



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

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

NOBLE IRON INC.

CONTENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	<u>Page</u>
Management's comments on Unaudited Interim Condensed Consolidated Financial Statements	1
Interim Condensed Consolidated Statements of Financial Position	2
Interim Condensed Consolidated Statements of Comprehensive Loss	3
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity	4
Interim Condensed Consolidated Statements of Cash Flows	5
Notes to Interim Condensed Consolidated Financial Statements	6-15

**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 MARCH 31, 2020 AND DECEMBER 31, 2019

In Canadian Dollars

	<i>Notes</i>	2020	2019
Assets			\$
Current assets			
Cash		4,194,704	4,868,869
Trade receivables		704,201	559,254
Prepayment and other assets		317,390	283,192
Total current assets		5,216,295	5,711,315
Non-current assets			
Intangible assets		52,023	57,674
Property and equipment		82,080	91,063
Right of use assets		385,884	413,929
Other long-term assets		164,270	150,387
Total non-current assets		684,257	713,053
Total assets		5,900,552	6,424,368
Liabilities and Equity			
Current liabilities			
Trade and other payables		616,395	772,423
Contract liabilities		186,677	231,378
Lease liabilities		88,068	92,380
Total current liabilities		891,140	1,096,181
Non-current liabilities			
Lease liabilities		322,218	345,261
Total non-current liabilities		322,218	345,261
Total liabilities		1,213,358	1,441,442
Equity attributable to owners of the parent			
Share capital	4	36,471,467	36,471,467
Other reserves		4,302,837	4,302,423
Accumulated other comprehensive income		2,546,270	2,377,894
Accumulated deficit		(38,633,380)	(38,168,858)
Total equity		4,687,194	4,982,926
Total equity and liabilities		5,900,552	6,424,368

See Accompanying Notes to Interim Condensed Consolidated Financial Statements

NOBLE IRON INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

In Canadian Dollars

	2020	2019
	\$	\$
Revenue	1,356,204	1,440,502
Cost of revenue	123,479	173,822
Gross profit	1,232,725	1,266,680
Operating expenses		
General and administrative	728,770	829,522
Research and development	480,593	659,338
Sales and marketing	375,061	396,997
Support, maintenance and delivery	299,897	366,361
Loss from operations	(651,596)	(985,538)
Finance (income) / cost		
Interest expense / (income)	4,879	(4,272)
Foreign exchange (gain) / loss	(191,953)	21,899
Loss before taxation	(464,522)	(1,003,165)
Income tax	-	-
Net loss	(464,522)	(1,003,165)
Other comprehensive loss		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Foreign currency translation adjustment	168,376	(160,132)
Total comprehensive loss	(296,146)	(1,163,297)
Loss per share		
Basic and diluted	5	(0.02)
		(0.04)

See Accompanying Notes to Interim Condensed Consolidated Financial Statements

NOBLE IRON INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

In Canadian Dollars

	Share Capital No.	Share Capital \$	Other reserves \$	Accumulated other comprehensive income \$	Accumulated deficit \$	Total equity \$
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	-	-	-	-	(1,003,165)	(1,003,165)
Other comprehensive loss	-	-	-	(160,132)	-	(160,132)
Total comprehensive loss	-	-	-	(160,132)	(1,003,165)	(1,163,297)
Share-based payments	-	-	7,685	-	-	7,685
Balance, March 31, 2019	27,267,479	36,471,467	4,288,119	2,559,694	(35,411,645)	7,907,635
Balance, January 1, 2020	27,267,479	36,471,467	4,302,423	2,377,894	(38,168,858)	4,982,926
Loss for the period	-	-	-	-	(464,522)	(464,522)
Other comprehensive income	-	-	-	168,376	-	168,376
Total comprehensive loss	-	-	-	168,376	(464,522)	(296,146)
Share-based payments	-	-	414	-	-	414
Balance, March 31, 2020	27,267,479	36,471,467	4,302,837	2,546,270	(38,633,380)	4,687,194

See Accompanying Notes to Interim Condensed Consolidated Financial Statements



NOBLE IRON INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

In Canadian Dollars

	<i>Notes</i>	2020	2019 \$
Cash flows from operating activities			
Net loss		(464,522)	(1,003,165)
Adjustments for:			
Amortization and depreciation		38,900	59,279
Share-based payments		414	7,685
Interest income		-	(4,272)
Unrealized foreign exchange loss / (gain)		32,983	37,589
Changes in working capital	6	<u>(379,875)</u>	<u>(114,333)</u>
		(772,100)	(1,017,217)
Interest paid		<u>(6,800)</u>	<u>(4,975)</u>
Net cash used in operating activities		(778,900)	(1,022,192)
Investing activities			
Interest received		2,297	9,359
Purchase of property and equipment		<u>(1,825)</u>	<u>(33,071)</u>
Net cash used in investing activities		472	(23,712)
Financing activities			
Payment of lease liabilities		<u>(21,837)</u>	<u>(9,448)</u>
Net cash used in financing activities		(21,837)	(9,448)
Effects of exchange rate differences on cash		126,100	(191,372)
Net decrease in cash		(800,265)	(1,055,352)
Cash, beginning of period		<u>4,868,869</u>	<u>7,756,049</u>
Cash, end of period		<u>4,194,704</u>	<u>6,509,325</u>

See Accompanying Notes to Interim Condensed Consolidated Financial Statements

NOBLE IRON INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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 months ended, March 31, 2020 and 2019, 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, 2019 and 2018, (the "2019 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 June 25, 2020.

These interim condensed consolidated financial statements follow the same accounting policies and methods of application as the 2019 Annual Financial Statements. These interim condensed consolidated financial statements are presented in Canadian dollars.

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Governments worldwide immediately enacted emergency measures including but not limited to self-imposed quarantine and social distancing, closure of businesses and construction sites resulting in an economic slowdown. The impact of COVID-19 could negatively impact the Company's operations and customers by prolonged regional and global closures of the Company's customer base operations, including stop work orders on existing contracted work for an unknown period of time, stalling the projects going live and new customer onboarding. Any closures, quarantines and labor shortages of the Company's customers may adversely impact the Company's revenues and cashflows.

As of the date of these interim financial statements, the extent to which the COVID-19 impacts the Company's results depends on future developments and reaction from the government and the Bank of Canada, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions taken to contain it or its impact. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

NOBLE IRON INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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 MONTHS ENDED MARCH 31, 2020 AND 2019

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 stand-alone 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.

iv. Leases

The Company has applied judgement to determine the lease term for its 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.

NOBLE IRON INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

In Canadian Dollars

2. Basis of preparation: (continued)

(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.

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, 2019 except for the adoption of new standards effective January 1, 2020. 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.

IFRS 3, Business Combinations (“IFRS 3”)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs and introduced an optional fair value concentration test. These amendments are effective and shall be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

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 March 31, 2020, there are 27,267,479 (December 31, 2019 – 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 March 31, 2020 and December 31, 2019 the Company had no restricted shares issued. There are no preferred shares outstanding as of March 31, 2020 and December 31, 2019.

(b) Issued:

Issued and outstanding common shares were 27,267,479 as of March 31, 2020 and as of December 31, 2019. During the three months ended March 31, 2020, the Company issued no common shares and had no exercise of options. There are no preferred shares outstanding as of March 31, 2020 or December 31, 2019. As at March 31, 2020 and December 31, 2019, the Company had no restricted shares issued.

NOBLE IRON INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

In Canadian Dollars

5. Net loss per share:

The computations for basic and diluted loss per share for the three months ended March 31, 2020 and 2019 and year ended December 31, 2019 are as follows:

	Three Months Ended March 31		Year Ended December 31	
	2020	2019	2019	2018
	\$	\$	\$	\$
Net loss	(464,522)	(1,003,165)	(3,760,378)	(3,098,589)
Weighted average number of common shares outstanding:				
Basic and diluted	27,267,479	27,267,479	27,267,479	27,363,643
Net loss per share:				
Basic and diluted	(0.02)	(0.04)	(0.14)	(0.11)

Share options to purchase 1,961,500 (December 31, 2019 – 1,961,500) 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:

	2020	2019
	\$	\$
Accounts receivable	(144,947)	99,237
Prepaid expenses and other assets	(34,198)	54,143
Accounts payable and accrued liabilities	(156,029)	(267,038)
Deferred revenue	(44,701)	(675)
	<u>(379,875)</u>	<u>(114,333)</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, 2019, 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 MONTHS ENDED MARCH 31, 2020 AND 2019

In Canadian Dollars

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 March 31, 2020, the Company did not have any financial instruments which are measured at fair value. This is consistent with 2019.

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 months ended March 31, 2020 and 2019, no single customer accounted for 10% or more of the total Company's revenue or accounts receivable.

Revenue by geographic segment	Three months ended March 31		Year ended December 31	
	2019 \$	2019 \$	2019 \$	2018 \$
Canada and United States	1,105,491	1,126,691	4,504,059	4,701,666
Australia and New Zealand	250,713	313,811	1,244,835	1,404,325
	<u>1,356,204</u>	<u>1,440,502</u>	<u>5,748,894</u>	<u>6,105,991</u>



