

Interim Condensed  
Consolidated Financial Statements

## **NOBLE IRON INC.**

For the nine months ended September 30, 2014 and 2013  
(Unaudited)

**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, 2014 and December 31, 2013

In Canadian Dollars

	September 30, 2014	December 31, 2013
<b>Assets</b>		
Current assets:		
Cash	\$ 569,855	\$ 2,658,204
Accounts receivable	3,547,234	2,994,819
Inventories	641,163	482,833
Prepaid expenses and other assets	958,670	943,387
	5,716,922	7,079,243
Long term assets:		
Property and equipment	35,789,544	34,567,954
Intangible assets	1,221,773	1,366,108
Loan receivable	123,902	119,015
Deferred tax asset	757,585	906,388
	37,892,804	36,959,465
<b>Total assets</b>	<b>\$ 43,609,726</b>	<b>\$ 44,038,708</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,223,806	\$ 1,620,645
Other current liabilities (note 5)	1,594,963	2,996,469
Deferred revenue	239,789	238,473
Current portion of license obligation	319,094	240,040
Current portion of long-term debt	517,212	221,910
	5,894,864	5,317,537
Long term liabilities:		
License obligation	345,159	330,306
Long-term debt	32,171,824	27,931,286
Deferred tax liability	126,399	794,900
	32,643,382	29,056,492
<b>Total liabilities</b>	<b>\$ 38,538,246</b>	<b>\$ 34,374,029</b>
Shareholders' equity:		
Share capital (note 3)	30,571,004	30,502,004
Contributed surplus	3,033,787	2,997,045
Accumulated other comprehensive income	183,291	497,073
Deficit	(28,716,602)	(24,331,443)
	5,071,480	9,664,679
<b>Total liabilities and shareholders' equity</b>	<b>\$ 43,609,726</b>	<b>\$ 44,038,708</b>

See accompanying notes to interim unaudited condensed consolidated financial statements

On behalf of the Board:

/s/ Nabil Kassam Director

/s/ Ron Schwarz Director

# NOBLE IRON INC.

Interim Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

For the three and nine months ended September 30, 2014 and 2013

In Canadian Dollars

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>Revenue:</b>				
Rental and distribution (note 7)	\$ 4,575,421	\$ 4,053,804	\$ 12,754,591	\$ 11,596,407
Software and services	1,186,836	939,492	3,381,891	3,482,588
	5,762,257	4,993,296	16,136,482	15,078,995
<b>Cost of revenue:</b>				
Rental and distribution	2,380,381	2,049,158	6,330,942	5,796,997
Software and services	105,274	108,600	410,433	366,200
	2,485,655	2,157,758	6,741,375	6,163,197
<b>Gross profit</b>	<b>3,276,602</b>	<b>2,835,538</b>	<b>9,395,107</b>	<b>8,915,798</b>
<b>Operating expenses:</b>				
Support, maintenance and delivery	2,049,956	1,630,563	6,224,983	4,797,519
Research and development	224,021	180,106	583,222	580,504
Sales and marketing	420,195	204,533	1,198,766	896,772
General and administration	2,015,254	1,930,031	5,652,446	5,876,943
	4,709,426	3,945,233	13,659,417	12,151,737
<b>Loss from operations</b>	<b>(1,432,824)</b>	<b>(1,109,695)</b>	<b>(4,264,310)</b>	<b>(3,235,939)</b>
<b>Finance costs:</b>				
Interest expense	244,846	201,368	694,674	644,312
Foreign exchange (gain)/loss	91,373	(39,832)	98,381	(23,287)
	336,219	161,536	793,055	621,025
<b>Loss before income taxes</b>	<b>(1,769,043)</b>	<b>(1,271,231)</b>	<b>(5,057,365)</b>	<b>(3,856,964)</b>
<b>Income tax expense (recovery)</b>	<b>(93,758)</b>	<b>1,643</b>	<b>(672,205)</b>	<b>102,396</b>
<b>Net loss</b>	<b>(1,675,285)</b>	<b>(1,269,588)</b>	<b>(4,385,159)</b>	<b>(3,754,568)</b>
<b>Other comprehensive income (loss):</b>				
Items that will not be reclassified to net loss:				
Foreign currency translation adjustment	79,682	(188,323)	(313,782)	325,717
<b>Total comprehensive loss</b>	<b>\$ (1,595,603)</b>	<b>\$ (1,457,911)</b>	<b>\$ (4,698,941)</b>	<b>\$ (3,428,851)</b>
<b>Net loss per share:</b>				
Basic and diluted (note 4)	\$ (0.08)	\$ (0.06)	\$ (0.20)	\$ (0.19)

See accompanying notes to interim unaudited condensed consolidated financial statements

# NOBLE IRON INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity  
(Unaudited)

For the nine months ended September 30, 2014 and 2013

In Canadian Dollars

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2012	\$ 25,261,920	\$ 2,884,903	\$ 197,733	\$ (19,388,562)	\$ 8,955,994
Stock-based compensation	-	166,304	-	-	166,304
Share capital issuance	5,112,500	37,500	-	-	5,150,000
Share capital issuance – exercise of share options	52,400	(32,400)	-	-	20,000
Other comprehensive income - foreign currency translation adjustment	-	-	325,717	-	325,717
Net loss	-	-	-	(3,754,568)	(3,754,568)
Balance, September 30, 2013	\$ 30,426,820	\$ 3,056,307	\$ 523,450	\$ (23,143,130)	\$ 10,863,447
Balance, December 31, 2013	\$ 30,502,004	\$ 2,997,045	\$ 497,073	\$ (24,331,443)	\$ 9,664,679
Stock-based compensation	-	75,742	-	-	75,742
Share capital issuance	-	-	-	-	-
Share capital issuance – exercise of share options	69,000	(39,000)	-	-	30,000
Other comprehensive income (loss) - foreign currency translation adjustment	-	-	(313,782)	-	(313,782)
Net loss	-	-	-	(4,385,159)	(4,385,159)
Balance September 30, 2014	\$ 30,571,004	\$ 3,033,787	\$ 183,291	\$ (28,716,602)	\$ 5,071,480

See accompanying notes to interim unaudited condensed consolidated financial statements

# NOBLE IRON INC.

Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited)

For the nine months ended September 30, 2014 and 2013

In Canadian Dollars

	September 30, 2014	September 30, 2013
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (4,385,159)	\$ (3,754,568)
Items not involving cash:		
Depreciation and amortization	5,443,700	4,730,897
Stock-based compensation	75,743	166,303
Interest expense	694,674	644,312
Fleet valuation reserve	(2,322)	-
Gain on disposal of property and equipment	(178,403)	(109,207)
Unrealized foreign exchange (gain) loss	(35,902)	(23,287)
Income tax recovery	(672,205)	(102,396)
Change in non-cash operating working capital (note 6)	878,451	(1,322,860)
Net cash from (used in) operating activities	1,818,577	229,194
Investing activities:		
Purchase of property and equipment	(4,481,322)	(8,125,326)
Purchase of intangibles	-	(12,483)
Proceeds on sale of property and equipment	706,642	869,392
Net cash (used in) investing activities	(3,774,680)	(7,268,417)
Financing activities:		
Proceeds from issuance of common shares	30,000	5,020,000
Proceeds from long-term debt	15,211,452	23,136,222
Repayment of other current liabilities	(1,401,506)	205,750
Repayment of long-term debt	(13,289,024)	(19,160,627)
Repayment of license obligation	(181,396)	(160,662)
Interest paid	(515,271)	(614,313)
Net cash (used in) from financing activities	(145,745)	8,426,370
Increase (decrease) in cash	(2,088,349)	1,402,232
Cash, beginning of period	2,658,204	1,821,226
Effect of exchange rate changes on cash	13,499	15,085
Cash, end of period	\$ 569,855	\$ 3,223,458

See accompanying notes to interim unaudited condensed consolidated financial statements

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements  
(Unaudited)  
As at September 30, 2014 and December 31, 2013  
In Canadian Dollars

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## 1. Corporate information:

Noble Iron Inc. (the "Company") was incorporated under the Company's Act (British Columbia). The address of the Company's registered office is 7B-291 Woodlawn Road West, Guelph, Ontario, N1H 7L6. Executive management of the Company is located in Houston, Texas. The interim condensed consolidated financial statements of the Company, as at and for the nine months ended, September 30, 2014 and 2013, 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 equipment rental, equipment distribution, and enterprise asset management software space within the construction and industrial equipment industry. For segment reporting purposes, the Company has combined the equipment rental and distribution businesses.

Noble Iron Inc.'s equipment rental and distribution business operates under the name "Noble Iron" and currently serves customers in California and Texas. Noble Iron offers construction and industrial equipment and accessories for rent and for sale, and is the exclusive distributor of LiuGong Construction Machinery equipment in Southeast Texas.

Noble Iron Inc.'s software division operates under the name "Texada Software". Texada Software develops software applications to manage the complete equipment ownership lifecycle: from equipment purchasing, rental & sales transactions, inventory management, maintenance & depreciation tracking, through to used equipment sales, disposal, & 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 interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). 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 financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2013, which are available on SEDAR. These interim condensed consolidated financial statements were approved by the Audit Committee of the Board of Directors on November 25, 2014.

These interim condensed consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at, and for, the year ended December 31, 2013, with the exception of policies that were adopted on January 1, 2014 as more fully described in (d) below.

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements  
(Unaudited)  
For the nine months ended September 30, 2014 and 2013  
In Canadian Dollars

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## 2. Basis of preparation (continued):

### (b) Use of judgments and estimates:

In preparing these interim condensed consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013.

### (c) New standards and interpretations adopted during the year:

The Company adopted the following accounting pronouncements during the period, details of which are included in the consolidated financial statements for the year ended December 31, 2013. These standards did not have a significant impact on these interim financial statements.

- a) IFRS 7 Financial Instruments: Disclosures
- b) IFRIC 21 Levies
- c) Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- d) Amendments to IAS 32 Financial Instruments: Presentation

### (d) New standards and interpretations not yet adopted:

The IASB has issued the following Standards, Interpretations, and amendments to Standards that are not yet effective and while considered relevant to the Company have not yet been adopted by the Company.

- a) In October 2010, the International Accounting Standards Board ("IASB") issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities. The International Accounting Standards Board ("IASB") has tentatively decided on an effective date of January 1, 2018. The Company is currently assessing the impact of the issued and proposed changes to IFRS 9.
- b) IFRS 8, with amendments effective January 1, 2015, requires disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments, which have been aggregated, and the economic conditions, which have been assessed in determining that the aggregated segments share similar economic characteristics. The Company is currently assessing the impact of the amendments on its annual financial statement disclosures.
- c) Management is currently reviewing the impact of IFRS 15, Revenue from Contracts with Customers, which will be effective January 1, 2017. IFRS 15 provides a single model to be used regarding the accounting of revenue derived from contracts with customers.



# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements  
(Unaudited)  
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## 3. 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. There are no preferred shares outstanding as of September 30, 2014 or December 31, 2013.

### (b) Issued:

Issued and outstanding common shares were 21,415,479 as of September 30, 2014 and 21,355,479 as of December 31, 2013. During the three months ended September 30, 2014, the Company issued no common shares and had no exercise of options. During the nine months ended September 30, 2014, the Company issued 60,000 common shares due to the exercise of 60,000 options.

## 4. Net loss per share:

The computations for basic and diluted earnings per share for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net loss	\$ (1,675,285)	\$ (1,269,588)	\$ (4,385,159)	\$ (3,754,568)
Weighted average number of common shares outstanding:				
Basic and diluted	21,415,479	20,572,933	21,415,479	19,429,014
Net loss per share:				
Basic and diluted	\$ (0.08)	\$ (0.06)	\$ (0.20)	\$ (0.19)

The average market value of the Company's common shares, for the purpose of calculating the dilutive impact of outstanding share options, was based on quoted market prices for the period during which the options were outstanding.

Share options to purchase 961,901 (September 30, 2013 – 1,108,628) common shares are excluded from the weighted average common shares in the calculation of diluted loss per share as they are not dilutive.

## 5. Other current liabilities:

The Company purchased certain rental equipment from manufacturers with varying payment terms of less than one year from several key vendors. The amount outstanding at September 30, 2014 related to these vendor arrangements is \$1,594,963 (December 31, 2013 - \$2,996,469), and is secured by the equipment.

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements  
(Unaudited)  
For the nine months ended September 30, 2014 and 2013  
In Canadian Dollars

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

	September 30, 2014	September 30, 2013
Accounts receivable	\$ (552,415)	\$ 124,152
Inventories	(158,329)	(231,386)
Prepaid expenses and other assets	(15,283)	(373,865)
Accounts payable and accrued liabilities	1,603,162	(785,488)
Deferred revenue	1,316	(56,273)
	\$ 878,451	\$ (1,322,860)

## 7. Rental and distribution revenue:

Ancillary revenue includes the proceeds from the sale of new and used equipment, disposal of rental fleet in the ordinary course, and asset sales related to conversions of rental purchase options.

The Ancillary revenue for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Rental revenue	\$ 4,072,310	\$ 3,705,988	\$ 11,654,804	\$ 10,212,862
Ancillary revenue	503,111	347,816	1,099,787	1,383,545
	\$ 4,575,421	\$ 4,053,804	\$ 12,754,591	\$ 11,596,407

## 8. Financial risk management:

The Company is exposed to fleet valuation risk, credit risk, foreign exchange risk, interest rate 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, 2013, and no assurance can be provided that these strategies will continue to be effective.

## 9. Determination of fair values:

### (a) Financial Assets:

Based on its review, Management asserts the carrying amount of the Company's short-term financial assets, including cash and accounts receivable, approximates fair value at the reporting date. The carrying value of loans receivable approximate fair value.

### (b) Financial liabilities:

Management has determined the carrying amount of its short-term financial liabilities, including accounts payable, accrued liabilities and other current liabilities approximate fair value at the reporting date due to the short-term maturity of these obligations. Management has determined that the carrying amount of the Company's long-term debt and license obligation approximate fair market

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the nine months ended September 30, 2014 and 2013

In Canadian Dollars

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value using the present value of future principal and interest payments discounted at market based interest rates available to the Company for similar debt instruments with similar maturities.

(c) Fair value:

As of September 30, 2014, the Company did not have any financial instruments, except for cash, that are measured at fair value. This is consistent with 2013.

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

As at September 30, 2014 and December 31, 2013

In Canadian Dollars

	<b>Carrying Amount</b>			
	<b>Non-current assets</b>	<b>Current Assets</b>		
	Trade and other receivables	Trade and other receivables	Cash and cash equivalents	Total
<b>September 30, 2014</b>				
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	-	3,547,234	-	3,547,234
Cash and cash equivalents	-	-	569,855	569,855
Loan receivable	123,902	-	-	123,902
	<u>\$ 123,902</u>	<u>\$ 3,547,234</u>	<u>\$569,855</u>	<u>\$ 4,240,991</u>
<b>December 31, 2013</b>				
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	-	2,994,819	-	2,994,819
Cash and cash equivalents	-	-	2,658,204	2,658,204
Loan receivable	119,015	-	-	119,015
	<u>\$ 119,015</u>	<u>\$ 2,994,819</u>	<u>\$2,658,204</u>	<u>\$ 5,772,038</u>

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements  
(Unaudited)  
For the nine months ended September 30, 2014 and 2013  
In Canadian Dollars

	<b>Carrying Amount</b>			
	<b>Non-current liabilities</b>		<b>Current Liabilities</b>	
	Loans and borrowings	Trade and other payables	Loans and borrowings	Total
<b>September 30, 2014</b>				
<b>Financial liabilities not measured at fair value</b>				
Accounts payable and accrued liabilities	-	(3,223,806)	-	(3,223,806)
Other current liabilities	-	(1,594,963)	-	(1,594,963)
License obligation	(345,159)	-	(319,094)	(664,253)
Term debt	(32,171,824)	-	(517,212)	(32,689,036)
	<u>\$ (32,516,983)</u>	<u>\$ (4,818,769)</u>	<u>\$ (836,306)</u>	<u>\$ (38,172,058)</u>
<b>December 31, 2013</b>				
<b>Financial liabilities not measured at fair value</b>				
Accounts payable and accrued liabilities	-	(1,620,645)	-	(1,620,645)
Other current liabilities	-	(2,996,469)	-	(2,996,469)
License obligation	(330,306)	-	(240,040)	(570,346)
Term debt	(27,931,286)	-	(221,190)	(28,152,476)
	<u>\$ (28,261,592)</u>	<u>\$ (4,617,114)</u>	<u>\$ (461,230)</u>	<u>\$ (33,339,936)</u>

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

As at September 30, 2014 and December 31, 2013

In Canadian Dollars

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## **10. Segmented information:**

The Company operates in two reportable segments being, i) Construction and Industrial Equipment Rental and Distribution and, ii) Enterprise Asset Management Software. The Company's external revenue by geographic region is based on the region in which the revenue is transacted. Property and equipment assets are based on the geographic region in which the Company operates.

For the nine months ended September 30, 2014 and 2013, no single customer, in either reportable segment, accounted for 10% or more of total Company revenue or accounts receivable.

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements  
(Unaudited)  
For the nine months ended September 30, 2014 and 2013  
In Canadian Dollars

## 10. Segmented information (continued):

Revenue by Reportable Segment	The nine months ended September 30,	
	2014	2013
Equipment rental and distribution	\$ 12,754,591	\$ 11,596,000
Enterprise asset management software	3,381,891	3,483,000
	\$ 16,136,482	\$ 15,079,000

Net Earnings (Loss) by Reportable Segment	The nine months ended September 30,	
	2014	2013
Equipment rental and distribution	\$ (1,644,659)	\$ (969,000)
Enterprise asset management software	671,467	621,000
	(973,192)	(348,000)
Less:		
Corporate expenses	(2,717,295)	(2,763,000)
Interest expense	(694,674)	(644,000)
	\$ (4,385,161)	\$ (3,755,000)

Property and Equipment and Intangible Assets and Other Assets by Reportable Segment	September 30,	December 31,
	2014	2013
Equipment rental and distribution	\$ 35,942,845	\$ 34,869,000
Enterprise asset management software	909,415	763,000
Corporate	159,057	303,000
	\$ 37,011,317	\$ 35,935,000

Revenue by Geographic Segment	The nine months ended September 30,	
	2014	2013
North America	15,486,649	14,090,000
Australia & New Zealand	649,832	989,000
	\$ 16,136,481	\$ 15,079,000

Property and Equipment and Intangible Assets and Other Assets by Reportable Segment	September 30,	December 31,
	2014	2013
North America	37,001,232	35,924,000
Australia	10,085	11,000
	\$ 37,011,317	\$ 35,935,000

# NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements  
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## 11. Seasonality:

Revenues within the Company's construction and industrial equipment rental and distribution segment will generally be seasonal. Demand for construction and rental equipment generally increases during temperate weather months and typically slows during storm and snow seasons. The Company's enterprise asset management software segment revenue is largely generated from recurring fees, which accrue and are earned equally throughout the year; as such, seasonality is not a material factor within the segment.

## 12. Related party transactions:

### Loans receivable:

On January 8, 2013, the Company provided a loan advance of \$150,000, recorded at a fair value of \$112,500, to a senior officer. The loan is interest free; however, IFRS requires interest be imputed in the loan. The loan balance at September 30, 2014 was \$123,902. The principal due on January 8, 2018 (and in certain circumstances an earlier date should the senior officer cease to be employed by the Company). The loan is secured by 150,000 common shares acquired by the senior officer at the time the loan was advanced.

## 13. Subsequent Events:

On October 24, 2014, the Company closed a non-brokered private placement of 6,000,000 common shares of the Company at a price of \$1.00 per share for gross proceeds of \$6.0 million.

On October 24, 2014, the Company granted 500,000 stock options to the Founder, Chairman, and CEO of Noble Iron at an exercise price of \$1.30 per share and 195,000 stock options to directors at an exercise price of \$1.00 per share.