Condensed Consolidated Interim Financial Statements of

AgJunction®

Three and nine month period ending September 30, 2019

(Unaudited - expressed in U.S. dollars)

AgJunction Inc.

Condensed Consolidated Statements of Financial Position
(Expressed in U.S. dollars)

($000s)	September 30, 2019 (unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 21,300	$ 21,398
Accounts receivable, net	3,393	8,508
Current portion of notes receivable, net	320	320
Inventories	4,002	5,743
Contract assets, net	-	58
Prepaid expenses and deposits	700	1,286
	29,715	37,313
Contract assets, net	-	185
Notes receivable, less current portion, net	890	1,083
Property, plant and equipment, net	1,359	1,434
Right-of-use assets (note 7)	1,335	-
Intangible assets, net	10,084	9,689
Goodwill	143	143
	$ 43,526	$ 49,847
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,093	$ 8,500
Provisions (note 5)	1,162	999
Contract liabilities, net	93	84
Current portion of lease liability (note 7)	577	-
Current portion of deferred revenue	978	1,048
	6,903	10,631
Contract liabilities, net	92	96
Deferred revenue, less current portion	3,588	4,177
Lease liability, net of current portion (note 7)	836	-
Total liabilities	11,419	14,904
Shareholders' equity:		
Share capital	148,495	148,475
Equity reserve	5,128	4,892
Accumulated deficit	(121,516)	(118,424)
	32,107	34,943
	$ 43,526	$ 49,847

* The December 31, 2018 balance sheet figures have been derived from the audited consolidated financial statements as of that date.

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Profit or Loss

Three and nine months ended September 30, 2019 and 2018
(Unaudited - expressed in U.S. dollars)

($000s)	Three Months ended September 30, 2019	Three Months ended September 30, 2018	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018
Revenue (note 4)	$ 8,641	$ 17,862	$ 35,955	$ 47,412
Cost of sales	5,854	11,539	22,781	28,889
Gross Profit	2,787	6,323	13,174	18,523
Expenses:				
Research and development	1,901	1,343	5,637	7,331
Sales and marketing	1,186	1,857	3,828	6,006
General and administrative	2,233	2,471	6,940	7,907
	5,320	5,671	16,405	21,244
Operating (loss)	(2,533)	652	(3,231)	(2,721)
Foreign exchange (gain) loss, net	86	(35)	29	(56)
Interest and other income	(83)	(20)	(204)	(30)
(Gain) loss on sale of property, plant and equipment	(9)	-	36	(13)
(Gain) on sale of division (note 9)	-	(943)	-	(943)
	(6)	(998)	(139)	(1,042)
Net loss before income taxes	(2,527)	1,650	(3,092)	(1,679)
Income tax expense (benefit)	(2)	-	-	-
Net Income (loss)	$ (2,525)	$ 1,650	$ (3,092)	$ (1,679)
Income (loss) per share:				
Basic and diluted income (loss) per	$ (0.02)	$ 0.01	$ (0.03)	$ (0.01)

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Changes in Equity

($000s)	Share capital	Equity reserve	Deficit	Total equity	Number of shares
Balance at January 1, 2018	$ 146,896	$ 5,805	$ (119,888)	$ 32,813	116,879
Net (loss)	-	-	(1,679)	(1,679)	-
Share-based payment transactions (note 3(c))	-	605	-	605	-
Issue of restricted share awards, net (note 3(c))	1,600	(1,600)	-	-	2,238
Balance at September 30, 2018 (unaudited)	$ 148,496	$ 4,810	$ (121,567)	$ 31,739	119,117
Balance at January 1, 2019	$ 148,475	$ 4,892	$ (118,424)	$ 34,943	119,085
Net (loss)	-	-	(3,092)	(3,092)	-
Share-based payment transactions (note 3(c))	-	236	-	236	-
Exercise of stock options to purchase common shares (note 3(c))	-	-	-	-	5
Exercise of restricted share awards, net (note 3(c))	20			20	-
Cancellation of restricted share awards, net (note 3(c))	-	-	-	-	(1,038)
Balance at September 30, 2019 (unaudited)	$ 148,495	$ 5,128	$ (121,516)	$ 32,107	118,052

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows

Three months ended September 30, 2019 and 2018
(Unaudited - expressed in U.S. dollars)

($000s)	2019	2018
Cash flows from operating activities:		
Net (loss) Income	$ (2,525)	$ 1,650
Items not involving cash:		
Depreciation	319	151
Amortization	438	309
Share-based payment transactions (note 3(c))	29	235
Allowance loss on trade receivables	-	(224)
Provision (recovery) of reserve for slow moving and obsolete inve	(32)	105
(Gain) on disposal of property, plant and equipment	(9)	-
(Gain) on sale of division	-	(943)
Change in operating working capital:		
Accounts receivable	7,205	(944)
Inventories	560	(466)
Contract assets	-	(23)
Prepaid expenses and deposits	638	66
Accounts payable and accrued liabilities	(2,891)	1,508
Provisions (note 5)	(102)	130
Contract liabilities	(186)	(220)
Deferred revenue	(293)	2,418
Cash flows from operating activities:	3,151	3,752
Cash flows used in financing activities:		
Principal payments on lease liabilities	(149)	-
Cash flows used in financing activities:	(149)	-
Cash flows (used in) from investing activities:		
Principal payments on notes receivable	65	-
Purchase of property, plant and equipment	(25)	(228)
Intangible asset addition, net	(647)	(1,040)
Proceeds from the sale of division	-	6,000
Cash flows (used in) from investing activities:	(607)	4,732
Increase in cash and cash equivalents	2,395	8,484
Cash and cash equivalents, beginning of period	18,905	10,967
Cash and cash equivalents, end of period	$ 21,300	$ 19,451

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows

Nine months ended September 30, 2019 and 2018
(Unaudited - expressed in U.S. dollars)

($000s)	2019	2018
Cash flows from operating activities:		
Net (loss)	$ (3,092)	$ (1,679)
Items not involving cash:		
Depreciation	849	498
Amortization	1,131	946
Share-based payment transactions (note 3(c))	236	605
Allowance loss on trade receivables	-	(193)
Recovery of reserve for slow moving and obsolete inventories	(375)	(83)
(Gain) loss on disposal of property, plant and equipment	36	(13)
(Gain) on sale of division	-	(943)
Change in operating working capital:		
Accounts receivable	5,115	(3,174)
Inventories	2,116	(1,222)
Contract assets	243	(30)
Prepaid expenses and deposits	586	(67)
Accounts payable and accrued liabilities	(4,407)	4,016
Provisions (note 5)	163	217
Contract liabilities	5	(183)
Deferred revenue	(659)	2,381
Cash flows from operating activities:	1,947	1,076
Cash flows used in financing activities:		
Issue of share capital	20	-
Principal payments on lease liabilities	(438)	-
Cash flows used in financing activities:	(418)	-
Cash flows (used in) from investing activities:		
Principal payments on notes receivable	193	-
Proceeds from the sale of property, plant and equipment	-	107
Purchase of property, plant and equipment	(294)	(585)
Intangible asset addition, net	(1,526)	(1,040)
Proceeds from the sale of division	-	6,000
Cash flows (used in) from investing activities:	(1,627)	4,482
(Decrease) increase in cash and cash equivalents	(98)	5,558
Cash and cash equivalents, beginning of period	21,398	13,893
Cash and cash equivalents, end of period	$ 21,300	$ 19,451

See accompanying notes to condensed consolidated interim financial statements.

1. Reporting entity:

AgJunction Inc. (the "Company") is a publicly traded company listed on the Toronto Stock Exchange under the ticker symbol "AJX", domiciled in Canada with its primary office located at 9150 E. Del Camino Drive, Suite 109, Scottsdale, Arizona. AgJunction Inc. is a leading provider of innovative hardware and software solutions for precision agriculture worldwide. The Company holds fundamental steering and machine control patents and its autosteering and machine control solutions are critical components in over 30 of the world's leading precision Ag manufacturers and solution providers. The condensed consolidated financial statements of the Company as of and for the three and nine months ended September 30, 2019 and 2018 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The condensed consolidated financial statements were authorized for issue by the Board of Directors on November 6, 2019.

2. Basis of preparation and presentation:

(a) These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34, *Interim Financial Reporting.*

These interim financial statements follow the same accounting policies and methods of application as set out in the consolidated financial statements for the year ended December 31, 2018, except as noted in 2(b) for adoption of new accounting pronouncements. These statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(b) Recently adopted accounting pronouncements

IFRS 16, *Leases*

The Company adopted the new standard effective January 1, 2019. The Company applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 7.

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company assessed which arrangements were leases, it applied IFRS 16 only to contracts that were previously identified as leases, at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not

2. Basis of preparation and presentation (continued):

reassessed for whether there was a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on the condensed consolidated statement of financial position.

The Company applied recognition exemptions to leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"). For leases of other assets, which were classified as operating under IAS 17, the Company recognized right-of-use assets and lease liabilities.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019. At transition, right-of-use assets are 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 leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the short term lease exemption not to recognize right-of-use assets at the date of initial application.
- Applied the low value lease exemption not to recognize right-of-use assets at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IASB published IFRIC 23, *Uncertainty over Income Tax Treatments* which was developed by the IFRS Interpretations Committee to enhance transparency and to clarify the accounting for income tax treatments that have yet to be accepted by tax authorities. The interpretation is effective for annual periods beginning on or after January 1, 2019. This standard did not have a significant impact on the Company's financial results.

2. Basis of preparation and presentation (continued):

(c) *Revenue from Contracts with Customers:*

Revenue is recognized when the Company satisfies its performance obligations. Performance obligations are satisfied when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company has three categories of revenue from contracts with customers including sales to customers, non-recurring engineering ("NRE") and royalty revenue.

The Non-Recurring Engineering (NRE) agreements fall into one of three categories, software upgrades, equipment prototype design ("hardware"), and feature code development. Revenue generated from software upgrade NRE is recognized upon delivery of the software upgrade to the customer. Revenue generated from equipment prototype design and feature code development NRE is initially deferred and later recognized on a pro-rata basis as new equipment or feature codes connected with those NRE agreements are purchased.

Costs related to NRE agreements under all three categories are capitalized as a contract asset as the expenses are incurred, not to exceed contractual NRE billings. Capitalized expenses include amounts paid to external vendors as well as internal labor costs. Contract assets related to software upgrades are fully expensed upon delivery of the software upgrade to customers. Contract assets related to equipment prototype design and feature code development are expensed on a pro-rata basis as new equipment or feature codes connected with those NRE agreements are purchased. This requires an estimate of future sales of related hardware and feature codes. Capitalized expenses related to these NRE agreements are represented as net contract assets on the Condensed Consolidated Statements of Financial Position and total $243 as of December 31, 2018. These net contract assets relate solely to software NRE agreements.

Under the standard, sales-based or usage-based royalty revenue is recognized when the Company satisfies its performance obligations over the contractual term. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Royalty revenue is reported within the Revenue line of the Condensed Consolidated Statements of Profit or Loss. Royalty revenue recognized during the three and nine months ended September 30, 2019 and 2018 was $274 and $830, and $93 and $93, respectively. Deferred royalty revenue is represented in deferred revenue on the Condensed Consolidated Statements of Financial Position and totals $4,519 and $5,395 as of September 30, 2019 and December 31, 2018, respectively. Deferred NRE revenue is represented as net contract liabilities on the Condensed Consolidated Statements of Financial Position.

3. Share capital:

(a) Authorized:

An unlimited number of common shares and an unlimited number of both first and second preferred shares, issuable in series, are authorized.

(b) Issued:

Issued share capital consists of 118,052,417 common shares at $148.5 million.

(c) During the nine months ended September 30, 2019, the Company recorded $58 (2018 – $199) as share based compensation expense relating to options and $178 (2018 - $406) relating to restricted share awards for total compensation expense of $236 (2018 - $605).

Change in the number of options, with their weighted average exercise prices are summarized below:

Three Months Ended (share price in CAD)	September 30, 2019			September 30, 2018		
	Number of Options		Weighted average exercise price	Number of Options		Weighted average exercise price
Total options outstanding, beginning of period	6,658	$	0.53	7,359	$	0.62
Granted	-		-	-		-
Exercised	-		-	-		-
Expired or cancelled	(33)		0.55	(16)		1.12
Share options outstanding, end of period	6,625	$	0.53	7,343	$	0.62

Nine Months Ended (share price in CAD)	September 30, 2019			September 30, 2018		
	Number of Options		Weighted average exercise	Number of Options		Weighted average exercise
Total options outstanding, beginning of period	7,313	$	0.55	7,409	$	0.62
Granted	-		-	-		-
Exercised	(5)		0.50	-		-
Expired or cancelled	(683)		0.59	(66)		0.94
Share options outstanding, end of period	6,625	$	0.53	7,343	$	0.62

3. Share capital (continued):

(share price in CAD)	Options outstanding				Options exercisable		
Range of exercise prices outstanding	Number outstanding at September 30, 2019	Weighted average remaining contractual life (months)		Weighted average exercise price	Number exercisable at Septmber 30, 2019		Weighted average exercise price
\$0.50 - \$1.00	6,625	19	\$	0.53	4,526	\$	0.53

Change in the number of restricted share awards (RSAs), with their weighted average grant prices are summarized below:

Three Months Ended (share price in CAD)	September 30, 2019			September 30, 2018		
	Number of RSAs		Weighted average grant price	Number of RSAs		Weighted average grant price
Total options outstanding, beginning of period	1,914	\$	0.70	3,962	\$	0.75
Granted	-		-	-		-
Vested	(50)		0.50	(168)		0.74
Expired or cancelled	(206)		0.72	(146)		0.85
RSAs outstanding, end of period	1,658	\$	0.71	3,648	\$	0.76

Nine Months Ended (share price in CAD)	September 30, 2019			September 30, 2018		
	Number of RSAs		Weighted average grant price	Number of RSAs		Weighted average grant price
Total options outstanding, beginning of period	3,525	\$	0.76	2,280	\$	0.53
Granted	-		-	2,538		0.87
Vested	(829)		0.50	(870)		0.53
Expired or cancelled	(1,038)		0.83	(300)		0.69
RSAs outstanding, end of period	1,658	\$	0.71	3,648	\$	0.76

3. Share capital (continued):

The restricted share awards outstanding as of September 30, 2019 have a weighted average remaining vesting life of 18 (2018 – 30) months.

(d) The grant date fair value of RSAs granted is estimated by using the Black-Scholes put option pricing model. The following assumptions were used in determining the fair value of the March 2018 RSA grants: Company share price at issuance; weighted average volatility of 57%; interest rate of 1.74%; and weighted average expected life of 3.0 years. Two RSA issuances with differing vesting periods were completed in April 2018. Accordingly, differing assumptions were used in the fair value calculations. The following assumptions were used in the first issuance: Company share price at issuance; weighted average volatility of 51%; interest rate of 1.79%; and weighted average vesting period of 1.0 year. The following assumptions were used in the second issuance: Company share price at issuance; weighted average volatility of 56%; interest rate of 1.79%; and weighted average vesting period of 3.0 years.

There were no stock options or RSA grants during the three and nine months ended September 30, 2019.

4. Revenue concentration:

Revenue by business unit:

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Agriculture	$ 8,641	$ 17,862	$ 35,955	$ 47,412

Revenue by geographic region:

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Americas	$ 2,790	$ 3,923	$ 10,645	$ 19,165
Asia-Pacific (APAC)	181	452	511	1,371
Europe, the Middle East, and Africa (EMEA)	5,670	13,487	24,799	26,876
	$ 8,641	$ 17,862	$ 35,955	$ 47,412

Payment terms associated with revenue recognized in each period shown above are normally 30 days from invoice date, however some payment terms are extended up to 90 days.

5. Provisions:

		Warranty		Restructuring		Total
Balance at December 31, 2017	$	613	$	16	$	629
Provisions made during the period		208		-		208
Provisions used during the period		(127)		-		(127)
Balance at March 31, 2018	$	694	$	16	$	710
Provisions made during the period		220		-		220
Provisions used during the period		(198)		(16)		(214)
Balance at June 30, 2018	$	716	$	-	$	716
Provisions made during the period		289		-		289
Provisions used during the period		(159)		-		(159)
Sale of division		(137)		-		(137)
Balance at September 30, 2018	$	709	$	-	$	709

		Warranty		Restructuring		Warranty
Balance at December 31, 2018	$	999	$	-	$	999
Provisions made during the period		296		-		296
Provisions used during the period		(61)		-		(61)
Balance at March 31, 2019	$	1,234	$	-	$	1,234
Provisions made during the period		54		-		54
Provisions used during the period		(24)		-		(24)
Balance at June 30, 2019	$	1,264	$	-	$	1,264
Provisions made during the period		63		-		63
Provisions used during the period		(165)		-		(165)
Balance at September 30, 2019	$	1,162	$	-	$	1,162

6. Related party transactions:

In 2016, Jonathan Ladd, a member of the Board was engaged by the Company to act as a Senior Strategic Advisor to the CEO at an hourly rate plus 800 thousand options as share-based compensation whereby the options vest equally over a 48-month period.

For the period January 1, 2019 through September 30, 2019, the Company incurred short term compensation expense in the amount of $65 ($67 in the same period of 2018) for duties performed by Mr. Ladd as well as $17 ($17 in the same period of 2018) in travel and other business-related expenses associated with this service agreement.

6. Related party transactions (continued):

The terms and conditions of this transaction were no more favorable than those available, or which might reasonably be expected to be available, in similar arrangements with non-key management personnel related to the Company on an arm's length basis.

7. Leases:

The Company recognizes right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain 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 interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate of 4.75%. The Company used its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

7. Leases (continued):

The Company presents right-of-use assets that do not meet the definition of investment property in the condensed consolidated statement of financial position as Right-of-use assets.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including a storage unit, combines, and postage meter. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company leases assets including office space, printers, copiers, security system, and a mailing system. Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	Office Space	Equipment	Total
Balance at January 1, 2019	$ 1,750	$ 56	$ 1,806
Lease Additions	45	-	45
Depreciation change for the period	(499)	(17)	(516)
Balance, September 30, 2019	$ 1,296	$ 39	$ 1,335

Lease liabilities

	2019
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 708
One to five years	828
Total undiscounted lease liabilities at September 30, 2019	1,536
Lease liabilities at initial application	1,806
Current	$ 577
Non-current	836
Lease liabilities included in the statement of financial position at September 30, 2019	$ 1,413

Amounts recognized in profit or loss

	2019
Interest on lease liabilities	50
Variable lease payments not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	-
Expenses related to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1

7. Leases (continued):

Amounts recognized in the statement of cash flows

	2019
Total cash outflow for leases	(488)

Real estate leases

The Company leases office space typically for a period of 3-7 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices or sales that the Company makes at the leased office space in the period. Some leases require the Company to make payments that relate to the property taxes levied on the lessor and utility charges paid by the lessor.

Some leases of office space contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include the extension options in new leases to provide operational flexibility. The extension options

held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company does not expect to exercise any lease options.

Lease cancellation

The company announced the closure of its Brisbane, Australia and Fremont, California facilities on April 10, 2019. The company has five leases, three facility leases and two printer leases, which are associated with closure of the Fremont and Brisbane facilities. The Company intends on retaining use and access to the facilities through the lease expiration dates.

Upon lease termination, fees associated with the lease cancellation, such as negotiation costs, relocation costs or termination penalties including costs associated with returning the asset in a contractually specified condition or contractually specified location are the responsibility of the lessee.

As of September 30, 2019 the Company has accelerated the amortization of the right-of-use assets of the aforementioned leases. The related accelerated depreciation expense of $64 is recognized on the Condensed Consolidated Statement of Profit or Loss for the three month period ended September 30, 2019. The Company did not recognize any lease cancellation fees during the three and nine months ended September 30, 2019.

7. Leases (continued):

Other leases

The Company leases printers, a security system and a mailing system, with lease terms of 1 to 4.5 years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Company monitors the use of these assets, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets. The Company does not have any residual guarantees as of September 30, 2019.

The Company also leases a storage unit, postage meter and security system with contract terms no longer than 3 years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

IAS 17 – as a lessee

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of

the minimum lease payments. Minimum lease payment were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of income. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.