second quarter 2018 continued to include migrating existing customers from customized software products to the current standard version, converting on-premise software clients to Texada's SaaS

cloud-based offering, as well as developing and marketing specific software products, mobile applications and support capabilities. The Company also invested in additional software development, marketing and sales resources to further expand the software customer base and to serve existing customers with new products and services.

The Company continues to focus on building scalable operating processes and capabilities, investing in the Company's management and operating teams, and developing and marketing new proprietary software, such as the FleetLogic application.

## Results from Continuing Operations:

### Consolidated Financial Highlights from Continuing Operations

Consolidated Financial Highlights from continuing operations (000's except EPS)	Six Months Ended		Three Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues	\$ 2,827	\$ 2,302	\$ 1,367	\$ 1,198
Cost of Revenue	(403)	(379)	(208)	(193)
Expenses, interest, and taxes	(3,635)	(4,254)	(2,048)	(2,249)
Net Loss	\$ (1,211)	\$ (2,331)	\$ (889)	\$ (1,244)
Adjusted EBITDA <sup>1</sup>	(1,317)	(1,986)	(677)	(1,186)
Loss per share - basic and diluted	(\$0.04)	(\$0.09)	(\$0.03)	(\$0.05)

	June 30, 2018	December 31, 2017		
Total Assets	9,698	12,616		
Total Current Liabilities	631	1,890		
Total Non-Current Liabilities	-	-		
Total Shareholders Equity	9,793	10,726		

\* Adjusted EBITDA is a non-IFRS measure and is defined within the "Introduction – Non-IFRS Measure" section of the MD&A.

Comparative Financial Results (000's) - Consolidated Company from continuing operations	Six Months Ended			Three Months Ended		
	June 30, 2018	June 30, 2017	Percentage Change	June 30, 2018	June 30, 2017	Percentage Change
<b>Revenue</b>	\$ 2,827	\$ 2,302	23%	\$1,367	\$1,198	14%
<b>Cost of Revenue</b>	(403)	(379)	(6%)	(208)	(193)	(8%)
<b>Expenses</b>						
Support, Maintenance and Delivery	(1,030)	(840)	(23%)	(547)	(463)	(18%)
Research and Development	(745)	(528)	(41%)	(431)	(277)	(56%)
Sales and Marketing	(191)	(90)	(113%)	(74)	(39)	(89%)
General and Administration	(1,919)	(2,643)	27%	(854)	(1,514)	44%
Income Tax Expense	(65)	(111)	41%	(54)	(54)	(0%)
Interest Expense	-	(278)	100%	-	(137)	100%
Foreign Exchange Gain (Loss)	315	236	33%	(88)	235	(137%)
<b>Net Profit/(Loss) From Continuing Operations</b>	<b>(1,211)</b>	<b>(2,331)</b>	<b>48%</b>	<b>(889)</b>	<b>(1,244)</b>	<b>29%</b>
<b>Add:</b>						
Depreciation / Amortization	102	84	(22%)	51	52	2%
Income Tax Expense	65	111	41%	54	54	(0%)
Stock Based Compensation	41	108	62%	19	50	61%
Interest Expense	-	278	100%	-	137	100%
Foreign Exchange Gain	(315)	(236)	(33%)	88	(235)	137%
<b>Adjusted EBITDA</b>	<b>(\$1,317)</b>	<b>(\$1,986)</b>	<b>34%</b>	<b>(\$677)</b>	<b>(\$1,186)</b>	<b>43%</b>
<b>Loss per share - basic and diluted from continuing operations</b>	<b>(\$0.04)</b>	<b>(\$0.09)</b>	<b>48%</b>	<b>(\$0.03)</b>	<b>(\$0.05)</b>	<b>29%</b>

\* Adjusted EBITDA is a non-IFRS measure and is defined within the "Introduction – Non-IFRS Measure" section of the MD&A.

Quarterly Results (000's)	2018	2018	2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ 1,367	\$ 1,460	\$ 1,220	\$ 1,149	\$ 1,198	\$ 1,104	\$ 1,109	\$ 1,466
Cost of Revenue	(208)	(195)	(234)	(195)	(193)	(186)	(216)	(147)
Net earnings (loss) from continuing operations	(889)	(323)	(1,195)	701	(1,244)	(880)	(1,546)	(722)
Income (loss) from discontinued operations, net of tax	-	-	(528)	(2,006)	26,444	(1,061)	17	(754)
Net earnings (loss)	(889)	(323)	(1,723)	(1,305)	25,200	(1,941)	(1,529)	(1,476)
<b>Add Back:</b>								
Depreciation/Amortization expense	51	51	149	54	52	34	68	75
Income Tax (Recovery) Expense	54	11	(352)	-	54	57	53	77
Stock Based Compensation	19	22	76	45	50	57	81	102
Interest Expense	-	-	-	(6)	137	141	169	200
Severance and Other	-	-	-	57	-	-	-	30
Foreign Exchange (Gain) / Loss	88	(403)	39	(144)	(235)	(1)	55	7
Adjusted EBITDA from continuing operations	(677)	(641)	(1,283)	707	(1,186)	(592)	(1,120)	(231)
Earnings (loss) per share - basic and diluted-Continuing operations	(0.03)	\$ (0.01)	\$ (0.04)	\$ 0.03	\$ (0.05)	\$ (0.03)	\$ (0.06)	\$ (0.03)
Earnings (loss) per share - basic and diluted-for discontinued operations	\$ -	\$ -	\$ (0.02)	\$ (0.07)	\$ 0.96	\$ (0.04)	\$ 0.00	\$ (0.03)
Weighted Avg. Shares Outstanding (Basic)**	27,417,479	27,417,479	27,417,479	27,417,479	27,417,479	27,417,479	27,417,479	27,417,479

\* Adjusted EBITDA is a non-IFRS measure and is defined within the "Introduction – Non-IFRS Measure" section of the MD&A.

\*\* Weighted Average Shares Outstanding (Basic) does not include 2,425,100 options outstanding as at the end of 2018 Q2.

Noble Iron recorded revenues of \$2.8 million and \$2.3 million for the six months ended June 30, 2018 and 2017, respectively from continuing operations, resulting in an increase of 23% or \$0.5 million. This increase can be primarily attributed to continuing growth in SaaS software licenses and to service related work. For the three months ended June 30, the Company recorded revenues of \$1.4 million for 2018 and \$1.2 million for 2017, resulting in an increase of 17%.

Noble Iron recorded cost of revenue of \$0.4 million for the six months ended June 30, 2018 and \$0.4 million for the six months ended June 30, 2017.

Noble Iron recorded expenses of \$3.6 million and \$4.3 million for the six months ended June 30, 2018 and 2017, respectively, resulting in a decrease of 16% or \$0.7 million. This decrease can be primarily attributed to lower general & administration and support, maintenance and delivery expenses offset partially by higher research and development and sales & marketing costs.

Noble Iron recorded a net loss of \$1.2 million for the six months ended June 30, 2018 compared to a net loss of \$2.3 million for the six months ended June 30, 2017, resulting in a decrease loss of \$1.1 million. For the three months ending June 30, 2018 the Company recorded a net loss of \$0.9 million compared to a net loss of \$1.2 million for the three months ending June 30, 2017.

Noble Iron recorded Adjusted EBITDA of (\$1.3) million and (\$2.0) million for the six months ended June 30, 2018 and 2017 respectively; Adjusted EBITDA of (\$0.7) million and (\$1.2) million for the three months ended June 30, 2018 and 2017 respectively.

## Liquidity:

Liquidity risk is the risk the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk through cash and debt management. See "Liquidity Risk" below.

The Company manages liquidity by assessing future cash flow requirements. Cash flow estimates are based upon rolling forecasts that consider cash restrictions and anticipated operating results. While the Company had a number of Asset Backed Lending and other loans outstanding during the second quarter of 2017, following the sale of the assets of the Company's Los Angeles operations the loans associated with the Los Angeles facility were repaid. Cash, which is surplus to working capital requirements is typically held as deposits, in both US and Canadian funds, with larger financial institutions. Following the sale of the Los Angeles operations, the Company repaid outstanding loans and commitments in the amount of \$29.9 million.

## **Cash Flow:**

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As of June 30, 2018, the Company had cash and cash equivalents of \$9.1 million and working capital of \$9.0 million compared to cash and cash equivalents of \$11.2 million and working capital of \$9.9 million as at December 31, 2017 and cash of \$13.5 million and working capital of \$13.0 million as at June 30, 2017. In addition to cash used in operating activities, the reduction in cash was primarily due to \$1.1 million of payments for accrued US tax liabilities and settlement of a lawsuit with a lender that had supplied software licenses and hardware, as described in the Subsequent Event Note in the December 31, 2017 audited consolidated financial statements. The negative working capital of \$22.7 million as of March 31, 2017 was due to the maturity date of the Company's asset backed lending facilities which were due in May 2017, which consequently caused the Company's long-term debt to be reclassified as short-term debt.

Following the sale of the assets of the Los Angeles operations on May 5, 2017, the Company repaid outstanding loans and commitments in the amount of \$29.9 million. The above-mentioned credit facility was paid out following the sale.

In the second quarter 2018, the Company did not make any long-term commitments. The Company continues to invest in research and development of new products and services, sales and marketing, and other strategic growth initiatives.

## **Off-Balance Sheet Arrangements:**

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During the six months ended June 30, 2018, the Company did not participate in any off-balance sheet arrangements.

## **Transactions Between Related Parties:**

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At June 30, 2018 there were no transactions between related parties.

## **Changes in Accounting Policies:**

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The significant accounting policies used in preparing the six months ended June 30, 2018 interim condensed consolidated financial statements are unchanged from those disclosed in the Company's 2017 annual consolidated financial statements except for the review, assessment, and implementation of IFRS 9 and IFRS 15 in its interim condensed consolidated financial statements for the period beginning on January 1, 2018. Further details on the financial impact can be found in the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2018 available under the Company's profile on [www.SEDAR.com](http://www.SEDAR.com)

New standards and interpretations adopted:

i) Adoption of IFRS 9 - Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Company adopted all the requirements of IFRS 9, issued in July 2014 and the related consequential amendments to IFRS 7 - Financial Instruments: Disclosures. IFRS 9 introduces new requirements for 1) classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting, which represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, such that the Company's accounting policy with respect to financial liabilities is unchanged.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Cash and cash equivalents, and accounts receivables, trade that were classified as loans and receivables under IAS 39 are now classified as amortized cost, because their previous category under IAS 39 was eliminated, with no change in the carrying amounts. There were no further changes to the classification of financial asset and liabilities as a result of the adoption of IFRS 9.

Further as a result of adoption of IFRS 9, management has not changed its accounting policy for financial assets except for the adoption of the simplified approach to determining expected credit losses for accounts receivable, trade, which had no impact on the carrying value of any financial assets or financial liabilities on the transition date.

In accordance with the transitional provisions in IFRS 9, the Company elected to adopt the new standard effective January 1, 2018 without restating prior year amounts. The Company does not have any hedge accounting relationship, and thus there is no impact on adoption of IFRS 9.

#### ii) Adoption of IFRS 15 – Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted all the requirements of IFRS 15, issued in May 2014, and amended in September 2015 and April 2016. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. In accordance with the transitional provisions in IFRS 15, the Company elected to adopt the new standard using the modified retrospective approach.

A summary of the impact of adoption of IFRS 15 is as follows:

##### Contract assets and liabilities

IFRS 15 distinguishes between contract assets and receivables based on whether receipt of the consideration is conditional on something other than the passage of time. At December 31, 2017 there was no trade receivables outstanding where the Company's right to consideration was not unconditional. Further, amounts received from customers before the Company has provided the service are to be presented as contract liabilities. As a result, the amounts previously presented as deferred revenues related to contracts with customers have been reclassified as contract liabilities and amounts not relating to contracts with customers have been reclassified as deferred funding, which are nil. There is no impact on opening retained earnings (no remeasurements) on adoption of IFRS 15.

##### Practical expedients

The Company has elected to make use of the following practical expedients:

- Completed contracts under IAS 11 and IAS 18 before the date of transition have not been reassessed.
- Costs incurred to obtain contracts with an amortization period of less than one year have been expensed as incurred.
- The Company applied the practical expedient not to disclose information about remaining performance obligations that have original expected durations of one year or less.
- For completed contract with variable consideration, the Company used the transaction price at the date of contract completion rather than estimating variable consideration amounts in the comparative reporting periods.
- Consideration previously recognized was not adjusted for the effects of a significant financing component if the Company expected, at contract inception, that the period between when the Company transfers a promised good or service to the customer and when the customer pays for the good or service was one year or less.
- For contracts that were modified before the beginning of the earliest period presented, the Company did not retrospectively restate the contract for those contract modifications. The Company reflected the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when: (i) identifying the satisfied and unsatisfied performance obligations; (ii) determining the transaction price; and (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations
- The Company also applied the practical expedient not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognize that amount as revenue for the year ended December 31, 2017.

##### (g): Accounting Policy – Revenue Recognition:

Accordingly, as a result of adopting IFRS 15, the Company updated its accounting policies for the recognition of revenue relating to the sale of software and services:

The Company operates in enterprise asset management software for the construction and industrial equipment industry and provide related services. The Company's revenues from its software business are derived from subscription fees ("SaaS"), license fees maintenance, implementation and training.



i. Provision of services

Material promises within a contract to deliver distinct services are accounted for as separate performance obligations and the contract price is allocated between each performance obligation based upon their relative stand-alone selling prices. Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to the customer. For contracts with customers in which the provision of services is generally expected to be the only performance obligation, the Company recognizes revenue at the point in time when control of the service asset is transferred to the customer.

Some contracts with customers may provide trade discounts, exclusivity, license, sales-based royalties or volume rebates and discounts and give rise to variable consideration. Variable consideration is estimated at contract inception and updated prospectively for any changes to the estimates. Variable consideration is only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

ii. Long-term contracts

For our long-term contracts such as customer-specific product development contracts, control of the promised services are generally transferred to the customers over time as performance obligations are satisfied, and as a result revenue is recognized over time using input methods based on the measure of the progress towards complete satisfaction of that performance obligation. Under this method, the revenue recognized equals the latest estimate of the total transaction price of the contract multiplied by the actual completion rate, determined by reference to the costs incurred for the transaction and the estimated costs to complete the transaction.

The determination of the transaction price represents the contractually agreed amount, including change orders. A change order results from an official change to the scope of work to be performed compared to the original contract that was signed. The Company estimates costs separately for each customer specific development contract including the effects of change orders.

If circumstances arise that may change the estimated transaction price, the remaining costs or extent of progress toward completion, and estimates of revenues to be recorded are revised. These revisions may result in increases or decreased in estimated revenues or remaining costs to complete and are accounted for prospectively from the period in which the circumstances that give rise to the revision become known by management. If the outcome of a transaction cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable. When the outcome of a transaction cannot be estimated reliably, and it is not probable the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense. Once the uncertainty surrounding the outcome no longer exists, a cumulative catch up adjustment is recognized to record revenue related to prior performance that had not been recognized due to the inability to measure progress.

The timing of revenue recognition, billings and cash collections results in accounts receivable, trade (contract assets), and deferred revenue (contract liabilities) on the consolidated balance sheet. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones.

iii. Rendering of services

The Company provides start-up, commissioning, installation, scheduled or unscheduled maintenance. Where these performance obligations are not considered distinct (i.e. where the customer believes they are buying a final installed working product and are not buying the individual collection of services bundle), these services are combined into a single performance obligation. Revenue from services deemed to be a separate performance obligation are recognized by reference to the stage of completion based upon relative stand-alone selling prices.

iv. License arrangements

When a single performance obligation includes a license of intellectual property and one or more other goods or services, the Company considers the nature of the combined service for which the customer has contracted in determining whether that combined service is satisfied over time or at a point in time, and if over time, in selecting an appropriate method for measuring progress.

v. Contract assets

The Company recognizes contract assets depending on the relationship between the Company's performance obligation and the contract payment terms. A trade receivable is separately recorded only when the Company has an unconditional right to the consideration. For our long-term development contracts, customers usually retain a small portion of the contract price until completion of the service, installation and commissioning, which generally result in revenues in excess of billings which we present as contract assets on the consolidated balance sheet. The associated provisions for future costs to complete this work are recorded in trade and other payables.

vi. Contract liabilities

Generally, the Company only receives advances from Customers upon contract execution for which revenue is expected to occur within 12 months. They are presented as part of deferred revenue within contract liabilities and liquidated when revenue is recognized. Upfront license fees in relation to license arrangements considered to consist of a single performance obligation including a license of intellectual property and one or more other services, are deferred in contract liabilities until recognition in revenue as or when the combined performance obligation is satisfied. For contracts that require customers to pay long-term advances, the payment terms are structured primarily for reasons other than the provision of finance to the Company; notably, to meet working capital demands, to ensure the customers follow through with their purchase orders, to ensure an incentive to not terminate the contract for any reasons, including economic, or to mitigate a history of late payments. Other long-term customers advances are analyzed to determine whether there is a significant financing component in its contracts and are accounted for separately.

(h): Accounting Policy – Financial Instruments:

As a result of adopting IFRS 9, the Company updated its accounting policies for the recognition, classification and impairment of financial instruments, which are as follows:

*Recognition and initial measurement*

Financial assets and financial liabilities, including derivatives, are recognized in the interim condensed consolidated Balance Sheets when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

*Classification and subsequent measurement*

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories: a) amortized cost b) fair value through profit or loss FVTPL, and c) fair value through other comprehensive income.

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

*Impairment of financial instruments*

For accounts receivable, trade, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable, trade based on the Company's historical default rates over the expected life of the accounts receivable, trade and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loan receivables are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

#### *Derecognition*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the interim condensed consolidated statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the interim condensed consolidated statements of comprehensive loss.

### **Financial Instruments:**

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The Company is exposed to certain risks related to its financial instruments during its normal course of business including, but not limited to; liquidity risk, foreign currency risk, interest rate risk, and credit risk. Noble Iron's financial instruments are detailed below. Noble Iron manages these financial instruments to support the Company's strategy for growth and ongoing operations.

Management has determined the carrying amount of its short-term financial assets, including cash and cash equivalents and accounts receivable, approximates fair value at the reporting date. The amortized cost related to these items as of June 30, 2018 was \$9.5 million (2017 - \$15.4 million). The carrying value of the short-term loan receivable approximates fair value.

Management has determined that the carrying amount of its short-term financial liabilities, including accounts payable and accrued liabilities and other current liabilities approximate fair value at the reporting date due to the short-term maturity of these obligations. The amortized cost related to these items as of June 30, 2018 was \$0.5 million (2017 - \$2 million).

Management has determined that the carrying amounts of its short-term debt and current portion of license obligation approximates fair value at the reporting date due to the short-term maturity of these obligations. The amortized costs related to these items as of June 30, 2018 was \$Nil (2017 - \$0.1 million). Management asserts that there have been no significant changes to interest rates and that the fair value of the short-term debt and current portions of license obligation approximate fair value.

Management has determined that the carrying amount of the Company's long-term debt and long-term portion of license obligation approximate fair value using the present value of future principal and interest payments discounted at market-based interest rates available to the Company for similar debt instruments with similar maturities. The amortized cost related to these items as of June 30, 2018 was \$Nil (2017 - \$0.1 million).

The Company did not have any financial instruments that are measured at fair value at June 30, 2018, and June 30, 2017.

### **Capital Resources:**

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During the first two quarters and as at June 30, 2018, Noble Iron has made no commitment for capital expenditures. The management does not expect fluctuations in the Company's capital resources. There are no sources of financing that the Company has arranged but not yet used.

### **Risks and Uncertainties:**

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Noble Iron's management team is responsible for the evaluation and management of risk factors affecting the Company. The following is management's assessment of the significant risks that would have the greatest impact on the Company over the ensuing 12 to 18 months given currently available information. This analysis contains forward looking statements that may differ materially from actual results.

### **Liquidity Risk:**

The Company is subject to a number of risks and uncertainties associated with the achievement of sustainable profitability and with the financing requirements of its operations. Prior to the sale of the California equipment and rental business, the Company incurred net losses and used significant cash in its operating activities since incorporation. It has relied upon financing to fund its operations and to establish its infrastructure, primarily through debt and private equity placements.

Following the sale of California rental business and repayment of substantially all of the Company's debt, liquidity risk to the Company has been dramatically reduced, which is evidenced by June 30, 2018 and March 31, 2018 cash and cash equivalents balance of \$9.1 million and \$9.6 million respectively.

### **Revenue and Collection Risk:**

The Company has a large number of customers with relatively small account balances and this exposes the Company to aggregate billing and collection risk. These risks can include missed billings, unwarranted credits, additional time to collect payments and greater risk of customer default. Continual process improvements are made to ensure timely collection of the Company's accounts receivable. These efforts include the positioning of resources and technology to improve the efficiency of invoicing, collections and customer credit extension.

### **Technology and Software Development:**

The process of developing technology from concept stage, through to design and final production involves time to complete testing, redesign and adoption by customers. Unexpected testing results or performance irregularities are normal in a development process and can result in new product offerings being delayed beyond projected timeframes or slow adoption from customers. The risk of not developing and introducing reliable products, on a timely basis, presents a risk to the Company's software business.

### **Reliance on Key Personnel :**

The success of Noble Iron depends on the abilities, experience, efforts and knowledge of their respective senior management and other key employees, including its ability to retain and attract effective management and employees. The loss of services from key personnel could have a material adverse effect on Noble Iron's business, financial condition, results of operations or future prospects, particularly since it does not enter into non-competition arrangements with senior management and other key employees in certain circumstances. In addition, the growth plans described in this MD&A may require additional employees, increase the demands on management, and produce risks in both productivity and retention levels. Noble Iron may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that Noble Iron will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

### **Foreign Currency and Exchange Risk:**

Foreign currency risk in the exchange rates between the Canadian dollar and foreign currencies could affect the Company's operating and financial results. The Company is exposed to foreign currency risk. To date, the Company has funded its growth by issuing equity in Canadian funds and raising debt in US dollars. The Company's management monitors exchange rate fluctuations and presently does not use any derivative instruments to manage foreign currency exposure. As the Company continues to grow its US operations, exposure to foreign currency risk may increase with the likelihood of the Company employing exchange rate derivative instruments.

### **Outstanding Share Data:**

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The Company has authorized 100,000,000 preferred shares without par value, issuable in one or more series as well as an unlimited number of common shares without par value. As of the date of filing this MD&A, the Company had 27,267,479 common shares issued and outstanding. There are no preferred shares outstanding as of the date of filing.

The Board of Directors ratified, confirmed, and approved a Restricted Share Plan that was adopted effective June 10, 2014. A maximum of 1,000,000 of the Company's shares are available for grant under the Restricted Share Plan. As of the date of this filing, Noble Iron had no restricted shares issued. Further information can be found in the Company's Consolidated Financial Statements for the periods ended June 30, 2018 and June 30, 2017.

### **Subsequent Events:**

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Subsequent to the six months ended June 30, 2018, on August 22, 2018 the Company cancelled 150,000 common shares, which were issued to a former employee on January 8, 2013. The balance of issued common shares following this cancellation is 27,267,479.

Subsequent to the six months ended June 30, 2018, on August 27, 2018 the Company settled a dispute with a vendor and expects a refund of \$0.4 million to be collected in the third quarter of 2018.

Additional information relating to the Company is available under the Company's profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com)