



**NOBLE IRON INC.**  
**INTERIM CONDENSED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
Expressed in Canadian Dollars

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER  
30, 2019 AND 2018**

# NOBLE IRON INC.

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**MANAGEMENT’S COMMENTS ON  
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Noble Iron Inc. (the “Company”), have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity’s auditor.

# NOBLE IRON INC.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

AS AT SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

In Canadian Dollars

	<i>Notes</i>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,217,033	7,756,049
Trade receivables		636,370	1,113,482
Prepayment and other assets		423,674	597,045
<b>Total current assets</b>		<b>6,277,077</b>	<b>9,466,576</b>
<b>Non-current assets</b>			
Intangible assets		63,325	176,800
Property and equipment	3	427,788	65,532
Other long-term assets		306,680	315,920
<b>Total non-current assets</b>		<b>797,793</b>	<b>558,252</b>
<b>Total assets</b>		<b>7,074,870</b>	<b>10,024,828</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables		626,163	787,573
Contract liabilities		265,326	174,008
Lease liabilities	3	40,314	-
<b>Total current liabilities</b>		<b>931,803</b>	<b>961,581</b>
<b>Non-current liabilities</b>			
Lease liabilities	3	292,225	-
<b>Total non-current liabilities</b>		<b>292,225</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,224,028</b>	<b>-</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	4	36,471,467	36,471,467
Other reserves		4,300,337	4,280,434
Accumulated other comprehensive income		2,456,425	2,719,826
Accumulated deficit		(37,377,387)	(34,408,480)
<b>Total equity</b>		<b>5,850,842</b>	<b>9,063,247</b>
<b>Total equity and liabilities</b>		<b>7,074,870</b>	<b>10,024,828</b>

See Accompanying Notes to Interim Condensed Consolidated Financial Statements



# NOBLE IRON INC.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Continuing operations</b>				
Revenue	1,388,099	1,383,852	4,344,986	4,211,050
Cost of revenue	184,368	176,026	552,488	579,284
<b>Gross profit</b>	<b>1,203,731</b>	<b>1,207,826</b>	<b>3,792,498</b>	<b>3,631,766</b>
<b>Operating expenses</b>				
General and administrative	816,694	528,487	2,445,412	2,447,074
Research and development	685,492	457,139	2,134,963	1,202,221
Sales and marketing	424,810	144,381	1,237,854	335,744
Support, maintenance and delivery	286,176	502,461	953,374	1,532,505
<b>Loss from operations</b>	<b>(1,009,441)</b>	<b>(424,642)</b>	<b>(2,979,105)</b>	<b>(1,885,778)</b>
<b>Finance cost / (income)</b>				
Interest income	(4,502)	-	(14,605)	-
Foreign exchange (gain) / loss	(14,293)	(53,730)	4,407	(368,700)
<b>Loss before taxation</b>	<b>(990,646)</b>	<b>(370,912)</b>	<b>(2,968,907)</b>	<b>(1,517,078)</b>
Income tax	-	(102,000)	-	(36,915)
<b>Net loss</b>	<b>(990,646)</b>	<b>(268,912)</b>	<b>(2,968,907)</b>	<b>(1,480,163)</b>
<b>Other comprehensive loss</b>				
<i>Item that may be subsequently reclassified to profit or loss</i>				
Foreign currency translation adjustment	36,120	(401,897)	(263,401)	(164,778)
<b>Total comprehensive loss</b>	<b>(954,526)</b>	<b>(670,809)</b>	<b>(3,232,308)</b>	<b>(1,644,941)</b>
<b>Loss per share</b>				
Basic and diluted	(0.04)	(0.01)	(0.11)	(0.05)

See Accompanying Notes to Interim Condensed Consolidated Financial Statements

# NOBLE IRON INC.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

	Share Capital No.	Share Capital \$	Other reserves \$	Accumulated other comprehensive income \$	Accumulated deficit \$	Total equity \$
Balance, January 1, 2018	27,417,479	36,471,467	4,211,395	1,353,029	(31,309,891)	10,726,000
Loss for the period	-	-	-	-	(1,480,163)	(1,480,163)
Other comprehensive loss	-	-	-	(164,778)	-	(164,778)
Total comprehensive loss	-	-	-	(164,778)	(1,480,163)	(1,644,941)
Share-based payments	-	-	57,636	-	-	57,636
Balance, September 30, 2018 (restated)	27,417,479	36,471,467	4,269,031	1,188,251	(32,790,054)	9,138,695
Balance, January 1, 2019	27,267,479	36,471,467	4,280,434	2,719,826	(34,408,480)	9,063,247
Loss for the period	-	-	-	-	(2,968,907)	(2,968,907)
Other comprehensive loss	-	-	-	(263,401)	-	(263,401)
Total comprehensive loss	-	-	-	(263,401)	(2,968,907)	(3,232,308)
Share-based payments	-	-	19,903	-	-	19,903
<b>Balance, September 30, 2019</b>	<b>27,267,479</b>	<b>36,471,467</b>	<b>4,300,337</b>	<b>2,456,425</b>	<b>(37,377,387)</b>	<b>5,850,842</b>

See Accompanying Notes to Interim Condensed Consolidated Financial Statements



# NOBLE IRON INC.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

	<i>Notes</i>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Net loss		(2,968,907)	(1,480,163)
Adjustments for:			
Amortization and depreciation		181,204	154,576
Share-based payments		19,903	57,636
Interest income		(14,605)	-
Income tax		-	(36,915)
Unrealized foreign exchange loss / (gain)		277,440	3,039
Changes in working capital	6	620,705	(1,755,108)
<b>Cash used in operating activities</b>		<b>(1,884,260)</b>	<b>(3,056,935)</b>
Interest paid	3	(15,034)	-
<b>Net cash used in operating activities</b>		<b>(1,899,294)</b>	<b>(3,056,935)</b>
<b>Investing activities</b>			
Interest received		30,251	-
Purchase of property and equipment		(68,690)	(56,124)
<b>Net cash used in investing activities</b>		<b>(38,439)</b>	<b>(56,124)</b>
<b>Financing activities</b>			
Payment of lease liabilities		(28,754)	-
<b>Net cash used in financing activities</b>		<b>(28,754)</b>	<b>-</b>
Effects of exchange rate differences on cash and cash equivalents		(572,529)	(137,666)
Net decrease in cash and cash equivalents		(1,966,487)	(3,113,059)
Cash and cash equivalents, beginning of period		7,756,049	11,226,644
<b>Cash and cash equivalents, end of period</b>		<b>5,217,033</b>	<b>7,975,919</b>

See Accompanying Notes to Interim Condensed Consolidated Financial Statements

# **NOBLE IRON INC.**

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

In Canadian Dollars

### **1. Corporate information:**

Noble Iron Inc. (the "Company") was incorporated under the Company Act (British Columbia) and was continued under the Business Corporations Act (Ontario) on November 5, 2008. The address of the Company's registered office is 90 Woodlawn Road West, Guelph, Ontario, N1H 1B2. The Interim condensed consolidated financial statements of the Company, as at and for the three and nine months ended, September 30, 2019 and 2018, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Noble Iron Inc. is listed on the TSX-Venture Exchange under the symbol NIR. The Company operates in enterprise asset management software for the construction and industrial equipment industry under the name "Texada Software".

Texada Software develops software applications to manage the complete equipment ownership lifecycle: from equipment purchasing, rental and sales transactions, inventory management, maintenance and depreciation tracking through to used equipment sales, disposal, and inventory replenishment. Texada Software offers in the cloud or client-based software and is scalable to meet the needs of any equipment rental company, dealership, construction company, contractor, and any customer who owns or uses construction or industrial equipment.

### **2. Basis of preparation:**

#### (a) Statement of compliance:

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The notes presented in these interim condensed consolidated financial statements include only significant changes and transactions occurring since the Company's last year end and are not fully inclusive of all disclosure required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the years ended December 31, 2018 and 2017, (the "2018 Annual Financial Statements") which are available on SEDAR and have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2019.

These interim condensed consolidated financial statements follow the same accounting policies and methods of application as the 2018 Annual Financial Statements, except that effective January 1, 2019, the Company implemented IFRS 16 - Leases ("IFRS 16"), which are described within this note. These interim condensed consolidated financial statements are presented in Canadian dollars.



# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

### 2. Basis of preparation: (continued)

(b) Basis of measurement:

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except as otherwise disclosed.

(c) Functional and presentation currency:

Amounts included in the interim financial statements of each entity that is a foreign operation are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The interim condensed consolidated financial statements are presented in Canadian dollars (“presentation currency”), which is also Noble Iron Inc.’s functional currency.

(d) Use of estimates and judgments:

Use of estimates:

The preparation of interim condensed financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management periodically reviews its estimates and underlying assumptions relating to the following items:

i. Taxes

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

ii. Depreciation

Management estimates future residual values and the rate at which the useful lives of property and equipment are consumed to determine appropriate depreciation charges. Estimates of residual value and useful lives are based on data and information from various sources, including vendors, industry practice and company specific history. These estimates are evaluated annually and adjusted prospectively, where necessary, to reflect actual experience.

iii. Amortization

Management estimates the expected useful life of intangible assets for use in calculating amortization expense. The estimates are evaluated annually and adjusted prospectively, where necessary, to reflect actual experience.

iv. Provision for doubtful accounts

The Company makes an assessment of whether trade receivables are collectable for each customer based on payment history and financial condition. These estimates are continuously evaluated and updated.

# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

### 2. Basis of preparation: (continued)

(d) Use of estimates and judgments (continued):

v. Stand-alone selling prices

The recognition of revenue requires judgement in the assessment of performance obligations, whether they are distinct and separate, within a contract and the assessment of recognizing at a point in time or over a period of time. Material promises within a contract to deliver distinct services are accounted for as separate performance obligations. The determination of the standalone selling prices (“SSP”) for distinct performance obligations can also require judgment and estimates. The Company uses a single amount to estimate SSP for bundled items such as subscription fee SaaS licenses, implementation and training in subscription arrangements that are not sold separately. The Company uses a range of amounts to estimate SSP when it sells each of the products and services separately and needs to determine whether there is a discount that needs to be allocated based on the relative SSP of the various products and services. In general, SSP for implementation and training in subscription fee contracts is supported by third party evidence and internal analysis of similar contracts. SSP for subscription licenses for same or similar services is established based on using the residual approach. 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.

Use of judgments:

The preparation of interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions relating to the following items:

i. Intercompany transactions

Management exercises judgment to determine which amounts receivable from a foreign operation are not expected to be settled and accordingly forms part of the Company’s net investment in the foreign operation. Factors considered include the nature of the source of the amounts advanced and the ability of the foreign operation to repay the advance.

ii. Recognition of deferred tax asset

Management exercises judgment in determining whether to recognize deferred tax assets and the amount of the recognition at each period end. Factors considered in this determination includes the probability of generating sufficient taxable income, the estimation of the tax rates that will be enacted when these assets will be utilized and different tax positions that can be taken to affect taxes payable in the future.

iii. Multiple elements of revenue

Management’s judgment is applied to the evaluation of multiple elements arrangements in the Company’s contract with customers to assess whether deliverables can be recognized separately for revenue recognition purposes. Determining whether such bundled products and services are considered a) distinct performance obligations that should be separately recognized, or b) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. In general, the Company’s implementation and training services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization of the licensed software.

(e) New standards and interpretations adopted:

The International Accounting Standards Board (“IASB”) has issued the following amendments, revisions, and new International Financial Reporting Standards (“IFRS”) that are not yet effective and while considered relevant to the Group, they have not yet been adopted by the Group.

# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

(e) New standards and interpretations adopted: (continued)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Company.

i. Adoption of IFRS 16 - Leases ("IFRS 16")

The Company applies, for the first time, IFRS 16 Leases using the modified retrospective approach that does not require restatement of previous financial statements. The impact and effect of these changes are disclosed in note 3 below.

ii. IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Company.

### 3. Changes in accounting policies:

#### IFRS 16 Leases:

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective approach of adoption with the date of initial application of January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented as precisely reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

### 3. Changes in accounting policies: (continued)

#### a. Definition of a lease

The Company now assesses whether a contract is or contains a lease based on the new definition of a lease under IFRIC 4. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.75%.

On transition to IFRS 16, the Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Company also elected to use the practical expedients permitted by the standard to exclude the initial direct costs for the measurement of the right-of-use asset at the date of initial application, and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

#### b. As a lessee

The Company leases an office space. The rental contract was made for fixed period of 10 years but may have extension option as described in (ii) below. Lease terms were negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants, but the leased asset may not be used as security for borrowing purposes.

Until the 2018 financial year, lease of property was classified as an operating lease. Payments made under operating lease was charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

The Company recognized the right-of-use assets under property and equipment on the interim consolidated statements of financial position. The carrying amount of the right-of-use assets is as below:

# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

### 3. Changes in accounting policies: (continued)

#### c. As a lessee (continued)

	Property
	\$
Balance at January 1, 2019	361,293
Balance at September 30, 2019	332,539

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

#### i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and adjusted for any remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured if there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under the residual value guarantee, or as appropriate, changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

#### ii. Transition

Previously, the Company classified property lease as an operating lease under IAS 17. The lease typically runs for a period of 10 years. The lease includes an option to renew the lease for an additional five years after the end of the non-cancellable period.

At transition, for lease classified as operating lease under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets was measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating lease under IAS 17:

- applied the exemption not to recognize right-of-use assets or liabilities for leases with less than 12 months of lease term
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application
- used hindsight when determining the lease term where the lease contains options to extend or terminate the lease.

# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

### 3. Changes in accounting policies: (continued)

d. Impacts on consolidated financial statements

i. Impacts on transition

On transition to IFRS 16, when measuring the lease liabilities that were classified as operating leases, the Company discounted the lease payments using its incremental borrowing rate at January 1, 2019. The rate applied is 5.75%.

	<b>January 1, 2019</b>
	<b>\$</b>
Operating lease commitment at December 31, 2018	447,611
Discounted using the incremental borrowing rate at January 1, 2019	361,293
Lease liabilities recognized at January 1, 2019	<u>361,293</u>
<b>Of which are:</b>	
Current lease liabilities	38,617
Non-current lease liabilities	<u>322,676</u>
	<u>361,293</u>

ii. Impacts for the period

As a result of applying IFRS 16, in relation to lease that was previously classified as an operating lease, the Company recognized \$361,293 of right-of-use assets and lease liabilities on January 1, 2019.

Also, in relation to the lease under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expense. During the three and nine months ended September 30, 2019, the Company recognized depreciation charge of \$11,781 and \$23,563 respectively, and interest costs of \$4,874 and \$15,304 respectively, from the lease in the interim condensed consolidated statements of comprehensive loss.

### 4. Share capital:

(a) Authorized:

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 September 30, 2019, there are 27,267,479 (December 31, 2018 – 27,267,479) fully paid for common shares issued and outstanding.

The Board of Directors ratified, confirmed, and approved a Restricted Share Plan, which was adopted by the Board of Directors effective June 10, 2014. A maximum of 1,000,000 shares, or 4.67% of the number of the Company's common shares issued and outstanding as of the date of approval of the Restricted Share Plan, are available for grant under the Restricted Share Plan. As at September 30, 2019 and December 31, 2018 the Company had no restricted shares issued. There are no preferred shares outstanding as at September 30, 2019 and December 31, 2018.

(b) Issued:

Issued and outstanding common shares were 27,267,479 as of September 30, 2019 and as of December 31, 2018. During the nine months ended September 30, 2019, the Company issued no common shares and had no exercise of options. There are no preferred shares outstanding as at September 30, 2019 or December 31, 2018. As at September 30, 2019 and December 31, 2018, the Company had no restricted shares issued.

# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

### 5. Net loss per share:

The computations for basic and diluted income (loss) per share for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net loss from continuing operations	(990,646)	(268,912)	(2,968,907)	(1,480,163)
Weighted average number of common shares outstanding:				
Basic and diluted	27,363,643	27,288,908	27,363,643	27,396,050
Net loss per share:				
Basic and diluted from continuing operations	(0.04)	(0.01)	(0.11)	(0.05)

Share options to purchase 1,973,000 (September 30, 2018 – 2,415,700) common shares are excluded from the weighted average common shares in the calculation of diluted loss per share as they are anti-dilutive.

### 6. Change in non-cash operating working capital:

	2019	2018
	\$	\$
Accounts receivable	477,112	(271,908)
Prepaid expenses and other assets	173,371	(242,867)
Accounts payable and accrued liabilities	(161,410)	(1,178,392)
Contract liabilities	91,318	(61,941)
Lease liabilities	40,314	-
	<u>620,705</u>	<u>(1,755,108)</u>

### 7. Financial risk management:

The Company is exposed to foreign exchange risk, credit risk, and liquidity risk related to its underlying financial assets and liabilities. Risk management strategies are designed to ensure that Company's risks and related exposures are consistent with its business objectives and overall risk tolerance. There have been no significant changes to the Company's risk management strategies since December 31, 2018, and no assurance can be provided that these strategies will continue to be effective.

#### (a) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value, or the future value cash flow of a financial instrument, will fluctuate due to changes in foreign exchange rates

#### (b) Credit risk:

Credit risk is the financial risk of non-performance by a contracted counter party. The Company primarily sells its software to customers operating in the equipment rental and distribution industry.



# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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### 7. Financial risk management: (continued)

#### (b) Credit risk: (continued)

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Company has therefore determined that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. During the period the Company made no write-offs of trade receivables, it does not expect to receive future cash flow from and no recoveries from collection of cash flows previously written off.

#### (c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that it has access to sufficient cash to cover the expected short-term and long-term cash requirements.

### 8. Determination of fair values

#### (a) Financial Assets:

Management has determined that the carrying amount of its short-term financial assets, including cash and accounts receivable approximates fair value at the reporting date.

#### (b) Financial liabilities:

Management has determined that the carrying amount of its short-term financial liabilities, including accounts payable and accrued liabilities approximate fair value at the reporting date due to the short-term maturity of these obligations.

#### (c) Fair value:

As of September 30, 2019, the Company did not have any financial instruments which are measured at fair value. This is consistent with 2018.

### 9. Segment information:

The Company's reportable segment is Enterprise Asset Management Software, which is headquartered in Canada. The business markets and sells its software platform to customers who manage large quantities of construction and industrial heavy equipment inventory in Canada, Australia and the United States.

For the three and nine months ended September 30, 2019 and 2018, no single customer accounted for 10% or more of the total Company's revenue or accounts receivable.

Revenue by geographic segment	Three months ended September 30		Nine months ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Canada and United States	1,072,749	1,047,911	3,416,299	3,069,387
Australia and New Zealand	315,350	335,942	928,687	1,141,663
	<u>1,388,099</u>	<u>1,383,853</u>	<u>4,344,986</u>	<u>4,211,050</u>





# NOBLE IRON INC.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

In Canadian Dollars

### 9. Segment information: (continued)

	Three months ended September 30, 2019		Three months ended September 30, 2018	
	Canada \$	Australia \$	Canada \$	Australia \$
Disaggregation of revenue:				
Recurring:				
Maintenance	138,083	108,505	127,386	112,738
Subscription fees (i)	743,176	144,527	746,604	97,457
	<u>881,259</u>	<u>253,032</u>	<u>873,990</u>	<u>210,195</u>
Non-recurring:				
License fees (i)	49,924	29,756	-	64,628
Implementation and training	141,566	32,562	173,921	61,119
	<u>191,490</u>	<u>62,318</u>	<u>173,921</u>	<u>125,747</u>
	<u>1,072,749</u>	<u>315,350</u>	<u>1,047,911</u>	<u>335,942</u>
	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
	Canada \$	Australia \$	Canada \$	Australia \$
Disaggregation of revenue:				
Recurring:				
Maintenance	420,082	308,598	463,658	346,927
Subscription fees (i)	2,324,263	368,757	2,069,075	273,835
	<u>2,744,345</u>	<u>677,355</u>	<u>2,532,733</u>	<u>620,762</u>
Non-recurring:				
License fees (i)	59,980	100,570	6,050	124,795
Implementation and training	611,974	150,762	530,604	396,106
	<u>671,954</u>	<u>251,332</u>	<u>536,654</u>	<u>520,901</u>
	<u>3,416,299</u>	<u>928,687</u>	<u>3,069,387</u>	<u>1,141,663</u>

- (i) In instances of bundled contracts, Subscription fees and License fees exclude implementation and training services, which are listed separately above.