

Consolidated Financial Statements

**NOBLE IRON INC.**

Years ended December 31, 2015 and 2014

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# NOBLE IRON INC.

## Consolidated Statements of Financial Position

As at December 31, 2015 and 2014  
In Canadian Dollars

	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 502,078	\$ 2,065,127
Accounts receivable (note 19)	4,328,846	2,979,843
Inventories (note 4)	790,308	504,986
Prepaid expenses and other assets	686,351	1,018,013
Short term loan receivable (note 17)	102,000	-
	6,409,583	6,567,969
Long term assets:		
Property and equipment (note 5)	30,602,033	34,385,112
Intangible assets (note 6)	558,020	773,891
Loan receivable (note 17)	-	114,000
Other long term assets	105,976	-
Deferred tax asset (note 10)	507,000	724,000
	31,773,029	35,997,003
<b>Total assets</b>	<b>\$ 38,182,612</b>	<b>\$ 42,564,972</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,267,169	\$ 1,778,915
Other current liabilities (note 7)	-	469,077
Deferred revenue	207,442	182,783
Current portion of license obligation (note 8)	144,275	243,178
Short term debt	216,755	227,715
Current portion of long-term debt (note 9)	323,842	197,036
	4,159,483	3,098,704
Long term liabilities:		
License obligation (note 8)	-	120,935
Long-term debt (note 9)	34,253,851	30,614,315
	34,253,851	30,735,250
<b>Total liabilities</b>	<b>38,413,334</b>	<b>33,833,954</b>
Shareholders' equity:		
Share capital (note 11)	36,471,467	36,471,467
Contributed surplus	3,557,866	3,099,886
Accumulated other comprehensive income	2,076,235	1,263,675
Deficit	(42,336,290)	(32,104,010)
	(230,722)	8,731,018
<b>Total liabilities and shareholders' equity</b>	<b>\$ 38,182,612</b>	<b>\$ 42,564,972</b>

Commitments (notes 8 and 15)  
Subsequent event (note 25)

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, 2015 and 2014

In Canadian Dollars

	2015	2014
Revenue:		
Rental and distribution (note 14)	\$ 22,222,993	\$ 16,686,618
Software and services	4,683,080	4,424,443
	26,906,073	21,111,061
Cost of revenue:		
Rental and distribution	11,498,569	9,287,423
Software and services	566,112	571,012
	12,064,681	9,858,435
Gross profit	14,841,392	11,252,626
Operating expenses:		
Support, maintenance and delivery	9,949,527	8,486,728
Research and development	916,499	798,457
Sales and marketing	2,596,687	1,697,772
General and administration	10,060,190	7,855,729
	23,522,903	18,838,686
Loss from operations	(8,681,511)	(7,586,060)
Finance costs:		
Interest expense (note 9)	1,029,548	942,042
Foreign exchange (gain)/loss	324,560	(24,089)
	1,354,108	917,953
Loss before income taxes	(10,035,619)	(8,504,013)
Income tax expense (recovery) (note 10)	196,661	(520,367)
Net loss	(10,232,280)	(7,983,646)
Other comprehensive income:		
Items that may be reclassified to net loss:		
Foreign currency translation adjustment	812,560	768,312
Total comprehensive loss	\$ (9,419,720)	\$ (7,215,334)
Net loss per share:		
Basic and diluted (note 12)	\$ (0.37)	\$ (0.35)

See accompanying notes to consolidated financial statements

# NOBLE IRON INC.

## Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2015 and 2014

In Canadian Dollars

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, January 1, 2014	30,502,004	2,997,045	495,363	(24,120,364)	9,874,048
Stock-based compensation (note 11)	-	142,741	-	-	142,741
Share capital issuance (note 11)	5,898,563	-	-	-	5,898,563
Share capital issuance – exercise of share options (note 11)	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
Stock-based compensation (note 11)	-	457,980	-	-	457,980
Net loss	-	-	-	(10,232,280)	(10,232,280)
Other comprehensive income - foreign currency translation adjustment	-	-	812,560	-	812,560
Total comprehensive income (loss)	-	-	812,560	(10,232,280)	(9,419,720)
Balance December 31, 2015	\$ 36,471,467	\$ 3,557,866	\$ 2,076,235	\$ (42,336,290)	\$ (230,722)

See accompanying notes to consolidated financial statements

# NOBLE IRON INC.

## Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

In Canadian Dollars

	2015	2014
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (10,232,280)	\$ (7,983,646)
Items not involving cash:		
Depreciation and amortization	8,822,004	7,708,737
Stock-based compensation	457,980	142,741
Interest expense	1,029,548	942,042
Loss (gains) on disposals of property and equipment	(635,408)	88,956
Impairment loss on equipment	-	257,944
Unrealized foreign exchange loss	(224,459)	76,871
Impairment on loan receivable	12,000	16,310
Income tax recovery	196,661	(520,367)
Income tax paid	(10,293)	(21,914)
Change in non-cash operating working capital (note 16)	697,731	(4,203)
Net cash from operating activities	113,484	703,471
Investing activities:		
Purchase of property and equipment	(342,936)	(4,884,748)
Proceeds on disposal of rental equipment	1,832,575	752,085
Purchase of intangibles	-	(25,790)
Proceeds on sale of property and equipment	92,694	53,939
Net cash used in investing activities	1,582,333	(4,104,514)
Financing activities:		
Proceeds from issuance of common shares (note 11)	-	5,929,564
Proceeds from long-term debt	22,132,498	23,310,411
Proceeds from / repayment of other current liabilities	(469,075)	(2,527,394)
Repayment of long-term debt	(24,112,394)	(23,088,058)
Repayment of license obligation	(193,627)	(244,538)
Interest paid	(870,260)	(761,742)
Net cash from financing activities	(3,512,858)	2,618,243
Decrease in cash	(1,817,041)	(782,800)
Cash, beginning of year	2,065,127	2,658,204
Effect of exchange rate changes on cash	253,992	189,723
Cash, end of year	\$ 502,078	\$ 2,065,127

See accompanying notes to consolidated financial statements

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

In Canadian Dollars

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### 1. Corporate information:

Noble Iron Inc. (the "Company") was incorporated under the *Company Act* (British Columbia) and was continued under the *Business Corporations Act* (Ontario) on November 5, 2008. The address of the Company's registered office is 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, 2015 and 2014, 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 and sales transactions, inventory management, maintenance and depreciation tracking through to used equipment sales, disposal, and inventory replenishment. Texada Software offers in the cloud or client-based software, and is scalable to meet the needs of any equipment rental company, dealership, construction company, contractor, and any customer who owns or uses construction or industrial equipment.

### 2. Basis of preparation:

(a) Statement of compliance:

These 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 April 18, 2016.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
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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. Amortization

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

iv. 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 5.

v. Provision for doubtful accounts

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

# NOBLE IRON INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
In Canadian Dollars

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## 2. Basis of preparation (continued):

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

#### 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. Going Concern

The Company is subject to a number of risks and uncertainties associated with the achievement of sustainable profitability and with the financing requirements of its operations. Management exercises judgment relating to the above factors in its determination of the Company's ability to continue as a going concern and its analysis covers the Company's prospects for at least 12 months from the end of the reporting period.

#### 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.

#### v. Classification of long-term debt

Management exercises judgment in determining the classification of the long-term debt as a current liability or long-term liability. Factors considered include whether the company expects to settle the liability within its normal business cycle within its equipment rental business and whether the liability is due to be settled within twelve months after the reporting period.



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
In Canadian Dollars

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### 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.

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.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
In Canadian Dollars

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

(b) Foreign currency (continued):

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.

(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.

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.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
In Canadian Dollars

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

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

##### 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.

##### 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.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
In Canadian Dollars

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

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

##### 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.

#### (d) Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on their weighted average cost and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. When circumstances, which previously caused inventories to be written down to its net realizable value no longer exist, the previous impairment is reversed.

#### (e) Property and equipment:

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

In Canadian Dollars

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

#### (e) Property and equipment:

The Group, in the normal course of its business, sells rental fleet that it previously rented to its customers. The Group transfers to cost of revenue upon sale to customers. The items are transferred at their carrying amounts at the date of transfer, and the Group recognizes the proceeds from the sale of such assets as revenue.

Gains and losses on disposal of non-rental fleet are determined by comparing the proceeds from the sale with the carrying amount of property and equipment and are recognized in profit and loss.

Depreciation is recognized by using the straight-line method to depreciate the cost of the asset to its residual value over its estimated useful life. Depreciation ceases when the asset is derecognized or is classified as held for sale.

The estimated useful lives are as follows:

- |                                     |   |
|-------------------------------------|---|
| • Equipment rental fleet            | 3 - 7 years dependent on equipment type to a 10% residual |
| • Vehicles                          | 5 years   |
| • Furniture, fixtures and equipment | 5 years   |
| • Computer equipment                | 3 years   |
| • Leasehold improvements            | Shorter of lease term or useful life                      |

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

#### (f) Leases:

Leases as lessee 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.

# NOBLE IRON INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
In Canadian Dollars

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

(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.

(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 these are the smallest groups of assets that generate cash inflows independently of other assets. Each generates revenue largely independent of the others.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
In Canadian Dollars

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

(j) Stock-based compensation:

The grant date fair value of share-based payment awards granted is recognized as an expense, with a corresponding increase in equity, over the period that the awards are vested. 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.

(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.

# NOBLE IRON INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
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### 3. Summary of significant accounting policies (continued):

(l) Revenue (continued):

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 any 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.

(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.



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

(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.

(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.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

(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.

(q) New standards and interpretations not yet adopted:

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

- i. In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments ("IFRS 9"), which brings together the classification and measurement and impairment phases of the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39").

Classification and measurement - Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the Group's own credit risk, recognized in Other Comprehensive Income instead of net income, unless this would create an accounting mismatch.

Impairment - The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. The Group is assessing the potential impact of this standard.

- ii. In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"), which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue, and IFRIC 13 - Customer Loyalty Programmes, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 will be applied for annual periods beginning on or after January 1, 2018. The Group is assessing the potential impact of this standard.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

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

- iii. In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), which replaces IAS 17 - Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. The Group is assessing the potential impact of this standard.

### 4. 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 \$1,550,323 (2014 - \$1,453,477).

For the year ended December 31, 2015, the write down of inventories to net realizable value, included in cost of rental and distribution revenue, amounted to \$7,865 (2014 - \$69,938).

During 2015, there were no reversals of write-downs previously recognized as a reduction in inventories recognized as expense (2014 - nil).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 5. Property and equipment:

	Equipment rental fleet	Vehicles	Furniture, fixtures and equipment	Computer equipment	Leasehold improvements	Total
<b>Cost:</b>						
Balance as at December 31, 2014	\$ 50,170,139	\$ 2,610,877	\$ 1,173,571	\$ 231,658	\$ 265,213	\$ 54,451,458
Additions	179,237	-	119,085	20,291	24,322	342,935
Disposals / Transfers	(2,715,711)	(252,647)	-	-	-	(2,968,358)
Effect of movement in foreign exchange rates	9,759,501	469,662	103,410	16,422	30,888	10,379,883
Balance as at December 31, 2015	57,393,166	2,827,892	1,396,066	268,371	320,423	62,205,918
<b>Accumulated depreciation and impairment losses:</b>						
Balance as at December 31, 2014	17,430,811	1,265,291	1,033,958	197,564	138,722	20,066,346
Depreciation for the year	7,957,095	537,761	58,299	23,421	11,061	8,587,637
Disposals / Transfers	(1,058,896)	(174,658)	-	-	-	(1,233,554)
Effect of movement in foreign exchange rates	3,825,085	270,548	71,426	11,379	5,018	4,183,456
Balance as at December 31, 2015	28,154,095	1,898,942	1,163,683	232,364	154,801	31,603,885
Carrying amount at December 31, 2015	\$ 29,239,069	\$ 928,949	\$ 232,386	\$ 36,008	\$ 165,622	\$ 30,602,033

For the year ended December 31, 2015, depreciation of property and equipment is included in the Statement of Comprehensive loss as follows:

i) Cost of revenue – \$8,522,413 ii) Support, maintenance and delivery - \$0 , iii) Research and development - \$0, iv) General and administration -\$65,224

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

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### 5. 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, 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 of 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	-	-	-	-	-
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.

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
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## 5. Property and equipment (continued):

At December 31, 2015, property and equipment with a carrying amount of \$30,040,739 (2014 - \$33,688,315) is pledged against certain secured loans (notes 7 and 9).

The Company has no pending obligation to purchase property and equipment as of December 31, 2015. All obligations were met for 2014.

During the year ended December 31, 2015 there were no impairment losses recorded. During the year ended December 31, 2014, impairment indicators were noted and impairment testing was performed which resulted in an impairment loss of \$257,944 in relation to specific rental equipment assets within the construction and industrial equipment rental and distribution segment (note 23). 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 2015 there were no reversals of previously recorded impairment losses (2014 – nil).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 6. Intangible assets:

	Trademarks		Customer Lists		Software License		Software Development		Total
<b>Cost:</b>									
Balance as of 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
Additions		-		-		-		-	-
Effect of movements in foreign exchange rates		7,529		72,768		-		31,785	112,082
Balance as at December 31, 2015		56,038		449,801		997,759		196,475	1,700,073
<b>Accumulated amortization and impairment losses:</b>									
Balance as of 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
Amortization for the year		-		68,550		122,636		43,198	234,383
Effect of movements in foreign exchange rates		7,529		59,373		-		26,668	93,570
Balance as at December 31, 2015	\$	56,038	\$	377,140	\$	521,203	\$	184,568	\$ 1,138,949
<b>Carrying amounts:</b>									
At December 31, 2014	\$	-	\$	124,711	\$	599,192	\$	49,988	\$ 773,891
At December 31, 2015	\$	-	\$	69,556	\$	476,556	\$	11,908	\$ 558,202

For the year ended December 31, 2015, (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 - nil, iii) Sales and marketing - \$111,747, iv) General and Administration - nil

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

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 7. 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, 2015, related to these vendor arrangements, is \$nil (2014 – \$469,077) and is secured by the equipment. (note 5)

### 8. 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 6) 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, 2015 is \$144,275 (2014 - \$364,113) and the current portion is \$144,275 (2014 - \$243,178). The following are the amounts due, including interest, in each year for both components of the agreement:

	Maintenance fee	License obligation	Interest obligation	Total
2016	353,958	144,275	7,273	505,506
2017	362,262	-	-	362,262
2018	369,182	-	-	369,182
2019	285,450	-	-	285,450
	\$ 1,370,852	\$ 144,275	\$ 7,273	\$ 1,522,400



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 9. Long-term debt:

	2015	2014
Long-term debt	\$ 34,836,398	\$ 31,090,955
Less: transaction costs	(258,705)	(279,604)
Less: current portion	(323,843)	(197,036)
	\$ 34,253,851	\$ 30,614,315

The principal amounts due over the next five years on long term debt as of December 31, 2015:

2016	\$ 323,843
2017	33,868,831
2018	285,427
2019	358,297
2020	-
Total	\$ 34,836,398

Interest costs consist of the following items as of December 31, 2015:

	2015	2014
Interest on long-term debt	\$ 935,694	\$ 812,058
Interest on short-term debt	7,430	6,315
Amortization of loan transaction costs	86,424	123,669
Total interest expense	\$ 1,029,548	\$ 942,042

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 9. 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>	\$20,760,000 (\$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, 2015 on this facility is \$8,943,556 (\$6,462,107 US) (2014- \$8,139,462 (7,016,173 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 \$9,439,704 (2014 - \$10,087,003), and trade receivables of \$928,563 (2014 - \$704,511).

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, 2015, the subsidiary is in compliance with these covenants.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 9. 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>	\$ 34,600,000 (\$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>	Five years due in full on May 31, 2017
<i>Borrower:</i>	Noble Rents, Inc.
<i>Guarantor:</i>	Noble Iron Inc.
<i>Prepayment premium:</i>	None

The balance outstanding as of December 31, 2015 on this facility is \$24,651,127 (\$17,811,508 US) (2014 - \$21,712,633 (\$18,716,174 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 \$19,576,383 (2014 – \$22,540,920), and trade receivables of \$3,004,219 (2014 - \$1,905,697).

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. The facility was amended on August 26, 2015 to extend the term date from May 30, 2016 to May 31, 2017. As of December 31, 2015, the subsidiary is in compliance with these covenants.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 9. 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 balance outstanding as of December 31, 2015, was \$1,225,046 (\$885,149 US) (2014 – \$1,216,882 (\$1,048,946 USD)).

The loan and security agreement is secured against property and equipment with a carrying value of \$1,024,652 (2014 - \$1,060,391).

#### Other Term Debt

A subsidiary of the Company has a loan outstanding with a principal balance of \$16,669 as of December 31, 2015 (2014 - \$21,978).

# NOBLE IRON INC.

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### 10. 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:

	2015	2014
Net loss	\$ (10,232,280)	\$ (7,983,646)
Income tax expense (recovery)	196,661	(520,367)
Loss before income tax	(10,035,619)	(8,504,013)
Statutory income tax rate	26.50%	26.50%
Expected income tax recovery	(2,659,439)	(2,253,563)
Effect on income tax of:		
Difference between Canadian rate and rate applicable to subsidiaries in other countries	(990,035)	(959,771)
Unrecognized tax benefits of losses and temporary differences	3,658,718	3,363,048
Non-deductible expense and other permanent differences	136,419	61,214
Recognition of previously unrecognized deductible temporary differences	50,998	(731,295)
Income tax expense (recovery)	\$ 196,661	\$ (520,367)

(b) Deferred tax assets and liabilities:

(i) Unrecognized deferred tax assets	2015	2014
Net operating loss carry forwards	\$ 10,760,894	\$ 6,988,252
Other temporary differences	-	-
Total unrecognized deferred tax assets	\$ 10,760,894	\$ 6,988,252

(ii) Recognized deferred tax assets:	2015	2014
Net operating loss carry forwards	\$ -	\$ 114,212
Property and equipment	18,823	93,007
Intangible assets and other temporary differences	488,177	516,781
Total recognized deferred tax assets	\$ 507,000	\$ 724,000

(iii) Recognized deferred tax liabilities:	2015	2014
Net operating loss carry forwards	\$ (7,138,977)	\$ (8,006,907)
Property and equipment	7,260,931	8,372,440
Intangible assets	27,396	51,222
Non-deductible reserves	(149,350)	(416,755)
Total recognized deferred tax liabilities	\$ -	\$ -

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 10. Income taxes: (continued)

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

Roll forward of recognized deductible (taxable) temporary differences:

	Balance December 31, 2013	Movements in temporary differences	Balance December 31, 2014	Movements in temporary differences	Balance December 31, 2015
Property and equipment	\$ (18,842,000)	\$ (3,035,000)	\$ (21,877,000)	\$ 2,085,000	\$ (19,792,000)
Intangible assets	(307,000)	2,134,000	1,827,000	(474,000)	1,353,000
Non-deductible reserves	492,000	524,000	1,016,000	283,000	1,299,000
Net operating loss carry forwards	20,326,000	1,442,000	21,768,000	(3,131,000)	18,637,000
	\$ 1,669,000	\$ 1,065,000	\$ 2,734,000	\$ (1,237,000)	\$ 1,497,000

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, 2015, 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	\$	\$ 1,671,000	\$ 1,671,000
2021	-	1,288,000	1,288,000
2022	-	758,000	758,000
2023	-	50,000	50,000
2024	-	-	-
2025	-	293,000	293,000
2026	-	252,000	252,000
2027	-	219,000	219,000
2028	-	69,000	69,000
2029	-	305,000	305,000
2030	-	258,000	258,000
2031	7,032,000	796,000	7,828,000
2032	11,605,000	2,085,000	13,690,000
2033	-	12,903,000	12,903,000
2034	-	9,662,000	9,662,000
2035	-	5,861,000	5,861,000
Indefinite	-	366,000	366,000
	\$ 18,637,000	\$ 36,836,000	\$ 55,473,000

# NOBLE IRON INC.

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### 11. 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, 2015, there are 27,417,479 (2014 – 27,417,479) 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 and December 31, 2015 Noble Iron had no restricted shares issued.

There are no preferred shares outstanding as of December 31, 2015 and December 31, 2014.

(b) Issued:

Common Shares	Number	Amount
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
Common shares issued for cash	-	-
Common shares issued upon exercise of options	-	-
Balance, December 31, 2015	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.

# NOBLE IRON INC.

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### 11. Share capital (continued):

(b) Issued (continued):

No options have been exercised in 2015. 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.

(c) Stock-based compensation:

Pursuant to its stock option plan established May 15, 2002, amended June 10, 2014, the Company has reserved for issuance 3,283,095 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.

During the year ended December 31, 2015, the Company granted 950,000 options to purchase common shares (2014 – 695,000). The options expire at varying dates to December 2025.

The following table shows the options issued and the related vesting schedule:

Options Issued	Exercise Price	Initial vesting amount	Initial vesting date	Remaining vesting schedule	Remaining vesting time-frame
500,000	1.30	250,000	1 year from issue	monthly	months 13-36
10,000	1.00	5,000	1 year from issue	monthly	months 13-36
100,000	1.00	100,000	immediately	-	-
40,000	1.00	20,000	1 year from issue	monthly	months 13-30
300,000	1.00	100,000	1 year from issue	monthly	months 13-36



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 11. Share capital (continued):

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

The following table reflects activity under the stock option plan from January 1, 2014, through to December 31, 2015, and the weighted average exercise prices:

	Number of common shares under option	Weighted average exercise price
Outstanding, January 1, 2014	1,068,901	\$ 0.75
Granted	695,000	1.22
Exercised	(62,000)	0.50
Cancelled/Forfeited	(335,601)	0.58
Outstanding, December 31, 2014	1,346,300	1.05
Granted	950,000	1.16
Exercised	-	-
Cancelled/Forfeited	(180,600)	0.96
Outstanding, December 31, 2015	2,115,700	1.10
Exercisable at December 31, 2014	602,967	0.83
Exercisable at December 31, 2015	752,366	\$ 0.93

No options expired in 2015 or 2014. At December 31, 2015, 2,115,700 (2014 – 1,346,300) options remain outstanding and are exercisable at prices ranging from \$0.50 to \$5.00 (2014 - \$0.50 to \$5.00) per share.

Information related to the stock options outstanding at December 31, 2015 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	940,100	8.04	\$ 0.85	476,766	\$ 0.71
\$1.01 - \$2.00	1,175,000	9.00	1.31	275,000	1.32
\$4.01 - \$5.00	600	1.09	5.00	600	5.00
	2,115,700	8.57	\$ 1.10	752,366	\$ 0.93

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 11. 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), 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 ended December 31, 2015 was \$457,980 (2014 - \$142,741) and is included in general and administration expenses for 2015 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:

	2015	2014
Weighted average fair value of each option	\$ 0.62	\$ 0.66
Assumptions:		
Weighted average expected volatility	214%	247%
Weighted average risk free interest rate	1.42%	1.67%
Weighted average expected life in years	5.43 years	5.64 years

### 12. Net loss per share:

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

	2015	2014
Net loss	\$ (10,232,280)	\$ (7,983,646)
Weighted average number of common shares outstanding:		
Basic and diluted	27,417,479	22,576,519
Net loss per share:		
Basic and diluted	\$ (0.37)	\$ (0.35)

Share options to purchase at December 31, 2015 are 2,115,700 (December 31, 2014 – 1,346,300) 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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### 13. Employee benefits:

	2015	2014
Short-term employee benefits	\$ 12,009,071	\$ 9,059,355
Compulsory social security contributions	884,926	594,887
Stock-based compensation	457,980	142,741
	\$ 13,351,977	\$ 9,796,983

### 14. 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.

	2015	2014
Rental revenue	\$ 8,756,697	\$ 15,317,154
Distribution revenue	3,466,296	1,369,464
	\$ 22,222,993	\$ 16,686,618

The cost of rental equipment sold during 2015 recognized as cost of rental and distribution revenue was \$1,151,543 (2014 - \$585,976).

### 15. 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:

2016	\$ 1,244,797
2017	1,133,776
2018	968,216
2019	997,263
2020	1,027,181
Thereafter	4,426,261
Total	\$ 9,797,494

# NOBLE IRON INC.

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

Leases:

Lease expense recognized during the year ended December 31, 2015 totaled \$1,524,954 (2014 - \$1,107,564).

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. During the year ended December 31, 2015, the group exited leases in Escondido, Ventura, Long Beach, and Riverside, California

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 was 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 \$nil (2014 - \$241,881) as of December 31, 2015.

Other commitments:

During 2015, the Group entered into various contracts for computer services and vehicles. 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 2020. Minimum contract payments over this period are as follows:

Other Commitments					
	Computer Software		Vehicles		Total
2016	\$	603,919	\$	223,621	\$ 827,541
2017		362,262		223,621	585,883
2018		369,182		223,621	592,803
2019		285,450		223,621	509,071
2020				156,162	156,162
Total	\$	1,620,813	\$	1,050,647	\$ 2,671,461

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

	2015		2014	
Accounts receivable	\$	(755,150)	\$	14,976
Inventories		487,832		(22,153)
Prepaid expenses and other assets		(175,198)		(74,626)
Accounts payable and accrued liabilities		1,118,195		133,290
Deferred revenue		22,025		(55,690)
	\$	697,731	\$	(4,203)

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 17. Related party transactions:

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.

As at December 31, 2015, there is a loan receivable outstanding from a former officer of the Company which was reclassified to short term upon his departure from the Company in the amount of \$102,000.(2014 - \$114,000 classified as loan receivable in Long term assets) The former officer pledged his shares in the company as collateral for the loan.

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:

	2015	2014
Short-term employee benefits	\$ 823,130	\$ 962,927
Stock-based compensation	408,848	115,810
	\$ 1,231,978	\$ 1,078,737

Shareholdings:

Key management of the Company directly control 14.8% of the Company's outstanding voting common shares as at December 31, 2015 (15.4% as at December 31, 2014).

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, 2015 (50.4% as at December 31, 2014). During the year ended December 31, 2015 no common shares were issued to related parties. (4,380,845 during the year ended December 31, 2014) (note 11).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

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### 18. 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, 2015 was \$4,830,924 (2014 - \$5,044,970). 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, 2015 was \$3,267,169 (2014 - \$2,247,992).

Management has determined that the carrying amount of its short-term debt and license obligation approximate 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, 2015 was \$361,030 (2014 - \$227,715).

Management has determined that the carrying amount of the Company's long-term debt approximates 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, 2015 was \$34,577,693 (2014 - \$31,175,464).

(c) The Company did not have any financial instruments that are measured at fair value at December 31, 2015 and December 31, 2014.

### 19. Financial risk management:

The Company 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, 2014, and no assurance can be provided that these strategies will continue to be effective.

(a) Foreign exchange risk:

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

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
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### 19. Financial risk management (continued):

#### (a) Foreign exchange risk: (continued)

The Company 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 Company's equipment rental business is conducted exclusively in US dollars.

The Canadian dollar equivalent of accounts receivable billed in US dollars at December 31, 2015, is \$4,022,585 (2014 - \$2,672,430), Australian dollars at December 31, 2015, is \$21,089 (2014 - \$20,365) and New Zealand dollars at December 31, 2015, is \$34,544 (2014 - \$39,773).

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, 2015, is \$3,317,118 (2014 - \$2,838,234), and Australian dollars at December 31, 2015, is \$136,391 (2014 - \$133,784). The Canadian dollar equivalent of long-term debt and license obligations held in US dollars at December 31, 2014, is \$34,655,381 (2014 - \$30,735,520).

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, 2015 is a decrease to Company equity of approximately \$139,565 (2014 - \$58,295). Accordingly, a one percent decrease in the value of the Canadian dollar relative to the US dollar would result in an increase to the Company's equity of approximately \$139,565 (2014 - \$58,295).

#### (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, 2015, the Company's financial liability exposure to variable rate instruments totaled \$33,594,683 (2014 - \$29,852,095). As of December 31, 2015, the Company's exposure to fixed rate instruments totaled \$1,602,745 (2014 - \$1,830,689).

The Company had no financial assets bearing interest for the year ended December 31, 2015.

The impact of a one percent increase in interest rates would increase the Company's net loss and reduce the Company's equity, by approximately \$335,947 (2014 - \$298,521). Accordingly, a one percent decrease in interest rates would reduce the Company's net loss and increase the Company's equity, by approximately \$335,947 (2014 - \$298,521).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

(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, 2015, \$734,552 (2014 – \$574,521) or 17.0% (2014 – 19.7%) of accounts receivable were more than 90 days past due. Trade accounts receivable are recorded net of an allowance for doubtful accounts totaling \$265,558 (2014 - \$280,688) as at December 31, 2015.

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

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
Additions		46,981
Write-offs		(135,246)
Recoveries		24,968
Currency translation		48,167
Balance, December 31, 2015	\$	265,558

The following is an aging of the Company's accounts receivable as at December 31, 2015 and 2014:

	2015		2014	
Current	\$	2,194,290	\$	1,391,437
30 – 59 days		1,116,569		731,345
60 - 89		548,993		563,228
90 and over		734,552		574,521
Less: allowance for doubtful accounts		(265,558)		(280,688)
	\$	4,328,846	\$	2,979,843



# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

(d) Liquidity risk:

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

A significant portion of the Company'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 Company'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 Company 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 Company were not in a position to cure the default.

The Company has incurred net losses and used significant cash in its operating activities since incorporation. It has relied upon financing to fund its operations and to establish its infrastructure, primarily through debt and private equity placements. The Company continues to anticipate raising additional funds to finance its growth objectives. If the Company is unable to obtain sufficient additional financing, planned operations could be delayed or scaled-back, which could affect the Company's financial condition and results of operations and/or its ability to meet the debt covenants under its credit facilities.

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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

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

<b>December 31, 2015</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	\$ 34,577,694	\$ 36,308,245	\$ 700,136	\$ 630,936	\$ 34,305,398	\$ 671,774	\$ -
Short term debt	216,755	219,985	219,985	-	-	-	-
License obligation	144,275	151,548	101,032	50,516	-	-	-
Accounts payable and accrued liabilities	3,267,169	3,267,169	3,267,169	-	-	-	-
Other current liabilities	-	-	-	-	-	-	-
	<b>\$ 38,205,893</b>	<b>\$ 39,946,947</b>	<b>\$ 4,288,322</b>	<b>\$ 681,452</b>	<b>\$ 34,305,398</b>	<b>\$ 671,774</b>	<b>\$ -</b>

  

<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	\$ 35,582,095	\$ 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>

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

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### 20. 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, 2015</b>					
<b>Financial assets not measured at fair value</b>					
Trade and other receivables	\$ -	\$ 4,328,846	\$ -	\$ 4,328,846	\$ 4,328,846
Cash	-	-	502,078	502,078	502,078
Loan receivable	-	102,000	-	102,000	102,000
	<u>\$ -</u>	<u>\$ 4,430,846</u>	<u>\$ 502,078</u>	<u>\$ 4,932,924</u>	<u>\$ 4,932,924</u>
<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>

At December 31, 2015, accounts receivable with a carrying amount of \$3,932,782 (2014 - \$2,610,208) are pledged against certain secured loans (note 9).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 20. 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	
<b>December 31, 2015</b>					
<b>Financial liabilities not measured at fair value</b>					
Accounts payable and accrued liabilities	\$ -	\$ (3,267,169)	\$ -	\$ (3,267,169)	\$ (3,267,169)
Other current liabilities	-	-	-	-	-
License obligation	-	-	(144,275)	(144,275)	(144,275)
Short term debt	-	-	(216,755)	(216,755)	(216,755)
Long-term debt	(34,253,851)	-	(323,842)	(34,577,693)	(34,577,693)
	<u>\$ (34,323,051)</u>	<u>\$ (3,267,169)</u>	<u>\$ (684,872)</u>	<u>\$ (37,989,137)</u>	<u>\$ (37,989,137)</u>
<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	(30,735,250)	-	(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>

# NOBLE IRON INC.

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### 21. 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, 2015.

The Company's capital structure consists of the following:

	2015	2014
Long-term debt	\$ 34,253,851	\$ 30,614,315
License obligation	144,275	364,114
Short-term debt	216,755	227,715
Total debt	34,614,881	31,206,144
Equity	(203,108)	8,731,018
Total capital	\$ 34,411,773	\$ 39,937,162

The Company was compliant with its debt covenant obligations throughout 2015 and 2014.

### 22. 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.

# NOBLE IRON INC.

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### 22. Segmented information (continued):

For the year ended December 31, 2015, no single customer, in either reportable segment, accounted for 10% or more of total Company revenue. As of December 31, 2015 and 2014, no one customer accounted for more than 10% of accounts receivable or revenues.

	2015	2014
Segment revenue		
Construction and industrial equipment rental and distribution	\$ 22,222,993	\$ 16,686,618
Enterprise asset management software	4,683,080	4,424,443
Total segment revenue	\$ 26,906,073	\$ 21,111,061
Segment operating income (loss)		
Construction and industrial equipment rental and distribution	\$ (4,635,515)	\$ (4,824,632)
Enterprise asset management software	1,031,596	948,206
Total segment operating loss	\$ (3,603,919)	\$ (3,876,426)
Reconciliation to consolidated loss before income taxes:		
Total segment operating income	\$ (3,603,919)	\$ (3,876,426)
Other expenses	(5,077,593)	(3,709,634)
Interest costs	(1,029,548)	(942,042)
Foreign exchange	(324,559)	24,089
Loss before income taxes	\$ (10,035,619)	\$ (8,504,013)
	2015	2014
Additions to property and equipment and intangible assets		
Construction and industrial equipment rental and distribution	\$ 306,618	\$ 4,841,857
Enterprise asset management software	2,444	5,785
Other	33,873	62,896
	\$ 342,935	\$ 4,910,538
Disposals from property and equipment and intangible assets		
Construction and industrial equipment rental and distribution	\$ (2,968,358)	\$ (846,247)
Enterprise asset management software	-	-
Other	-	(48,733)
	\$ (2,968,358)	\$ (894,980)
Depreciation and amortization		
Construction and industrial equipment rental and distribution	\$ 8,616,583	\$ 7,501,088
Enterprise asset management software	132,383	137,405
Other	73,038	70,244
	\$ 8,822,004	\$ 7,708,737

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

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### 22. Segmented information (continued):

	2015	2014
Total reportable assets		
Construction and industrial equipment rental and distribution	\$ 36,028,471	\$ 38,568,800
Enterprise asset management software	1,751,950	2,022,280
Other	402,191	1,937,892
	\$ 38,182,612	\$ 42,564,972
Total reportable liabilities		
Construction and industrial equipment rental and distribution	\$ 36,555,664	\$ 32,317,561
Enterprise asset management software	986,640	812,804
Other	871,030	703,589
	\$ 38,413,334	\$ 33,833,954

Revenue by geographic segment	2015	2014
US	\$ 22,222,993	\$ 16,686,618
Canada	3,856,650	3,597,507
Australia & New Zealand	826,430	826,936
	\$ 26,906,073	\$ 21,111,061

Property and equipment and intangible assets by reportable segment	2015	2014
US	\$ 30,667,847	\$ 34,537,288
Canada	485,607	612,448
Australia	6,598	9,267
	\$ 31,160,053	\$ 35,159,003

Impairment losses on property and equipment reported as part of the construction and industrial equipment rental and distribution segment totaled nil during the year ended December 31, 2015 (2014 - \$257,944) (note 5).

# NOBLE IRON INC.

## Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014  
In Canadian Dollars (unless otherwise specified)

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### 23. 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.

### 24. Noble Iron Inc. entities:

The following table lists the significant subsidiaries of the Company.

<b>Subsidiary</b>	<b>Segment</b>	<b>Country of Incorporation</b>	<b>Ownership 2015</b>	<b>Ownership 2014</b>	<b>Year End</b>
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
Systematic Computer Services Corporation	Enterprise Asset Management Software	Canada	100%	100%	December 31
Texada Software Pty Ltd.	Enterprise Asset Management Software	Australia	100%	100%	December 31

### 25. Subsequent events

In February 2016, the Company temporarily fell below its 7.5% minimum excess availability threshold on its credit facility and returned above its threshold after a 4 day extension without triggering a debt covenant breach notice.

In February 2016, the Company issued promissory notes in the amount of \$689,673 to two related parties with the balance due on February 17, 2017. Refer to note 17. The notes may be extended one time by six months at the Company's discretion and bear an interest rate of ten percent per annum. There is no prepayment penalty. The proceeds of the notes were used for non-recurring corporate expenses.