

Consolidated Financial Statements

# **NOBLE IRON INC.**

Years ended December 31, 2014 and 2013

# NOBLE IRON INC.

## Consolidated Statements of Financial Position

As at December 31, 2014 and 2013

In Canadian Dollars

	2014	2013
<b>Assets</b>		(restated note 4)
Current assets:		
Cash	\$ 2,065,127	\$ 2,658,204
Accounts receivable (note 20)	2,979,843	2,994,819
Inventories (note 5)	504,986	482,833
Prepaid expenses and other assets	1,018,013	943,387
	6,567,969	7,079,243
Long term assets:		
Property and equipment (note 6)	34,385,112	35,126,351
Intangible assets (note 7)	773,891	958,394
Loan receivable (note 18)	114,000	119,015
Deferred tax asset (note 11)	724,000	906,388
	35,997,003	37,110,148
<b>Total assets</b>	<b>\$ 42,564,972</b>	<b>\$ 44,189,391</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,778,915	\$ 1,645,625
Other current liabilities (note 8)	469,077	2,996,469
Deferred revenue	182,783	238,473
Current portion of license obligation (note 9)	243,178	240,040
Short term debt	227,715	214,224
Current portion of long-term debt (note 10)	197,036	7,686
	3,098,704	5,342,517
Long term liabilities:		
License obligation (note 9)	120,935	330,306
Long-term debt (note 10)	30,614,315	27,931,286
Deferred tax liability (note 11)	-	711,234
	30,735,250	28,972,826
<b>Total liabilities</b>	<b>33,833,954</b>	<b>34,315,343</b>
Shareholders' equity:		
Share capital (note 12)	36,471,467	30,502,004
Contributed surplus	3,099,886	2,997,045
Accumulated other comprehensive income	1,263,675	495,363
Deficit	(32,104,010)	(24,120,364)
	8,731,018	9,874,048
Commitments (notes 9 and 16)		
Subsequent event (note 26)		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 42,564,972</b>	<b>\$ 44,189,391</b>

See accompanying notes to consolidated financial statements

On behalf of the Board:

/s/ Nabil Kassam Director

/s/ Ron Schwarz Director

# NOBLE IRON INC.

## Consolidated Statements of Comprehensive Loss

Years ended December 31, 2014 and 2013

In Canadian Dollars

	2014	2013
Revenue:		(restated note 4)
Rental and distribution (note 15)	\$ 16,686,618	\$ 15,539,722
Software and services	4,424,443	4,710,903
	21,111,061	20,250,625
Cost of revenue:		
Rental and distribution	9,287,423	7,753,052
Software and services	571,012	527,335
	9,858,435	8,280,387
Gross profit	11,252,626	11,970,238
Operating expenses:		
Support, maintenance and delivery	8,486,728	6,624,311
Research and development	798,457	784,345
Sales and marketing	1,697,772	1,212,320
General and administration	7,855,729	7,337,491
	18,838,686	15,958,467
Loss from operations	(7,586,060)	(3,988,229)
Finance costs:		
Interest expense (note 10)	942,042	906,405
Foreign exchange (gain)/loss	(24,089)	45,008
	917,953	951,413
Loss before income taxes	(8,504,013)	(4,939,642)
Income tax recovery (note 11)	(520,367)	(512,324)
Net loss	(7,983,646)	(4,427,318)
Other comprehensive income:		
Items that may be reclassified to net loss:		
Foreign currency translation adjustment	768,312	295,822
Total comprehensive loss	\$ (7,215,334)	\$ (4,131,496)
Net loss per share:		
Basic and diluted (note 13)	\$ (0.35)	\$ (0.22)

See accompanying notes to consolidated financial statements

# NOBLE IRON INC.

## Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2014 and 2013

In Canadian Dollars

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2012 as previously reported	\$ 25,261,920	\$ 2,884,903	\$ 197,733	\$ (19,388,562)	\$ 8,955,994
Restatement for correction of errors (note 4)	-	-	1,808	(304,484)	(302,676)
Balance, December 31, 2012 as restated	25,261,920	2,884,903	199,541	(19,693,046)	8,653,318
Stock-based compensation (note 12)	-	229,344	-	-	229,344
Share capital issuance (note 12)	5,040,704	-	-	-	5,040,704
Share capital issuance – exercise of share options (note 12)	199,380	(117,202)	-	-	82,178
Net loss	-	-	-	(4,427,318)	(4,427,318)
Other comprehensive income - foreign currency translation adjustment	-	-	295,822	-	295,822
Total comprehensive income (loss)	-	-	295,822	(4,427,318)	(4,131,496)
Balance, December 31, 2013	30,502,004	2,997,045	495,363	(24,120,364)	9,874,048
Balance, December 31, 2013 as previously reported	\$ 30,502,004	\$ 2,997,045	\$ 497,073	\$ (24,331,443)	\$ 9,664,679
Restatement for correction of errors (note 4)	-	-	(1,710)	211,079	209,369
Balance, December 31, 2013 as restated	30,502,004	2,997,045	495,363	(24,120,364)	9,874,048
Stock-based compensation (note 12)	-	142,741	-	-	142,741
Share capital issuance (note 12)	5,898,563	-	-	-	5,898,563
Share capital issuance – exercise of share options (note 12)	70,900	(39,900)	-	-	31,000
Net loss	-	-	-	(7,983,646)	(7,983,646)
Other comprehensive income - foreign currency translation adjustment	-	-	768,312	-	768,312
Total comprehensive income (loss)	-	-	768,312	(7,983,646)	(7,215,334)
Balance December 31, 2014	\$ 36,471,467	\$ 3,099,886	\$ 1,263,675	\$ (32,104,010)	\$ 8,731,018

See accompanying notes to consolidated financial statements

# NOBLE IRON INC.

Consolidated Statements of Cash Flows  
Years ended December 31, 2014 and 2013

In Canadian Dollars

	2014	2013
Cash provided by (used in):		(restated note 4)
Operating activities:		
Net loss	\$ (7,983,646)	\$ (4,427,318)
Items not involving cash:		
Depreciation and amortization	7,708,737	5,943,420
Stock-based compensation	142,741	229,344
Interest expense	942,042	906,405
Loss (gains) on disposals of property and equipment	88,956	(39,810)
Impairment loss on equipment	257,944	-
Unrealized foreign exchange loss	76,871	11,490
Impairment on loan receivable	16,310	-
Income tax recovery	(520,367)	(512,324)
Income tax paid	(21,914)	-
Change in non-cash operating working capital (note 17)	(4,203)	(1,234,026)
<b>Net cash from operating activities</b>	<b>703,471</b>	<b>877,181</b>
Investing activities:		
Purchase of property and equipment	(4,884,748)	(12,563,440)
Proceeds on disposal of rental equipment	752,085	1,042,748
Purchase of intangibles	(25,790)	(12,488)
Proceeds on sale of property and equipment	53,939	40,333
<b>Net cash used in investing activities</b>	<b>(4,104,514)</b>	<b>(11,492,847)</b>
Financing activities:		
Proceeds from issuance of common shares (note 12)	5,929,564	5,010,382
Proceeds from long-term debt	23,310,411	29,682,802
Proceeds from / repayment of other current liabilities	(2,527,394)	557,523
Repayment of loan receivable	-	87,500
Repayment of long-term debt	(23,088,058)	(22,799,054)
Debt refinancing costs	-	(171,420)
Repayment of license obligation	(244,538)	(161,439)
Interest paid	(761,742)	(768,387)
<b>Net cash from financing activities</b>	<b>2,618,243</b>	<b>11,437,907</b>
Increase (decrease) in cash	(782,800)	822,241
Cash, beginning of year	2,658,204	1,821,226
Effect of exchange rate changes on cash	189,723	14,737
<b>Cash, end of year</b>	<b>\$ 2,065,127</b>	<b>\$ 2,658,204</b>

See accompanying notes to consolidated financial statements

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 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. The consolidated financial statements of the Company, as at and for the years ended, December 31, 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 for 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 earth moving 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective as at the reporting date.

The consolidated financial statements were authorized for issue by the Board of Directors on May 27, 2015.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

# NOBLE IRON INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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## 2. Basis of preparation (continued):

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

#### Use of estimates:

The preparation of 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. Impairment of long-lived assets

When circumstances require the performance of an impairment test, Management utilizes estimates in assessing the recoverable amount of the asset or cash generating unit. In so doing, management utilizes independent, third party sources of information; specifically observable market prices for similar assets with similar characteristics. For assumptions relating to impairment testing, refer to note 6.

#### Use of judgments:

The preparation of 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. Intangible assets

Management exercises judgment with respect to the identification of intangible assets acquired in connection with a business combination, as well as the assignment of useful lives to such assets. Management reviews the appropriateness of the lives assigned and makes adjustments prospectively, where necessary.

# NOBLE IRON INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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## 2. Basis of preparation (continued):

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

Use of judgments (continued):

ii. Business Combinations

Management exercises judgment in its decision to classify acquisitions as business combinations or as asset acquisitions. This requires management's assessment of whether the assets acquired and liabilities assumed constitute a business. If net assets acquired are not considered to be a business, they will be classified as an asset acquisition.

iii. Impairment

Management exercises judgment to determine whether there are factors that would indicate that an asset or a Cash Generating Unit ("CGU") is impaired. This determination of CGUs is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about the operations.

iv. 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.

## 3. Summary of significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation:

The consolidated financial statements include the accounts of Noble Iron Inc. and its wholly-owned subsidiaries, RentOnTheDot Inc., Systematic Computer Services Corporation, Texada Software Pty Ltd., Noble Rents, Inc., Noble Iron (U.S.), Inc., Noble Rents (TX) Inc., Noble Equipment, Inc., and Noble 3411, Inc.

i. Business combinations:

The Group measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a gain on fair value increment on acquisition is recognized immediately in the net income or loss.



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013  
In Canadian Dollars

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### 3. Summary of significant accounting policies (continued):

#### (a) Basis of consolidation (continued):

##### i. Business combinations (continued):

The Group elects, on a transaction-by-transaction basis, whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

##### ii. Subsidiaries:

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### iii. Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (b) Foreign currency:

##### i. Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Group entities and are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at year end rates. Any resulting foreign currency differences are recognized in net income or loss.

##### ii. Foreign operations:

The assets and liabilities of foreign operations are translated to Canadian dollars using exchange rates at the reporting date. Revenues and expenses of foreign operations are translated to Canadian dollars at the date of transaction.

Foreign currency differences are recognized in other comprehensive income (loss) and in the accumulated other comprehensive income in equity.

Foreign currency gains and losses arising from monetary items receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur, form a part of the exchange differences in the net investment in the foreign operations and are recognized initially in other comprehensive income. Upon disposal or partial disposal of an entity with a functional currency other than the Canadian dollar, any accumulated exchange differences will be reclassified to the statement of comprehensive income (loss) within net loss.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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### 3. Summary of significant accounting policies (continued):

#### (c) Financial assets and financial liabilities:

Financial assets and financial liabilities are initially recognized at fair value plus directly attributable transaction costs, unless the transaction costs relate to financial instruments classified as fair value through profit or loss, in which case they are expensed immediately. Subsequent measurement is determined based on initial classification.

The Group uses trade date accounting for regular-way purchases and sales of financial assets. Financial assets and liabilities are recorded in the statement of financial position as current if they mature within one year and non-current if they mature after one year.

#### i. Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes cash, accounts receivable, and loan receivable.

Subsequent to initial measurement, loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Allowances for doubtful receivables represent the Group's estimates of losses that could arise from the failure or inability of customers to make payments when due.

#### ii. Other liabilities:

This category includes accounts payable and accrued liabilities, other current liabilities, license obligation, short-term debt, and long-term debt. Subsequent to initial measurement, other liabilities are measured at amortized cost using the effective interest method. All other financial liabilities are recognized initially when the Group becomes a party to the contractual provisions of the instrument.

#### iii. Offsetting:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### iv. Fair value through profit or loss:

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in fair value recognized in net income or loss.

#### v. Derecognition:

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows on the financial asset in a transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

# NOBLE IRON INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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## 3. Summary of significant accounting policies (continued):

(c) Financial assets and financial liabilities (continued):

vi. Impairment:

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss, with respect to a financial asset that is measured at amortized cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred adjusted per management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Based on these factors, Management records an impairment on specific accounts. Losses are recognized in the consolidated statement of comprehensive income (loss).

When management has exhausted all avenues of collectability and legal recourse, the specific accounts receivable considered not recoverable are written off.

vii. Fair value:

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – quoted prices in active markets for identical securities

Level 2 – significant observable inputs other than quoted prices included in Level 1

Level 3 – significant unobservable inputs

The Group currently has no financial instruments that are carried at fair value.



# NOBLE IRON INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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## 3. Summary of significant accounting policies (continued):

(f) Leases:

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statement of financial position with payments recognized in profit and loss on a straight-line basis over the term of the lease.

(g) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and impairment losses. Amortization is recognized using the straight-line method to amortize the cost of the asset less its residual value over the estimated useful life of the asset.

The estimated useful lives are as follows:

- |                        |                           |
|------------------------|---------------------------|
| • Trademarks           | 5 years                   |
| • Customer lists       | 5 years                   |
| • Software license     | Over the life of contract |
| • Software development | 3 years                   |

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

(h) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from share capital, net of any tax effects.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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### 3. Summary of significant accounting policies (continued):

(i) Impairment of property and equipment and finite life intangible assets:

Consideration is given at each reporting date to determine whether there is any indication of impairment of the carrying amounts of the Group's property and equipment and finite life intangible assets. An impairment loss is recognized if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

The recoverable amount is the greater of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, based on the time value of money and the risks specific to the asset. Assets that suffer impairment are considered for possible reversal of the impairment at each reporting date.

The Group has defined its CGUs as each Construction Equipment Rental and Distribution location, which are currently in Houston, TX, and in Southern California, along with its Enterprise Asset Management Software business. It is management's judgment this is the smallest group of assets that generate cash inflows independently of other assets. Each generates revenue largely independent of the others and is ultimately responsible for managing and producing products, in the case of the asset management software business.

(j) Stock-based compensation:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

When a stock option is exercised, share capital is recorded at the sum of the proceeds received plus the amount previously recorded in contributed surplus relating to the options exercised.

(k) Provisions:

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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### 3. Summary of significant accounting policies (continued):

(l) Revenue:

*Software and services:*

The Group's revenues from its software business are derived from product elements, comprised primarily of subscription fees ("SaaS"), license fees and upgrades, and service elements, which include maintenance, implementation and training.

Product elements are recognized pursuant to a contract or purchase order, when each element is delivered to the customer, the fee is fixed or determinable, and collection of the related receivable is probable.

Service elements are non-refundable, and are recognized ratably over the term of the agreement, which is typically twelve months. Revenues from implementation and training services are recognized when the services are performed.

Contract revenues derived from contracts to develop applications and provide consulting services are included in software and service revenue. Contract revenues are recognized under the percentage of completion method in proportion to the stage of completion of the contract. The stage of completion is determined by costs incurred in relation to total expected costs under the contract, after providing for any anticipated losses under the contract.

Revenue from sales arrangements that include multiple elements is allocated to the elements based upon the relative value of the elements included in the arrangement. An element is considered to be separately identifiable if the product or service delivered has stand-alone value to the customer and the fair value can be measured reliably.

The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole. The fair value of each component is based on a hierarchy of (1) vendor specific objective evidence of selling price ("VSOE"), if available, (2) third-party evidence ("TPE") of selling price, if VSOE is unavailable, and (3) the cost-plus-margin ("CPM") method if neither VSOE nor TPE is available.

Product and service elements that have been prepaid but do not yet qualify for recognition as revenue are recognized as deferred revenue.

*Rental and distribution*

Rental revenue from the construction and industrial equipment rental and distribution business is recognized as equipment is rented by customers pursuant to a written contract. Contract periods are daily, weekly or monthly and revenue is recognized on a straight-line basis over the contract period.

Revenue from the sale of new or used equipment is recognized when title has transferred, payment is not contingent upon performance of installation or service obligation and collectability is reasonably assured. At the time revenue is recognized, the net book value in the case of used equipment, or cost for new equipment, is included in cost of revenue.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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### 3. Summary of significant accounting policies (continued):

(m) Research and development:

The Group expenses all research costs as incurred. Noble Iron reviews development costs related to specific projects to determine if they meet certain criteria to be recorded as an intangible asset. If these criteria are not met, the Group expenses the development costs as incurred.

(n) Income taxes:

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer considered probable that the related tax benefit will be realized.



# NOBLE IRON INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars

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## 3. Summary of significant accounting policies (continued):

(o) Earnings (loss) per share:

The Group presents basic and diluted Earnings (Loss) Per Share ("EPS") data for its common shares. Basic EPS is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted EPS is computed similar to basic EPS except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of warrants or stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding warrants and stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

(p) Segment reporting:

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's senior management, including the Chief Executive Officer, to make decisions about resources to be allocated to the segment, assess its performance, and for which discrete financial information is available.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 3. Summary of significant accounting policies (continued):

(q) New standards and interpretations adopted during the year:

The Group adopted the following accounting pronouncements during the year, details of which are included herein. These standards did not have a significant impact on the Company's financial statements as described below:

- i. In October 2012, the IASB published *Investment Entities*, which made it mandatory for a qualifying investment entity to account for investments in controlled entities and investments in associates and joint ventures through amendments to IFRS 10, IFRS 12, and IAS 27. This amendment applies to annual periods beginning on or after January 1, 2014. There was no significant impact on the Group's consolidated financial statements as a result of this amendment.
- ii. In December 2011, IASB issued an amendment to IAS 32: *Offsetting Financial Assets and Financial Liabilities*, which was effective January 1, 2014 to outline the requirements for application of offsetting instruments within the financials such as receivables and payables with the same counterparty. There was no significant impact on the Group's consolidated financial statements as a result of this amendment.
- iii. In May 2013, the International Accounting Standards Board ("IASB") issued Recoverable Amount Disclosures for Non-Financial Assets in an amendment to IAS 36. The IASB has issued amendments effective January 1, 2014 to reverse the unintended requirement in IFRS 13, Fair Value Measurement, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. There was no significant impact on the Group's consolidated financial statements as a result of this amendment.
- iv. In May 2013, the IASB issued IFRIC 21, *Levies*. This IFRIC is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively. The IFRIC provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executor contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. There was no significant impact on the Group's consolidated financial statements as a result of this amendment.
- v. In 2011, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures". These amendments were required to be applied for periods beginning on or after January 1, 2014. There was no significant impact on the Group's consolidated financial statements as a result of this amendment.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 3. Summary of significant accounting policies (continued):

(r) 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 Group, they have not yet been adopted by the Group.

- i. In October 2010, the International Accounting Standards Board (“IASB”) issued IFRS 9, Financial Instruments (“IFRS 9”). IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities. This revision includes a new impairment model on expected credit losses for calculating impairment. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The International Accounting Standards Board (“IASB”) has decided on an effective date of January 1, 2018. The Group plans to implement these changes on January 1, 2018. The Group is currently assessing the impact of the issued and proposed changes to IFRS 9.
- ii. In May 2014, the IASB issued IFRS 15, which replaces several standards and interpretations including IAS 18, Revenue, and IFRIC 13, Customer Loyalty Programs. This standard introduces a five-step framework for a company to follow in order to properly recognize revenue and report useful information about the nature, timing, and uncertainty of revenues related to contracts with customers. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfilment costs. This standard is effective for periods beginning on or after January 1, 2017. The Group is currently assessing the impact of this standard on its consolidated financial statements.
- iii. In May 2014, the IASB issued Amendments to IAS 16 and IAS 38. These amendments clarify that revenue-based depreciation methods are not appropriate and amortization of intangibles based on revenue methods are allowable only in very specific instances. The amendments are effective for periods on or after January 1, 2016. The Group is currently assessing the impact of this standard on its consolidated financial statements.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 3. Summary of significant accounting policies (continued):

(r) New standards and interpretations not yet adopted (continued):

- iv. In December 2013, the IASB published Annual Improvements to IFRS in order to make amendments and clarifications to IFRS.
- **IFRS 2 *Share-based Payment*** clarifies the definition of “vesting condition” while adding definitions for “performance condition” and “service condition”
  - **IFRS 3 *Business Combinations*** requires that contingent consideration classified as an asset or liability in a business combination be measured at fair value, it also includes scope exclusion for joint arrangements
  - **IFRS 8 *Operating Segments*** requires certain disclosures when applying aggregation to reporting of operating segments
  - **IFRS 13 *Fair Value Measurement*** clarified that discounting short-term receivables and payables is not required if the effect is immaterial
  - **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*** provides clarification related to restatement of accumulated depreciation/amortization
  - **IAS 24 *Related Party Disclosures*** expands the definition of a “related party”
  - **IAS 40 *Investment Property*** has been amended to clarify investment property and requires an entity to assess property acquisition under IFRS 3

These amendments are effective for annual periods beginning on or after July 1, 2014. Management is currently assessing the impact of the annual improvements.

- v. On May 6, 2014, the IASB issued amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations. The amendments require business combinations accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The Group intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The Group does not expect the amendments to have a material impact on the financial statements.
- vi. In September 2014, the IASB published Annual Improvements to IFRS in order to make amendments and clarifications to IFRS.
- **IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*** provides specific guidance on methods for disposal when an entity reclassifies an asset from held for sale to held for distribution
  - **IFRS 7 *Financial Instruments: Disclosures*** provides clarification in cases of a servicing contract on a transferred asset
  - **IAS 19 *Employee Benefits*** clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
  - **IAS 34 *Interim Financial Reporting*** was amended to require a cross-reference for items presented elsewhere in the interim report

These amendments are effective for annual periods beginning on or after January 1, 2016. The Group is currently reviewing the impact of the annual improvements on its consolidated financial statements and plans to adopt these changes for January 1, 2016.

# NOBLE IRON INC.

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### 4. Correction of errors:

During the year ended December 31, 2014, the Company corrected the accounting for the following items:

a. Depreciation of property and equipment

As a result of incorrectly accounting for the residual value of certain equipment, the Company had over depreciated rental fleet equipment by \$390,197 as at December 31, 2013 and \$56,098 as at December 31, 2012.

b. Deferred income tax liability

As a result of not recognizing the state tax benefit associated with certain deductible temporary differences, the deferred tax liability as at December 31, 2013 was overstated by \$250,000 and the related deferred tax recovery for the year ended December 31, 2013 was understated by the same amount. As a result of the depreciation correction described in a. above, the deferred tax liability as at December 31, 2013 was understated by \$166,334 and the deferred tax recovery was overstated by the same amount.

c. Income tax recovery

As a result of not accruing for a state income tax, the income tax recovery was overstated by \$24,980 and accounts payable and accrued liabilities was understated by the same amount as at December 31, 2013.

d. 2012 Business acquisition and related operating lease

During the year ended December 31, 2012, the Company completed a business acquisition and in conjunction with that transaction entered into an operating lease with a purchase option. The Company incorrectly recognized the purchase option as an intangible asset with a value of \$489,650 as at July 9, 2012, as part of the business acquisition accounting, together with a related deferred tax liability of \$158,433 and a resulting gain on fair value increment on acquisition of \$243,354.

The financial statement impact of the correction of the above errors as at December 31, 2012 is as follows:

December 31, 2012 Consolidated Statement of Financial Position	As previously reported	Effect of restatement	As restated
Property and equipment	\$ 27,058,433	\$ 145,028	\$ 27,203,461
Intangible assets	1,628,994	(447,705)	1,181,289
Accumulated Other Comprehensive Income			
Income	197,733	1,808	199,541
Deficit	(19,388,562)	(304,484)	(19,693,046)

The financial statement impact of the correction of the above errors as at December 31, 2013 is as follows:

December 31, 2013 Consolidated Statement of Financial Position	As previously reported	Effect of restatement	As restated
Property and equipment	\$ 34,567,954	\$ 558,397	\$ 35,126,351
Intangible assets	1,366,108	(407,714)	958,394
Accounts payable and accrued liabilities	1,620,645	24,980	1,645,625
Deferred tax liability	794,900	(83,666)	711,234
Accumulated Other Comprehensive Income			
Income	497,073	(1,710)	495,363
Deficit	(24,331,443)	211,079	(24,120,364)

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 4. Correction of errors (continued):

December 31, 2013 Consolidated Statement of Comprehensive Loss	As previously reported	Effect of restatement	As restated
Cost of revenue	\$ 8,670,585	\$ (390,198)	\$ 8,280,387
Operating expenses	16,027,061	(68,594)	15,958,467
Loss from operations	(4,447,021)	458,792	(3,988,229)
Loss before taxes	(5,398,434)	458,792	(4,939,642)
Income tax recovery	(455,553)	(56,771)	(512,324)
Net loss	(4,942,881)	515,563	(4,427,318)
Other comprehensive income	299,340	(3,518)	295,822
Basic and diluted loss per share	(0.24)	0.02	(0.22)

December 31, 2013 Consolidated Statement of Changes in Shareholders Equity	As previously reported	Effect of restatement	As restated
Accumulated other comprehensive loss	\$ 497,073	\$ (1,710)	\$ 495,363
Deficit	(24,331,443)	211,079	(24,120,364)
Total comprehensive loss	(4,643,541)	512,045	(4,131,496)

December 31, 2013 Consolidated Statement of Cash Flows	As previously reported	Effect of restatement	As restated
Net loss	\$ (4,942,881)	\$ 515,563	\$ (4,427,318)
Depreciation and amortization	6,402,212	(458,792)	5,943,420
Income tax recovery	455,553	56,771	512,324

### 5. Inventories:

Inventories consist of spare parts and servicing equipment to support the equipment rental business. Inventory recognized as cost of rental and distribution revenue during the year amounted to \$1,453,477 (2013 - \$425,995).

For the year ended December 31, 2014, the write down of inventories to net realizable value, included in cost of rental and distribution revenue, amounted to \$69,938 (2013 – nil).

The cost of rental equipment sold during 2014 recognized as cost of rental and distribution revenue was \$585,976 (2013 - \$1,039,184).

During 2014, there were no reversals of write-downs previously recognized as a reduction in inventories recognized as expense (2013 - nil).

# NOBLE IRON INC.

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### 6. Property and equipment:

	Equipment rental fleet	Vehicles	Furniture, fixtures and equipment	Computer equipment	Leasehold improvements	Total
<b>Cost:</b>						
Balance as at December 31, 2013	\$ 42,589,121	\$ 2,216,969	\$ 1,325,554	\$ 213,168	\$ 252,921	\$ 46,597,733
Additions	4,520,232	318,616	30,105	15,795	-	4,884,748
Disposals	(946,130)	(116,839)	(129,987)	-	-	(1,192,956)
Transfers	37,935	(37,935)	-	-	-	-
Effect of movement in foreign exchange rates	3,968,981	230,066	(52,101)	2,695	12,292	4,161,933
Balance as at December 31, 2014	50,170,139	2,610,877	1,173,571	231,658	265,213	54,451,458
<b>Accumulated depreciation and impairment losses:</b>						
Balance as at December 31, 2013	9,270,551	741,931	1,158,054	170,943	129,903	11,471,382
Depreciation for the year	6,881,282	523,433	54,834	13,926	-	7,473,475
Disposals	(155,429)	(61,023)	(81,524)	-	-	(297,976)
Impairment loss	257,944	-	-	-	-	257,944
Transfers	(25,290)	25,290	-	-	-	-
Effect of movement in foreign exchange rates	1,201,753	35,660	(97,406)	12,695	8,819	1,161,521
Balance as at December 31, 2014	17,430,811	1,265,291	1,033,958	197,564	138,722	20,066,346
Carrying amount at December 31, 2014	\$ 32,739,328	\$ 1,345,586	\$ 139,613	\$ 34,094	\$ 126,491	\$ 34,385,112

For the year ended December 31, 2014, depreciation of property and equipment is included in the Statement of Comprehensive loss as follows:

i) Cost of revenue – \$7,397,711 ii) Support, maintenance and delivery - \$0 , iii) Research and development - \$0, iv) General and administration -\$75,764

# NOBLE IRON INC.

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### 6. Property and equipment (continued):

	Equipment rental fleet	Vehicles	Furniture, fixtures and equipment	Computer equipment	Leasehold improvements	Total
<b>Cost:</b>						
Balance as of December 31, 2012	\$ 29,553,455	\$ 1,659,440	\$ 1,291,663	\$ 196,378	\$ 168,765	\$ 32,869,701
Additions	11,854,223	595,856	17,552	17,826	77,983	12,563,440
Disposals	(1,219,018)	(167,455)	(119)	-	-	(1,386,592)
Effect of movement in foreign exchange rates	2,400,461	129,128	16,458	(1,036)	6,173	2,551,184
Balance as at December 31, 2013	42,589,121	2,216,969	1,325,554	213,168	252,921	46,597,733
<b>Accumulated depreciation and impairment losses:</b>						
Balance as of December 31, 2012	3,974,789	337,400	1,090,329	143,732	119,989	5,666,239
Depreciation for the year	5,181,065	408,127	60,801	29,394	9,421	5,688,808
Disposals	(323,810)	(39,332)	-	-	-	(363,142)
Effect of movement in foreign exchange rates	438,507	35,736	6,924	(2,183)	493	479,477
Balance as at December 31, 2013	9,270,551	741,931	1,158,054	170,943	129,903	11,471,382
Carrying amount at December 31, 2013	\$ 33,318,570	\$ 1,475,038	\$ 167,500	\$ 42,225	\$ 123,018	\$ 35,126,351

For the year ended December 31, 2013, depreciation of property and equipment is included in the Statement of Comprehensive loss as follows:

i) Cost of revenue – \$5,589,193, ii) Support, maintenance and delivery - \$12,550, iii) Research and development - \$2,459, iv) General and administration - \$84,606



# NOBLE IRON INC.

Notes to Consolidated Financial Statements

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## **6. Property and equipment (continued):**

At December 31, 2014, property and equipment with a carrying amount of \$33,688,315 (2013 - \$33,595,914) is pledged against certain secured loans (notes 8 and 10).

The Company has no pending obligation to purchase property and equipment as of December 31, 2014.

During the year ended December 31, 2014, an impairment loss of \$257,944 (2013 – nil) was recorded in relation to specific rental equipment assets within the construction and industrial equipment rental and distribution segment, (note 23) where an indicator of impairment existed. These indicators included the condition of the equipment and its ability to generate income. The Company completed an impairment assessment of these identified assets by comparing the recoverable amount to the carrying amount. These specifically identified assets have a carrying value of \$395,428. The recoverable amount of \$137,484 was determined to be fair value less costs of disposal based on the fair value of the specific assets less estimated costs of disposal. The fair value was determined using a third party appraiser based on external market data for comparable assets. During 2014 there were no reversals of previously recorded impairment losses (2013 – nil).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 7. Intangible assets:

	Trademarks	Customer Lists	Software License	Software Development	Total
<b>Cost:</b>					
Balance as of December 31, 2012	\$ 36,361	\$ 323,343	\$ 997,759	\$ 106,072	\$ 1,463,535
Additions	-	-	-	12,488	12,488
Effect of movements in foreign exchange rates	-	22,327	-	7,746	30,073
Balance as at December 31, 2013	36,361	345,670	997,759	126,306	1,506,096
Additions	-	-	-	25,790	25,790
Effect of movements in foreign exchange rates	12,148	31,363	-	12,594	56,105
Balance as at December 31, 2014	48,509	377,033	997,759	164,690	1,587,991
<b>Accumulated amortization and impairment losses:</b>					
Balance as of December 31, 2012	36,361	73,789	153,295	18,801	282,246
Amortization for the year	-	90,887	122,636	41,089	254,612
Effect of movements in foreign exchange rates	-	8,160	-	2,684	10,844
Balance as at December 31, 2013	36,361	172,836	275,931	62,574	547,702
Amortization for the year	-	53,848	123,886	57,528	235,262
Effect of movements in foreign exchange rates	12,148	25,638	(1,250)	(5,400)	31,136
Balance as at December 31, 2014	48,509	252,322	398,567	114,702	814,100
<b>Carrying amounts:</b>					
At December 31, 2013	\$ -	\$ 172,834	\$ 721,828	\$ 63,732	\$ 958,394
At December 31, 2014	\$ -	\$ 124,711	\$ 599,192	\$ 49,988	\$ 773,891

For the year ended December 31, 2014, (amortization of intangible assets is included in the Statement of Comprehensive loss) as follows:

i) Cost of revenue – \$123,886, ii) Support, maintenance and delivery - \$12,554, iii) Sales and marketing - \$90,989, iv) General and Administration- \$7,833

For the year ended December 31, 2013, (amortization of intangible assets is included in the Statement of Comprehensive loss) as follows:

i) Cost of revenue – \$122,636, ii) Support, maintenance and delivery - \$39,442, iii) Sales and marketing - \$92,534

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 8. Other current liabilities:

The Group purchases certain rental equipment with varying payment terms of less than one year from several key vendors. The amount outstanding at December 31, 2014, related to these vendor arrangements, is \$469,077 (2013 – \$2,996,469) and is secured by the equipment. (note 6)

### 9. License and maintenance contract:

The Company has a multi-year licensing agreement with its software development tools provider. The license fee component of this agreement meets the definition of an intangible asset and has been recorded as an asset, (note 7) along with the related liability recorded as license obligation.

The software maintenance fee component of the contract is being expensed straight-line over the term of the arrangement to September 2019.

The present value of the total license fee payments at December 31, 2014 is \$364,113 (2013 - \$570,346) and the current portion is \$243,178 (2014 - \$240,040). The following are the amounts due, including interest, in each year for both components of the agreement:

	Maintenance fee	License obligation	Interest obligation	Total
2015	\$ 281,614	\$ 243,178	\$ 26,255	\$ 551,047
2016	296,696	120,935	6,097	423,728
2017	303,656	-	-	303,656
2018	309,457	-	-	309,457
2019	239,271	-	-	239,271
	\$ 1,430,694	\$ 364,113	\$ 32,352	\$ 1,827,159

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 10. Long-term debt:

	2014	2013
Long-term debt	\$ 31,090,955	\$ 28,296,653
Less: transaction costs	(279,604)	(357,681)
Less: current portion	(197,036)	(7,686)
	\$ 30,614,315	\$ 27,931,286

The principal amounts due over the next five years on long term debt as of December 31, 2014:

2015	\$ 197,036
2016	21,926,291
2017	8,368,672
2018	239,252
2019	359,704
Total	\$ 31,090,955

Interest costs consist of the following items as of December 31, 2014:

	2014	2013
Interest on long-term debt	\$ 812,058	\$ 822,637
Interest on short-term debt	6,315	5,671
Amortization of loan transaction costs	123,669	78,097
Total interest expense	\$ 942,042	\$ 906,405

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 10. Long-term debt (continued):

#### First Facility - Revolving Loan and Security Agreement:

On May 31, 2013, a wholly owned subsidiary of the Company completed the refinancing of long-term debt supporting the Houston, Texas operations with an existing lender. The principal terms of the revolving loan and security agreement are as follows:

<i>Advance Date:</i>	May 31, 2013
<i>Maximum Advance:</i>	\$17,401,500 (\$15,000,000 US) subject to applicable borrowing base as determined by the orderly liquidation value of the rental fleet and accounts receivable
<i>Interest Rate:</i>	Fully floating tied to the one-month LIBOR plus 275 basis points
<i>Payments:</i>	No fixed payments are required over the term of the loan. Payments are required to be made when the outstanding advance exceeds the Borrowing Base. The Borrowing Base is largely determined by the fair market value of the equipment fleet as estimated by a third party valuator and as a result, any amount due within the next twelve months cannot be estimated reliably.
<i>Term/Maturity Date:</i>	Four years due in full on May 31, 2017
<i>Borrower</i>	Noble Rents (TX) Inc.
<i>Guarantor</i>	Noble Iron Inc.
<i>Prepayment premium:</i>	None

The balance outstanding as of December 31, 2014 on this facility is \$8,139,462 (\$7,016,173 US) (2013- \$5,835,803 (5,486,840 US)).

The facility is evidenced by a revolving note and security agreement that includes a continuing first charge security interest against property and equipment with a carrying value of \$10,087,003 (2013 – \$7,822,155), and trade receivables of \$704,511 (2013 - \$893,793).

The Company has provided a corporate guarantee of the facility supported by a pledge of its common shares in the subsidiary.

The facility contains covenants requiring the subsidiary to maintain certain metrics or ratios. This includes fixed charge coverage, and minimum availability. As of December 31, 2014, the subsidiary is in compliance with these covenants.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 10. Long-term debt (continued):

#### **Second Facility - Revolving Loan and Security Agreement:**

On May 30, 2012, a subsidiary of the Company completed a refinancing of its long-term debt supporting Southern California operations. The principal terms of the revolving loan and security agreement are as follows:

<i>Advance Date:</i>	May 30, 2012
<i>Maximum Advance Amount:</i>	\$ 29,002,500 (\$25,000,000 US) subject to applicable borrowing base as determined by the orderly liquidation value of the rental fleet and accounts receivable
<i>Current Interest Rate:</i>	Fully floating tied to the one-month LIBOR plus 225 basis points
<i>Payments:</i>	No fixed payments are required over the term of the loan. Payments are required to be made when the outstanding advance exceeds its Borrowing Base. The Borrowing Base is largely determined by the fair market value of the equipment fleet as estimated by a third party valuator and as a result, any amount due within the next twelve months cannot be estimated reliably.
<i>Term/Maturity Date:</i>	Four years due in full on May 30, 2016
<i>Borrower:</i>	Noble Rents, Inc.
<i>Guarantor:</i>	Noble Iron Inc.
<i>Prepayment premium:</i>	None

The balance outstanding as of December 31, 2014 on this facility is \$21,712,633 (\$18,716,174 US) (2013 - \$22,432,122 (\$21,090,750 US)).

The facility is evidenced by a revolving note and security agreement, which includes a continuing first charge security interest against property and equipment with a carrying value of \$22,540,920 (2013 - \$25,773,759), and trade receivables of \$1,905,697 (2013 - \$1,882,372).

The Company has provided a corporate guarantee of the facility supported by a pledge of its common shares in the subsidiary.

The facility contains covenants requiring the subsidiary to maintain certain metrics or ratios. This includes fixed charge coverage and minimum availability. The facility was amended on July 30, 2013, to remove a leverage covenant, reduce the interest rate and provide for additional collateral to be included within the facility's borrowing base. As of December 31, 2014, the subsidiary is in compliance with these covenants.

# NOBLE IRON INC.

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### 10. Long-term debt (continued):

#### Other Term Debt – Loan and Security Agreements

A subsidiary of the Company entered into two loan and security agreements to finance certain equipment with US based lenders. The principal terms of these loans were as follows:

<i>Advance date:</i>	Various beginning April 3, 2014
<i>Interest Rate:</i>	4.99%
<i>Borrower:</i>	Noble Rents, Inc.
<i>Payments:</i>	60 monthly payments of principal and interest
<i>Security:</i>	First preferred security interest in assets financed under the agreement
<i>Prepayment:</i>	None

The principle balance was \$1,291,214 (\$1,113,019 US) at the date of inception. The balance outstanding as of December 31, 2014, was \$1,216,882 (\$1,048,946 US).

The loan and security agreement is secured against property and equipment with a carrying value of \$1,060,391.

#### Other Term Debt

A subsidiary of the Company has a loan outstanding with a principal balance of \$21,978 as of December 31, 2014 (2013 - \$27,836).

# NOBLE IRON INC.

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### 11. Income taxes:

(a) Income tax expense:

The income tax recovery differs from the amount that would be computed by applying the applicable federal and provincial statutory rates to the loss before income taxes. The reasons for the differences are as follows:

	2014	2013
Net loss	\$ (7,983,646)	\$ (4,427,318)
Income tax recovery	(520,367)	(512,324)
Loss before income tax	(8,504,013)	(4,939,642)
Statutory income tax rate	26.50%	26.50%
Expected income tax recovery	(2,253,563)	(1,309,005)
Effect on income tax of:		
Difference between Canadian rate and rate applicable to subsidiaries in other countries	(959,771)	(475,977)
Unrecognized tax benefits of losses and temporary differences	3,363,048	1,407,775
Non-deductible expense and other permanent differences	61,214	36,474
Recognition of previously unrecognized deductible temporary differences	(731,295)	(1,132,622)
Recognition of previously unrecognized taxable temporary differences	-	961,031
Deferred tax expense	\$ (520,367)	\$ (512,324)

(b) Deferred tax assets and liabilities:

(i) Unrecognized deferred tax assets	2014	2013
Net operating loss carry forwards	\$ 6,988,252	\$ 3,334,460
Other temporary differences	-	7,020
Total unrecognized deferred tax assets	\$ 6,988,252	\$ 3,341,480

(ii) Recognized deferred tax assets:	2014	2013
Net operating loss carry forwards	\$ 114,212	\$ 320,556
Property and equipment	93,007	674,342
Intangible assets	516,781	(35,666)
Non-deductible reserves	-	(52,844)
Total recognized deferred tax assets	\$ 724,000	\$ 906,388

(iii) Recognized deferred tax liabilities:	2014	2013
Net operating loss carry forwards	\$ (8,006,907)	\$ (7,073,415)
Property and equipment	8,372,440	7,978,925
Intangible assets	51,222	70,948
Non-deductible reserves	(416,755)	(265,224)
Total recognized deferred tax liabilities	\$ -	\$ 711,234



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 11. Income taxes: (continued)

(b) Deferred tax assets and liabilities: (continued)

Roll forward of recognized deductible (taxable) temporary differences:

	Balance	Recognized in	Balance	Recognized in	Balance
	December 31, 2012	net loss	December 31, 2013	net loss	December 31, 2014
Property and equipment	\$ (16,512,000)	\$ (2,330,000)	\$ (18,842,000)	\$ (3,035,000)	\$ (21,877,000)
Intangible assets	(702,000)	395,000	(307,000)	2,134,000	1,827,000
Non-deductible reserves	-	492,000	492,000	524,000	1,016,000
Net operating loss carry forwards	16,613,000	3,713,000	20,326,000	1,442,000	21,768,000
	\$ ( 601,000)	\$ 2,270,000	\$ 1,669,000	\$ 1,065,000	\$ 2,734,000

There are no aggregate taxable temporary differences associated with the Company's investments in its subsidiaries for which deferred tax liabilities have not been recognized.

(c) Net operating losses:

At December 31, 2014, the Company has the following net operating loss amounts available to reduce future years' income for tax purposes for its Canadian, US and Australian operations.

Year	Recognized	Unrecognized	Total
2020	\$	\$ 1,400,000	\$ 1,400,000
2021	-	1,080,000	1,080,000
2022	-	635,000	635,000
2023	-	42,000	42,000
2024	-	-	-
2025	-	293,000	293,000
2026	427,000	251,000	678,000
2027	1,000	218,000	219,000
2028	3,000	68,000	71,000
2029	-	303,000	303,000
2030	-	257,000	257,000
2031	5,894,000	796,000	6,690,000
2032	10,965,000	607,000	11,572,000
2033	4,478,000	6,376,000	10,854,000
2034	-	8,305,000	8,305,000
Indefinite	-	263,000	263,000
	\$ 21,768,000	\$ 20,894,000	\$ 42,662,000

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 12. 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 December 31, 2014, there are 27,267,479 (2013 - 21,205,479) 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 December 31, 2014 Noble Iron had no restricted shares issued.

There are no preferred shares outstanding as of December 31, 2014 or December 31, 2013.

(b) Issued:

Common Shares	Number	Amount
Balance, December 31, 2012	17,194,968	\$ 25,261,920
Common shares issued for cash	3,846,154	4,928,204
Common shares issued for debt	150,000	112,500
Common shares issued upon exercise of options	164,357	199,380
Balance, December 31, 2013	21,355,479	\$ 30,502,004
Common shares issued for cash	6,000,000	5,898,563
Common shares issued upon exercise of options	62,000	70,900
Balance, December 31, 2014	27,417,479	\$ 36,471,467

On October 24, 2014, the Company issued a total of 6,000,000 common shares at a price of \$1.00 per share, in conjunction with the closing of a private placement, for gross proceeds of \$6,000,000. Expenses of the private placement, totaling \$101,436, have been deducted from the gross proceeds. Of the 6,000,000 common shares issued, 4,380,045 shares were issued to related parties.

On May 7, 2013, the Company issued a total of 3,846,154 common shares at \$1.30 per share, in conjunction with the closing of a private placement, for gross proceeds of \$5,000,000. Expenses of the private placement, totaling \$71,796, have been deducted from the gross proceeds. Of the 3,846,154 common shares issued, 1,350,763 shares were issued to related parties.

On January 8, 2013, the Company issued a total of 150,000 common shares to an officer of the Company, through a private placement of \$150,000, as per the terms of the officer's employment agreement. In exchange, the Company received a non-interest bearing note from the officer secured by the common shares issued (note 18).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

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### 12. Share capital (continued):

(b) Issued (continued):

During 2014, shares issued upon the exercise of options totaled 62,000. The exercise price of these options was \$0.50 per share. Total cash proceeds were \$31,000 with \$70,900 being recorded as share capital and \$39,900 recorded as a reduction to contributed surplus.

During 2013, the Company issued 164,357 common shares upon the exercise of share options. The exercise price of these options was \$0.50 per share. Total cash proceeds were \$82,178 with \$199,380 recorded as share capital and \$117,202 recorded as a reduction to contributed surplus.

(c) Stock-based compensation:

Pursuant to its stock option plan established May 15, 2002, amended May 17, 2013, the Company has reserved for issuance 2,119,112 of its common shares. Options to purchase common shares of the Company under the plan may be granted by the Board of Directors to employees, officers, directors of the Company and consultants engaged by the Company. All options have a maximum term of ten years from their grant date. All options granted through 2013 had a vesting schedule with one third vested on the issue date, one third on the first anniversary and the remaining one third on the second anniversary date of the grant.

On July 14, 2014, at the Company's annual general meeting of shareholders (the "Meeting"), the shareholders ratified, confirmed and approved an amendment to the Company's existing stock option plan (the "Option Plan") increasing the number of stock options available under the Option Plan from 2,119,112 to 3,283,095.

During the year ended December 31, 2014, the Company granted 695,000 options to purchase common shares (2013 – 197,000). Options granted in 2014 were at exercise prices ranging from \$1.00 to \$1.30 per share. Of the options granted in 2014, 195,000 were granted at an exercise price of \$1.00 per share with a vesting schedule of one-third vesting on each anniversary of the grant date over the next three years. Of the options granted in 2014, 500,000 were granted with an exercise price of \$1.30 with a vesting schedule of one fifth vesting on each anniversary of the grant date over the next five years. All of the options granted in 2013 were at an exercise price of \$1.00 to \$1.30 per share. At December 31, 2014, 1,346,300 (2013 – 1,068,901) options remain outstanding and are exercisable at prices ranging from \$0.50 to \$5.00 (2013 - \$0.50 to \$5.00) per share. The options expire at varying dates to December 2024.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 12. Share capital (continued):

(c) Stock-based compensation (continued):

The following table reflects activity under the stock option plan from December 31, 2012, through to December 31, 2014, and the weighted average exercise prices:

	Number of common shares under option	Weighted average exercise price
Outstanding, December 31, 2012	1,086,628	\$ 0.62
Granted	197,000	1.27
Exercised	(164,357)	0.50
Cancelled/Forfeited	(50,370)	0.62
Outstanding, December 31, 2013	1,068,901	0.75
Granted	695,000	1.22
Exercised	(62,000)	0.50
Cancelled/Forfeited	(355,601)	0.58
Outstanding, December 31, 2014	1,346,300	1.05
Exercisable at December 31, 2013	877,235	0.65
Exercisable at December 31, 2014	602,967	\$ 0.83

No options expired in 2014 or 2013.

Information related to the stock options outstanding at December 31, 2014 is presented below:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Outstanding	Weighted average exercise price
\$0.50 - \$1.00	660,700	7.74	\$ 0.77	465,700	\$ 0.68
\$1.01 - \$2.00	685,000	9.44	1.31	136,667	1.34
\$4.01 - \$5.00	600	2.09	5.00	600	5.00
	1,346,300	8.60	\$ 1.05	602,967	\$ 0.83

# NOBLE IRON INC.

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### 12. Share capital (continued):

#### (c) Stock-based compensation (continued):

The fair value of the Company's stock option grants are estimated using the Black-Scholes option-pricing model. Measurement inputs include share price on the measurements date, exercise price, expected volatility, (based upon weighted average historic volatility, adjusted for changes expected due to publically available information), weighted averaged expected life of the options (based upon historical experience and general option holder behavior) and the risk free interest rate (based upon government bonds).

The stock-based compensation expense for the year ending December 31, 2014 was \$142,741 (2013 - \$229,344) and is included in general and administration expenses for 2014. The stock-based compensation expense for the year ending December 31, 2013 was included in support, maintenance and delivery, research and development, and general and administration expenses in the Consolidated Statements of Comprehensive Loss.

The weighted average fair value of options granted have been estimated using the Black-Scholes option-pricing method with the following assumptions:

	2014	2013
Weighted average fair value of each option	\$ 0.66	\$ 0.58
Assumptions:		
Weighted average expected volatility	247%	272%
Weighted average risk free interest rate	1.67%	1.68%
Weighted average expected life in years	5.64 years	5 years

### 13. Net loss per share:

The computations for basic and diluted loss per share are as follows:

	2014	2013
Net loss	\$ (7,983,646)	\$ (4,427,318)
Weighted average number of common shares outstanding:		
Basic and diluted	22,576,519	19,891,941
Net loss per share:		
Basic and diluted	\$ (0.35)	\$ (0.22)

Share options to purchase 1,346,300 (December 31, 2013 – 1,068,901) common shares are excluded from the weighted average common shares in the calculation of diluted loss per share as they are not dilutive.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 14. Employee benefits:

	2014	2013
Short-term employee benefits	\$ 9,059,355	\$ 8,130,554
Compulsory social security contributions	594,887	473,470
Stock-based compensation	142,741	229,344
	\$ 9,796,983	\$ 8,833,368

### 15. Rental and distribution revenue:

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

	2014	2013
Rental revenue	\$ 15,317,154	\$ 13,733,239
Distribution revenue	1,369,464	1,806,483
	\$ 16,686,618	\$ 15,539,722

### 16. Leases and commitments:

The Group is committed to future payments under various leases for premises expiring with terms to 2024. Minimum lease payments over this period are as follows:

2015	\$ 1,318,841
2016	1,518,136
2017	1,072,296
2018	811,581
2019	835,928
Thereafter	4,571,198
Total	\$ 10,127,980

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 16. Leases and commitments (continued):

Leases:

Lease expense recognized during the year ended December 31, 2014 totaled \$1,107,564 (2013 - \$830,130).

During the year ended December 31, 2014, the Group signed a lease commitment for a new centralized location in Pico Rivera, CA for its Southern California operations. The lease period is effective January 1, 2015 and is a commitment for 120 months. It is the Group's intention to consolidate the existing locations in Southern California to Pico Rivera and not renew the existing leases when they terminate in 2016 for Escondido, Ventura, Long Beach, and Riverside. This information has been included in the table above.

During 2014, the Group sub-leased the location in San Diego known as the Escondido location for less than the future cash commitment of the Group in the amount of \$45,244 which has been recorded as part of accounts payable and accrued liabilities.

The total future minimum sub-lease payments expected to be received over the next three years under an operating lease totaled \$241,881 (2013 - nil) as of December 31, 2014.

Other commitments:

During 2014, the Group entered into two contracts for cloud based computer services. The Group is committed to future payments under these contracts with terms to 2016. Minimum contract payments over this period are as follows:

Other Commitments	
2015	\$ 118,487
2016	155,435
Total	\$ 273,922

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

	2014	2013
Accounts receivable	\$ 14,976	\$ 167,533
Inventories	(22,153)	(160,105)
Prepaid expenses and other assets	(74,626)	(242,937)
Accounts payable and accrued liabilities	133,290	(976,837)
Deferred revenue	(55,690)	(21,680)
	\$ (4,203)	\$ (1,234,026)

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 18. Related party transactions:

Loans receivable:

On January 8, 2013, the Group provided a loan advance of \$150,000, recorded at a fair value of \$112,500, to a senior officer. The advance is non-interest bearing, with 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. As of December 31, 2014, the Company has determined the note receivable is impaired and recorded an impairment expense of \$16,310 resulting in a balance of \$114,000 at December 31, 2014 (2013 - \$119,015).

During 2013, an \$87,500 loan, previously made to a former executive of the Group secured by common shares of the Company and was fully repaid.

Legal Fees:

During the twelve months ended December 31, 2014, the Group engaged in transactions with a related party in the amount of \$10,650 for legal services (2013 - nil).

Key management personnel compensation:

Key management personnel include key executive officers and the board of directors. In addition to their salaries, key executive officers participate in short-term bonus plans based upon the financial performance of the Group and other non-financial factors, set annually. The Group provides a benefit plan and vehicle allowances to executive officers. In addition, key executive officers are granted stock options at the discretion of the Group's board of directors.

Key executive officers have contracts entitling them to severance payments of up to 12 months following their departure from the Company.

Key management personnel compensation comprised:

	2014	2013
Short-term employee benefits	\$ 962,927	\$ 1,204,689
Stock-based compensation	115,810	112,952
	\$ 1,078,737	\$ 1,317,641

Shareholdings:

Key management of the Company directly control 15.4% of the Company's outstanding voting common shares as at December 31, 2014 (17.8% as at December 31, 2013).

One member of key management together with a close relative control 50.4% of the Company's outstanding voting common shares as at December 31, 2014 (47.9% as at December 31, 2013). During the year ended December 31, 2014, 4,380,845 common shares were issued to related parties during a private placement (note 12).



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 19. Financial instruments:

(a) Financial assets:

Management has determined the carrying amount of its short-term financial assets, including cash and accounts receivable, approximates fair value at the reporting date. The amortized cost related to these items as of December 31, 2014 was \$5,044,970 (2013 - \$5,653,023). The carrying value of the loan receivable approximates fair value.

(b) Financial liabilities:

Management has determined that the carrying amount of its short-term financial liabilities, including accounts payable and accrued liabilities and other current liabilities approximate fair value at the reporting date due to the short-term maturity of these obligations. The amortized cost related to these items as of December 31, 2014 was \$2,247,992 (2013 - \$4,642,094).

Management has determined that the carrying amount of its short-term debt approximates fair value at the reporting date due to the short-term maturity of this obligation. The amortized costs related to this item as of December 31, 2014 was \$227,715 (2013 - \$214,224).

Management has determined that the carrying amount of the Company's long-term debt and license obligation approximate fair value using the present value of future principal and interest payments discounted at market based interest rates available to the Company for similar debt instruments with similar maturities. The amortized cost related to these items as of December 31, 2014 was \$31,175,464 (2013 - \$28,509,318).

(c) As of December 31, 2014, the Company did not have any financial instruments that are measured at fair value. This is consistent with 2013.

### 20. Financial risk management:

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

# NOBLE IRON INC.

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

(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. The most significant foreign exchange impact on the Company's net loss, and other comprehensive loss, is the translation of foreign currency financial instruments into Canadian dollars, which is the Company's functional and presentation currency.

The Group sells licenses and services to customers located in the United States denominated in US dollars, to customers located in Australia denominated in Australian dollars and to customers located in New Zealand denominated in New Zealand dollars. All of the revenues and expenses of the Group's equipment rental business is conducted exclusively in US dollars.

The Canadian dollar equivalent of accounts receivable billed in US dollars at December 31, 2014, is \$2,672,430 (2013 - \$2,776,165), Australian dollars at December 31, 2014, is \$20,365 (2013 - \$26,025) and New Zealand dollars at December 31, 2014, is \$39,773 (2013 - \$57,673).

The Canadian dollar equivalent of accounts payable and accrued liabilities, other current liabilities, deferred revenues, current portion of license obligation, short-term debt and current portion of long-term debt held in US dollars at December 31, 2014, is \$2,646,484,838,234 (2013 - \$4,362,2834,830,496), and Australian dollars at December 31, 2014, is \$133,784 (2013 - \$117,552). The Canadian dollar equivalent of long-term debt and license obligations held in US dollars at December 31, 2014, is \$30,735,250 (2013 - \$28,261,592).

The impact of a one percent increase in the value of the Canadian dollar, relative to the US dollar on net US denominated assets and liabilities at December 31, 2014 is a decrease to Group equity of approximately \$58,295 (2013 - \$278,000). Accordingly, a one percent decrease in the value of the Canadian dollar relative to the US dollar would result in an increase to the Group's equity of approximately \$58,295 (2013 - \$278,000).

(b) Interest rate risk:

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters, while optimizing the return.

As of December 31, 2014, the Group's financial liability exposure to variable rate instruments totaled \$29,852,095 (2013 - \$28,267,925). As of December 31, 2014, the Group's exposure to fixed rate instruments totaled \$1,830,689 (2013 - \$813,298).

The Group had no financial assets bearing interest for the year ended December 31, 2014.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

(b) Interest rate risk (continued):

The impact of a one percent increase in interest rates would increase the Group's net loss and reduce the Group's equity, by approximately \$298,521 (2013 - \$282,679). Accordingly, a one percent decrease in interest rates would reduce the Group's net loss and increase the Group's equity, by approximately \$298,521 (2013 - \$282,679).

(c) 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. The Company's equipment rental business is focused on smaller to mid-sized contractors. The Company's exposure to credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions, which would impair the customer's ability to satisfy their obligations to the Company. In order to reduce this economic risk, the Company has credit procedures in place whereby analyses are performed to control the granting of credit to any high-risk customer. The Company believes there is no significant risk associated with the collection of accounts receivable that are not past due or have not been specifically identified.

As of December 31, 2014, \$574,521 (2013 – \$631,271) or 19.7% (2013 - 21.1%) of accounts receivable were more than 90 days past due. Trade accounts receivable are recorded net of an allowance for doubtful accounts totaling \$280,688 (2013 - \$307,461) as at December 31, 2014.

The following is a continuity of the Group's allowance for doubtful accounts for the past two years:

Balance, December 31, 2012	\$	302,594
Additions		121,091
Write-offs		(147,471)
Recoveries		14,350
Currency translation		16,897
Balance, December 31, 2013		307,461
Additions		392,461
Write-offs		(473,069)
Recoveries		14,325
Currency translation		39,510
Balance, December 31, 2014	\$	280,688

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

(c) Credit risk (continued):

The following is an ageing of the Group's accounts receivable as at December 31, 2014 and 2013:

	2014		2013	
Current	\$	1,391,437	\$	1,460,229
30 – 59 days		731,345		763,814
60 - 89		563,228		446,966
90 and over		574,521		631,271
Less allowance for doubtful accounts		(280,688)		(307,461)
	\$	2,979,843	\$	2,994,819

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

#### (d) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its obligations as they come due. The Group 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 Group believes that there is sufficient cash to cover the expected short-term and long-term cash requirements.

A significant portion of the Group's debt is financed through revolving loan and security agreements, with the available borrowing base determined largely by the appraised value of the rental equipment (note 10). As a result, the Group's ability to access funds under the revolving loan and security agreement is subject to change based on rental equipment appraisal values provided by a third party. If the market value of used equipment were to decline faster or further than management expectations, the Group would be at risk of having an insufficient borrowing base to support its' outstanding debt. If the debt outstanding was in excess of the borrowing base, this could result in a default under the facility if the Group were not in a position to cure the default.

The following are the contractual maturities of the Company's financial liabilities, including estimated interest payments:

<b>December 31, 2014</b>	Carrying amount	Contractual cash flows	6 months or less	7 - 12 months	2 years	3 - 5 years	More than 5 years
Long-term debt	\$ 30,811,351	\$ 32,582,095	\$ 513,512	\$ 512,910	\$ 22,431,816	\$ 9,123,857	\$ -
Short term debt	227,715	230,153	230,153	-	-	-	-
License obligation	364,113	396,463	151,393	118,040	127,030	-	-
Accounts payable and accrued liabilities	1,778,915	1,778,915	1,778,915	-	-	-	-
Other current liabilities	469,075	469,075	469,075	-	-	-	-
	<b>\$ 33,651,169</b>	<b>\$ 35,456,701</b>	<b>\$ 3,143,048</b>	<b>\$ 630,950</b>	<b>\$ 22,558,846</b>	<b>\$ 9,123,857</b>	<b>\$ -</b>

  

<b>December 31, 2013</b>	Carrying amount	Contractual cash flows	6 months or less	7 - 12 months	2 years	3 - 5 years	More than 5 years
Long-term debt	\$ 27,938,972	\$ 30,190,230	\$ 360,398	\$ 360,398	\$ 720,795	\$ 28,748,639	\$ -
Short term debt	214,224	216,529	216,529	-	-	-	-
License obligation	570,346	648,264	143,586	141,193	247,021	116,464	-
Accounts payable and accrued liabilities	1,645,625	1,645,625	1,645,625	-	-	-	-
Other current liabilities	2,996,469	2,996,469	2,996,469	-	-	-	-
	<b>\$ 33,365,636</b>	<b>\$ 35,697,117</b>	<b>\$ 5,362,607</b>	<b>\$ 501,591</b>	<b>\$ 967,816</b>	<b>\$ 28,865,103</b>	<b>\$ -</b>

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 21. Determination of fair values:

Financial assets and liabilities:

	Carrying Amount				Fair Value
	Non-current assets	Current Assets			
	Trade and other receivables	Trade and other receivables	Cash and cash equivalents	Total	
<b>December 31, 2014</b>					
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	\$ -	\$ 2,979,843	\$ -	\$ 2,979,843	\$ 2,979,843
Cash	-	-	2,065,127	2,065,127	2,065,127
Loan receivable	114,000	-	-	114,000	114,000
	<u>\$ 114,000</u>	<u>\$ 2,979,843</u>	<u>\$ 2,065,127</u>	<u>\$ 5,158,970</u>	<u>\$ 5,158,970</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	\$ 2,994,819
Cash	-	-	2,658,204	2,658,204	2,658,204
Loan receivable	119,015	-	-	119,015	119,015
	<u>\$ 119,015</u>	<u>\$ 2,994,819</u>	<u>\$ 2,658,204</u>	<u>\$ 5,772,038</u>	<u>\$ 5,772,038</u>

At December 31, 2014, accounts receivable with a carrying amount of \$2,610,208 (2013 - \$2,776,165) are pledged against certain secured loans (note 10).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

In Canadian Dollars (unless otherwise specified)

### 21. Determination of fair values (continued):

Financial assets and liabilities:

	Carrying Amount				Fair Value
	Non-current liabilities	Current Liabilities			
	Loans and borrowings	Trade and other payables	Loans and borrowings	Total	
<b>December 31, 2014</b>					
<b>Financial liabilities not measured at fair value</b>					
Accounts payable and accrued liabilities	\$ -	\$ (1,778,915)	\$ -	\$ (1,778,915)	\$ (1,778,915)
Other current liabilities	-	(469,075)	-	(469,075)	(469,075)
License obligation	(120,935)	-	(243,178)	(364,113)	(364,113)
Short term debt	-	-	(227,715)	(227,715)	(227,715)
Long-term debt	(30,614,315)	-	(197,036)	(30,811,351)	(30,811,351)
	<u>\$ (30,735,250)</u>	<u>\$ (2,247,990)</u>	<u>\$ (667,929)</u>	<u>\$ (33,651,169)</u>	<u>\$ (33,651,169)</u>
<b>December 31, 2013</b>					
<b>Financial liabilities not measured at fair value</b>					
Accounts payable and accrued liabilities	\$ -	\$ (1,645,625)	\$ -	\$ (1,645,625)	\$ (1,645,625)
Other current liabilities	-	(2,996,469)	-	(2,996,469)	(2,996,469)
License obligation	(330,306)	-	(240,040)	(570,346)	(570,346)
Short term debt	-	-	(214,224)	(214,224)	(214,224)
Long-term debt	(27,931,286)	-	(7,686)	(27,938,972)	(27,938,972)
	<u>\$ (28,261,592)</u>	<u>\$ (4,642,094)</u>	<u>\$ (461,950)</u>	<u>\$ (33,365,636)</u>	<u>\$ (33,365,636)</u>

# NOBLE IRON INC.

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### 22. Capital risk management:

The Company's objective is to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future business development. The Company defines capital as total debt and equity. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2014.

The Company's capital structure consists of the following:

	2014	2013
Long-term debt	\$ 30,614,315	\$ 27,931,286
License obligation	364,114	570,346
Short-term debt	227,715	214,224
Total debt	31,206,144	28,715,856
Equity	8,731,018	9,874,048
Total capital	\$ 39,937,162	\$ 38,589,904

The Company was compliant with its debt covenant obligations at December 31, 2014, and December 31, 2013.



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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In Canadian Dollars (unless otherwise specified)

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### 23. Segmented information:

The Group operates in two reportable segments being, i) Enterprise Asset Management Software, and ii) Construction and Industrial Equipment Rental and Distribution, Each segment has its own management that is accountable and responsible for the segment's operations, results and financial performance. These segments are principally organized by the major industries in which they operate. The following summary describes the operations of each of the Group's operating Segments:

**Enterprise Asset Management Software:** The Asset Management Software segment, headquartered in Canada, 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.

**Construction and Industrial Equipment Rental and Distribution:** The Rental and Distribution segment, headquartered in Houston, Texas, operates two rental and distribution units of construction and industrial equipment in the Southern California region and Houston, Texas.

The chief operating decision-maker assesses segment performance based on segment revenue, segment operating income (loss), total assets, and total liabilities for the Enterprise Asset Management Software segment, and for the Construction and Industrial Equipment Rental and Distribution segment. In addition to operating income, the chief operating decision-maker also monitors key items including asset additions and disposals, and depreciation and amortization, when reviewing the performance of the Construction and Industrial Equipment Rental and Distribution segment.

Other includes corporate head office and shared expenses.

For the year ended December 31, 2014, no single customer, in either reportable segment, accounted for 10% or more of total Company revenue. As of December 31, 2014 and 2013, no one customer accounted for more than 10% of accounts receivable or revenues.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013  
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### 23. Segmented information (continued):

	2014	2013
Segment revenue		
Construction and industrial equipment rental and distribution	\$ 16,686,618	\$ 15,539,722
Enterprise asset management software	4,424,443	4,710,903
Total segment revenue	\$ 21,111,061	\$ 20,250,625
Segment operating income (loss)		
Construction and industrial equipment rental and distribution	\$ (4,824,632)	\$ (1,305,800)
Enterprise asset management software	948,206	966,655
Total segment operating loss	\$ (3,876,426)	\$ (339,145)
Reconciliation to consolidated loss before income taxes:		
Total segment operating income	\$ (3,876,426)	\$ (339,145)
Other expenses	(3,709,634)	(3,649,084)
Interest costs	(942,042)	(906,405)
Foreign exchange	24,089	(45,008)
Loss before income taxes	\$ (8,504,013)	\$ (4,939,642)
	2014	2013
Additions to property and equipment and intangible assets		
Construction and industrial equipment rental and distribution	\$ 4,841,857	\$ 12,528,062
Enterprise asset management software	5,785	12,606
Other	62,896	35,260
	\$ 4,910,538	\$ 12,575,928
Disposals from property and equipment and intangible assets		
Construction and industrial equipment rental and distribution	\$ (846,247)	\$ (1,023,331)
Enterprise asset management software	-	(119)
Other	(48,733)	-
	\$ (894,980)	\$ (1,023,450)
Depreciation and amortization		
Construction and industrial equipment rental and distribution	\$ 7,501,088	\$ 5,741,422
Enterprise asset management software	137,405	138,475
Other	70,244	63,523
	\$ 7,708,737	\$ 5,943,420

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 23. Segmented information (continued):

	2014	2013
Total reportable assets		
Construction and industrial equipment rental and distribution	\$ 38,568,800	\$ 39,034,389
Enterprise asset management software	2,022,280	2,907,405
Other	1,973,892	2,247,597
	\$ 42,564,972	\$ 44,189,391
Total reportable liabilities		
Construction and industrial equipment rental and distribution	\$ 32,317,561	\$ 32,260,236
Enterprise asset management software	812,804	1,310,433
Other	703,589	744,674
	\$ 33,833,954	\$ 34,315,343

Revenue by Geographic Segment	2014	2013
US	\$ 16,686,618	\$ 15,539,722
Canada	3,597,507	3,463,495
Australia & New Zealand	826,936	1,247,408
	\$ 21,111,061	\$ 20,250,625

Property and Equipment and Intangible Assets by Reportable Segment	2014	2013
US	\$ 34,537,288	\$ 35,321,549
Canada	612,448	752,290
Australia	9,267	10,906
	\$ 35,159,003	\$ 36,084,745

Impairment losses on property and equipment reported as part of the construction and industrial equipment rental and distribution segment totaled \$257,944 during the year ended December 31, 2014 (note 6).

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### 24. Seasonality:

Revenues within the Group's construction and industrial equipment rental and distribution segment will generally be lower from December through March as winter weather and seasonal migration of workers hinders construction activity. Demand for construction and rental equipment generally increases in April with warmer weather and typically remains strong through the month of November. The Group'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.

### 25. Noble Iron Inc. entities:

Subsidiary	Segment	Country of Incorporation	Ownership 2013	Ownership 2014	Year End
Noble Iron (U.S.), Inc.	Other	United States	100%	100%	December 31
Noble Rents, Inc.	Equipment Rental and Distribution	United States	100%	100%	December 31
Noble Rents (TX) Inc.	Equipment Rental and Distribution	United States	100%	100%	December 31
Noble Equipment, Inc.	Equipment Rental and Distribution	United States	100%	100%	December 31
Noble 3411, Inc.	Other	United States	100%	100%	December 31
Systematic Computer Services Corporation	Enterprise Asset Management Software	Canada	100%	100%	December 31
RentOnTheDot Inc.	Enterprise Asset Management Software	United States	100%	100%	December 31
Texada Software Pty Ltd.	Enterprise Asset Management Software	Australia	100%	100%	December 31

### 26. Subsequent Event

On January 19, 2015, the Chief Financial Officer (CFO) of Noble Iron tendered his resignation. The CFO had a long-term loan receivable outstanding to the Company which became due on demand based on the terms of the loan agreement as a result of the resignation, and accordingly the loan receivable will be reclassified as a current asset in 2015 (note 18).