Consolidated Financial Statements

NOBLE IRON INC.
(formerly Texada Software Inc.)

Years ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Noble Iron Inc.

We have audited the accompanying financial statements of Noble Iron Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of comprehensive income (loss), consolidated shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Noble Iron Inc. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

April 30, 2013
Waterloo, Canada

NOBLE IRON INC. (formerly Texada Software Inc.)

Consolidated Statements of Financial Position

As at December 31, 2012 and 2011

In Canadian Dollars

	2012	2011
Assets		
Current assets:		
Cash	$ 1,821,226	$ 1,978,219
Accounts receivable	3,162,352	2,326,136
Inventories (note 7)	322,728	327,314
Prepaid expenses and other assets	700,450	546,330
Loan receivable (note 19)	52,500	-
	6,059,256	5,177,999
Indemnity fund	-	203,400
Property and equipment (note 8)	27,058,433	17,546,769
Intangible assets (note 9)	1,628,994	1,204,401
Loan receivable (note 19)	35,000	87,500
	$ 34,781,683	$ 24,220,069
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,473,565	$ 2,282,538
Other current liabilities (note 10)	2,438,946	-
Deferred revenue	260,153	311,238
Current portion of license obligation (note 11)	207,070	195,567
Current portion of long-term debt (note 12)	570,298	1,199,879
	5,950,032	3,989,222
License obligation (note 11)	532,449	756,719
Long-term debt (note 12)	19,035,208	11,818,140
Deferred tax liability (note 13)	308,000	1,522,000
Shareholders' equity:		
Share capital (note 14)	25,261,920	20,675,595
Contributed surplus	2,884,903	2,658,583
Accumulated other comprehensive income	197,733	373,783
Deficit	(19,388,562)	(17,573,973)
	8,955,994	6,133,988
Commitments (note 11 and 17)		
Subsequent events (note 24)		
	$ 34,781,683	$ 24,220,069

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ William Swisher Director

/s/ Aly Mawji Director

NOBLE IRON INC. (formerly Texada Software Inc.)

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, 2012 and 2011

In Canadian Dollars

	2012	2011
Revenue:		
Rental	$ 11,399,587	$ 3,209,867
Software and services	4,765,215	4,459,653
	16,164,802	7,669,520
Cost of revenue:		
Rental	4,385,919	975,118
Software and services	539,279	536,205
	4,925,198	1,511,323
Gross profit	11,239,604	6,158,197
Operating expenses:		
Support, maintenance and delivery	6,353,408	2,790,592
Research and development	865,056	815,665
Sales and marketing	1,398,505	660,008
General and administration	5,806,156	2,872,632
Gain on fair value increment on acquisition net of income taxes (note 4 and 5)	(243,354)	(3,218,200)
Gain on expiry of default judgment (note 6)	(691,424)	-
Business acquisition expenses (note 4 and 5)	10,229	309,003
	13,498,576	4,229,700
Earnings (loss) from operations	(2,258,972)	1,928,497
Financing costs:		
Interest expense	910,009	330,179
Interest expense on convertible debentures	-	451,517
Accretion on convertible debentures	-	69,077
Foreign exchange loss	76,157	19,347
	986,166	870,120
Earnings (loss) before income taxes	(3,245,138)	1,058,377
Income tax recovery (note 13)	(1,430,549)	(618,000)
Net earnings (loss)	(1,814,589)	1,676,377
Other comprehensive income:		
Foreign currency translation adjustment	(176,050)	267,927
Total comprehensive income (loss)	$ (1,990,639)	$ 1,944,304
Net earnings (loss) per share: (note 15)		
Basic	$ (0.12)	$ 0.38
Diluted	(0.12)	0.35

See accompanying notes to consolidated financial statements.

NOBLE IRON INC. (formerly Texada Software Inc.)

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2012 and 2011

In Canadian Dollars

	Share Capital	Convertible Debentures Conversion Option	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2010	$ 15,571,062	$ 139,717	$ 2,412,107	$ 105,856	$ (19,250,350)	$ (1,021,608)
Stock-based compensation	-	-	106,759	-	-	106,759
Convertible debenture conversion	-	(139,717)	139,717	-	-	-
Share capital issuance	5,104,533	-	-	-	-	5,104,533
Net earnings	-	-	-	-	1,676,377	1,676,377
Other comprehensive income - foreign currency translation adjustment	-	-	-	267,927	-	267,927
Total comprehensive income	-	-	-	267,927	1,676,377	1,944,304
Balance, December 31, 2011	$ 20,675,595	$ -	$ 2,658,583	$ 373,783	$ (17,573,973)	$ 6,133,988
Stock-based compensation	-	-	228,278	-	-	228,278
Share capital issuance	4,572,400	-	-	-	-	4,572,400
Share capital issuance - exercise of options	13,925	-	(1,958)	-	-	11,967
Net loss	-	-	-	-	(1,814,589)	(1,814,589)
Other comprehensive loss - foreign currency translation adjustment	-	-	-	(176,050)	-	(176,050)
Total comprehensive loss	-	-	-	(176,050)	(1,814,589)	(1,990,639)
Balance, December 31, 2012	$ 25,261,920	$ -	$ 2,884,903	$ 197,733	$ (19,388,562)	$ 8,955,994

See accompanying notes to consolidated financial statements.

NOBLE IRON INC. (formerly Texada Software Inc.)

Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011

In Canadian Dollars

	2012	2011
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	$ (1,814,589)	$ 1,676,377
Items not involving cash:		
Depreciation and amortization	3,910,463	971,526
Stock-based compensation	228,278	106,759
Interest expense	910,009	237,248
Interest on convertible debentures added to principal	-	451,517
Accretion on convertible debentures	-	69,077
Gain on disposal of property and equipment	(165,422)	-
Gain on expiry of default judgment	(691,424)	-
Gain on fair value increment on acquisition net of income taxes	(243,354)	(3,218,200)
Foreign currency translation adjustment	(18,169)	59,887
Income tax recovery	(1,430,548)	(618,000)
Change in non-cash operating working capital (note 18)	(154,384)	(635,193)
Net cash from (used in) operating activities	530,858	(899,002)
Investing activities:		
Business acquisition (note 4 and 5)	(2,278,148)	(122,413)
Indemnity fund	200,168	(195,860)
Purchase of property and equipment	(11,814,838)	(4,030,825)
Purchase of intangibles	(106,705)	-
Proceeds on sale of property and equipment	537,912	-
Net cash (used in) investing activities	(13,461,611)	(4,349,098)
Financing activities:		
Proceeds from issuance of common shares	4,471,967	3,970,000
Proceeds from long-term debt	21,356,470	3,567,019
Proceeds from other current liabilities	2,438,946	-
Repayment of long-term debt	(14,363,138)	(361,202)
Repayment of license obligation	(212,767)	-
Repayment of convertible debentures	-	(607,467)
Interest paid	(909,806)	(180,621)
Net cash from financing activities	12,781,672	6,387,779
Effect of exchange rate changes on cash	(7,912)	(12,831)
Increase (decrease) in cash	(156,993)	1,126,848
Cash, beginning of year	1,978,219	851,371
Cash, end of year	$ 1,821,226	$ 1,978,219

See accompanying notes to consolidated financial statements.

1. Reporting entity:

Noble Iron Inc. (the "Company") was incorporated under the Company's Act (British Columbia). On July 23, 2012, the Company changed its name to Noble Iron Inc. from Texada Software Inc. The address of the Company's registered office is 7B-291 Woodlawn Road West, Guelph, Ontario, N1H 7L6. Certain senior management of the Company are located in Houston, Texas. The consolidated financial statements of the Company, as at and for the years ended December 31, 2012 and 2011, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

On July 23, 2012, the Company completed the consolidation of its outstanding common shares on the basis of one new common share for every five old common shares. All references in these financial statements to number of shares reflect this consolidation as if it took place on December 31, 2010.

Noble Iron Inc. (TSXV:NIR), operates in three complementary sectors: construction and industrial equipment rental, construction and industrial equipment distribution and enterprise asset management software for the construction and industrial equipment industry.

The Company operates its equipment rental and distribution businesses under the name "Noble Iron". The individual locations are referred to as Centralized Equipment Logistics Locations ("CELLs") ™. Noble Iron CELLs currently serve customers in California and Texas with its rental fleet, and it offers select manufacturer equipment and accessories for sale. Noble Iron's Houston Texas CELL is the exclusive distributor of LiuGong Construction Machinery equipment in Southeast Texas.

The Company's software division, Texada Software, provides software applications to manage the complete asset ownership lifecycle, from acquisition, rental, sales and other activities through to disposal. Texada Software offers in-the-cloud or client-based software, and is scalable to meet the needs in the industry.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2013.

(b) Basis of measurement:

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

2. Basis of preparation (continued):

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 3 (m) Revenue

Note 3 (c)(i) Financial instruments - Loans and receivables

Note 3 (e) Property and equipment

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3 (l) Provisions

Note 4 Acquisition of the operating assets of Bane Machinery Houston LP

Note 5 Acquisition of the operating assets of Rolls High Reach

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:

(i) Business combinations:

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 (US) Inc., Noble Rents (TX) Inc., Noble Equipment, Inc., Noble Rents (FL), Inc. and Noble 3411, Inc.

For acquisitions on or after January 1, 2009, 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 earnings 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. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(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.

3. Summary of significant accounting policies (continued):

(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 earnings or loss.

(ii) Foreign operations:

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

Foreign currency differences are recognized in other comprehensive income (loss) in the cumulation translation account.

(c) Financial assets and financial liabilities:

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

The Group uses trade date accounting for regular-way purchases and sales of financial assets.

(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, indemnity fund, 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 of inability of customers to make payments when due.

(ii) Other liabilities:

This category includes accounts payable, other current liabilities, license obligation, and long-term debt. Subsequent to initial measurement, other liabilities are measured at amortized cost using the effective interest method.

3. Summary of significant accounting policies (continued):

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

(ii) Other liabilities (continued):

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

(iii) 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 earnings or loss.

(iv) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

(v) 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 parities 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.

(d) Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on their weighted average 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.

3. Summary of significant accounting policies (continued):

(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 for which the commencement date for capitalization is on or after January 1, 2010. 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.

Depreciation is recognized by using the straight-line method so as to depreciate the cost of the asset to its residual value over its estimated useful life.

The estimated useful lives for the current and comparative periods are as follows:

• Equipment rental fleet	3 - 6 years dependent on equipment age 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 which the Company 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 Company's statement of financial position.

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 so as to amortize the cost of the asset less its residual value over the estimated useful life of the asset.

The estimated useful lives for the current and comparative periods are as follows:

• Customer lists	5 years
• Software license	Over the life of contract
• Software development for internal use	3 years
• Lease purchase option	5 years

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

(h) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

(i) Share capital:

Common shares

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

(j) 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 cash generating unit (“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.

3. Summary of significant accounting policies (continued):

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

The Company has defined its CGUs as each equipment rental CELL and its asset management software, due to the fact that each location is managed separately and has its own dedicated human resources and fixed assets. Each generates revenue largely independent of the others and is ultimately responsible for managing and producing products, in the case of the asset management software business.

(k) Stock-based compensation:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do 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 true-up 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.

(l) 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.

3. Summary of significant accounting policies (continued):

(m) Revenue:

Software and services:

The Company'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 and determinable, and collection of the related receivable is deemed probable.

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

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

Revenue from sales arrangements that include multiple elements is allocated to the elements based upon the relative value of the elements included in the arrangement. An element is considered to be separately identifiable if the product or service delivered has stand-alone value to the customer and the fair value can be measured reliably. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole. The fair value of each component is based on a hierarchy of (1) vendor specific objective evidence of selling price (“VSOE”), if available, (2) third-party evidence (“TPE”) of selling price, if VSOE is unavailable, and (3) the cost-plus-margin (“CPM”) method if neither VSOE nor TPE is available.

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

3. Summary of significant accounting policies (continued):

(m) Revenue (continued):

Rental:

Rental revenue from the construction and industrial equipment rental and distribution business is recognized as equipment and 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 and merchandise is recognized at the time of sale. Proceeds from sales are included in revenue when title has transferred, payment is not contingent upon performance of installation or service obligation and collectability is reasonably assured. At that time the net book value in the case of used equipment, or cost for new equipment, is included in cost of revenue.

(n) Income taxes:

Income tax expense comprises 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.

3. Summary of significant accounting policies (continued):

(o) Earnings (loss) per share:

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

(p) Segment reporting:

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

(q) New standards and interpretations not yet adopted:

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

Financial instruments

In October 2010, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments* ("IFRS 9"). This standard is effective for annual periods beginning on or after January 1, 2015 and is part of a wider project to replace IAS 39, *Financial Instruments*: *Recognition and Measurement*. IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2015. The classification and measurement of the Company's financial assets and financial liabilities is not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets and liabilities that it holds.

3. Summary of significant accounting policies (continued):

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

Consolidated financial statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"). This standard is effective for annual periods beginning on or after January 1, 2013 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.

Fair value measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"). This standard is effective for annual periods beginning on or after January 1, 2013 and provides additional guidance where IFRS requires fair value to be used. IFRS 13 defines fair value, sets out in a single standard a framework for measuring fair value and establishes the required disclosures about fair value measurements. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

Employee benefits

In June 2011, the IASB issued an amended version of IAS 19, *Employee Benefits* ("IAS 19"). This amendment is effective for annual periods beginning on or after January 1, 2013 and requires the recognition of actuarial gains and losses immediately in other comprehensive income and full recognition of past service costs immediately in profit or loss. Revised IAS 19 also streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, and enhances the disclosure requirements for defined benefit plans. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

Presentation of other comprehensive income ("OCI")

In June 2011, the IASB issued an amended version of IAS 1, *Presentation of Financial Statements* ("IAS 1"). This amendment is effective for annual periods beginning on or after July 1, 2012 and requires companies preparing financial statements in accordance with IFRS to group together items within OCI that may be reclassified to the profit or loss section of the statement of earnings. Revised IAS 1 also reaffirms existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in OCI, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

In Canadian Dollars (unless otherwise specified)

4. Acquisition of the operating assets of Bane Machinery Houston LP:

On July 9, 2012, the Company's wholly-owned US subsidiary (the "Subsidiary"), completed the acquisition of certain operating assets of Bane Machinery Houston LP ("Bane"), a Houston, Texas based equipment rental and distribution business that was established in 2007 (the "Bane Acquisition").

The total consideration of the transaction was approximately $2,300,000 US dollars. In conjunction with the acquisition of the assets of the business acquired, including an active customer list, the Company retained all employees of the business and entered into a purchase option lease on the property where the business is conducted. None of Bane's liabilities were assumed as part of the acquisition. The primary reason for the acquisition was to expand its operations into a second rental and distribution CELL from the location serving Southeastern Texas.

The acquisition was accounted for using the acquisition method. The purchase price was allocated to the assets acquired and the liabilities assumed based upon their estimated fair values as follows:

		2012
Assets acquired:		
Parts inventory	$	33,295
Property and equipment:		
Equipment rental fleet		1,970,922
Shop equipment		93,034
Vehicles		19,586
Intangible assets:		
Purchase option for premises		489,650
Customer list		73,448
		2,679,935
Liabilities assumed and cash paid:		
Deferred taxes on acquisition		158,433
Cash paid at closing		2,278,148
		2,436,581
Fair value increment on acquisition	$	243,354

4. Acquisition of the operating assets of Bane Machinery Houston LP (continued):

The total fair value of the assets acquired was $243,354 in excess of liabilities assumed and cash paid. Accordingly, the Company has recorded a gain on fair value increment in net loss.

The Company incurred acquisition costs of $10,229 which have been recorded in net loss.

The assets, liabilities and results of operations of Bane have been consolidated with the Company from the acquisition date of July 9, 2012. Bane contributed $720,621 of revenue and a loss of $114,125 to the Company's net loss for the year ended December 31, 2012. Any representation or interpretation of Bane's results of operations in conjunction with the results of the Company prior to the acquisition would not be a meaningful representation and, accordingly, an estimate of the revenue and profit or loss for the year as if Bane had been acquired at the beginning of the year has not been provided. Bane and the Company followed different business models in regards to revenue streams of renting equipment versus sales through distribution.

5. Acquisition of the operating assets of Rolls High Reach:

On August 30, 2011, the Company's wholly-owned US subsidiary (the "Subsidiary") completed the acquisition of the operating assets of Rolls Scaffold & Equipment, Inc., dba Rolls High Reach, Inc. ("RHR"), a Southern California-based four location, aerial equipment rental business, which was established in 1958 (the "Rolls Acquisition"). This acquisition allows the Company to vertically integrate its existing asset management software business into equipment rental while leveraging senior management's extensive experience in operating equipment rental businesses.

The Rolls Acquisition was accomplished through two separate transactions, namely: (a) the acquisition of certain rental fleet and other operating business assets from RHR for cash of $122,412 ($125,000 US) and assumed liabilities totaling $1,126,562 ($1,150,375 US); and (b) the acquisition of rental fleet from an existing lender. The lender provided term financing of $9,444,901 ($9,644,543 US) (the "Lender Financing") in conjunction with the acquisition, repayable over a 48 month period and carrying an interest rate of 7.0% per annum. The Lender Financing was secured by a first security interest over all of the assets of the Subsidiary. The Company has provided a guarantee for the Lender Financing. The combination of (a) and (b) resulted in total consideration for the Rolls Acquisition by the Company of $10,693,875 ($10,919,918 US).

In conjunction with closing, the Company lodged the sum of $200,000 US (the "Indemnity Fund") in an escrow account for the benefit of the lender for any claims made against the lender in the one year period following closing. Should there be no claims or claims of less than $200,000 US then these monies will be returned to the Company. As of December 31, 2012, these monies were returned to the Company as there were no claims.

In Canadian Dollars (unless otherwise specified)

5. Acquisition of the operating assets of Rolls High Reach (continued):

The acquisition was accounted for using the acquisition method. The purchase price was allocated to the assets acquired and the liabilities assumed based upon their estimated fair values as follows:

		2011
Assets acquired:		
Accounts receivable	$	1,655,482
Parts inventory		293,790
Property and equipment:		
Shop equipment		48,965
Vehicles		1,200,632
Equipment rental fleet		12,608,382
Intangible asset – customer list		244,825
		16,052,076
Liabilities assumed and cash paid:		
Lender financing		9,444,901
Accounts payable and other debt		1,126,562
Deferred tax liability		2,140,000
Cash paid at closing		122,413
		12,833,876
Fair value increment on acquisition	$	3,218,200

The total fair value of the assets acquired was $3,218,200 in excess of liabilities assumed and cash paid. Accordingly, the Company has recorded a gain on fair value increment in net earnings.

The Company incurred acquisition costs of $309,002 which have been recorded as a separate expense in net earnings.

The assets, liabilities and results of operations of RHR have been consolidated with the Company from the acquisition date of August 30, 2011. RHR contributed $3,210,000 of revenue and $2,873,000 of net earnings to the Company’s Consolidated Statements of Comprehensive Income for the year ended December 31, 2011. Had the acquisition occurred on January 1, 2011, RHR’s revenue would have totaled approximately $8,780,000 and net earnings would have been approximately $2,011,000 for the year ended December 31, 2011.

6. Gain on expiry of default judgment:

During the third quarter of 2012, the execution and appeal period for a default judgment in the original amount of $219,259 US rendered against a wholly owned US subsidiary in September 2002, expired.

The original default judgment amount was recognized during the year ended December 31, 2002 and interest on the judgment has been recorded in the Company's financial statements up to and including June 30, 2012.

Accordingly, the Company has recorded a gain on the expiry of the default judgment in the amount of $691,424 to reverse the accrued liability.

7. Inventories:

Inventories consists of spare parts and servicing equipment to support the equipment rental business. Inventory recognized as cost of rental revenue during the year amounted to $208,655 (2011 - $39,646).

In Canadian Dollars (unless otherwise specified)

8. Property and equipment:

	Equipment rental fleet	Vehicles	Furniture, fixtures and equipment	Computer equipment	Leasehold improvements	Total
Cost:						
Balance as of December 31, 2011	$ 17,069,143	$ 1,246,853	$ 1,285,136	$ 149,766	$ 125,413	$ 19,876,311
Acquisitions (note 5)	1,970,922	19,586	93,034	-	-	2,083,542
Other additions	11,060,303	412,605	39,611	46,851	43,574	11,602,944
Disposals	(582,741)	(17,500)	(126,561)	-	-	(726,802)
Effect of movement in foreign exchange rates	(53,436)	(2,104)	443	(239)	(222)	(55,558)
Balance as at December 31, 2012	29,464,191	1,659,440	1,291,663	196,378	168,765	32,780,437
Depreciation and impairment losses:						
Balance as of December 31, 2011	821,987	83,123	1,184,739	121,847	117,843	2,329,539
Depreciation for the year	3,346,628	258,206	31,506	21,997	2,157	3,660,494
Disposals	(121,362)	(2,625)	(126,561)	-	-	(250,548)
Effect of movement in foreign exchange rates	(16,699)	(1,304)	645	(112)	(11)	(17,481)
Balance as at December 31, 2012	4,030,554	337,400	1,090,329	143,732	119,989	5,722,004
Carrying amount at December 31, 2012	$ 25,433,637	$ 1,322,040	$ 201,334	$ 52,646	$ 48,776	$ 27,058,433

In Canadian Dollars (unless otherwise specified)

8. Property and equipment (continued):

	Equipment rental fleet	Vehicles	Furniture, fixtures and equipment	Computer equipment	Leasehold improvements	Total
Cost:						
Balance as of December 31, 2010	$ -	$ -	$ 1,208,204	$ 123,005	$ 117,445	$ 1,448,654
Acquisitions (note 5)	12,652,441	1,200,632	48,965	-	-	13,902,038
Other additions	3,951,548	-	25,965	26,761	7,923	4,012,197
Disposals	(44,059)	-	-	-	-	(44,059)
Effect of movement in foreign exchange rates	509,213	46,221	2,002	-	45	557,481
Balance as at December 31, 2011	17,069,143	1,246,853	1,285,136	149,766	125,413	19,876,311
Depreciation and impairment losses:						
Balance as of December 31, 2010	-	-	1,176,218	106,185	116,782	1,399,185
Depreciation for the year	861,358	82,649	8,500	15,662	1,059	969,228
Disposals	(44,059)	-	-	-	-	(44,059)
Effect of movement in foreign exchange rates	4,688	474	21	-	5	5,188
Balance as at December 31, 2011	821,987	83,123	1,184,739	121,847	117,846	2,329,542
Carrying amount at December 31, 2011	$ 16,247,156	$ 1,163,730	$ 100,397	$ 27,919	$ 7,567	$ 17,546,769

In Canadian Dollars (unless otherwise specified)

9. Intangible assets:

	Trademarks	Customer list	Software license	Software development	Lease purchase option	Total
Cost:						
Balance as of December 31, 2010	$ 36,361	$ -	$ -	$ -	$ -	$ 36,361
Acquisitions (note 5)	-	244,825	-	-	-	244,825
Other additions	-	-	1,028,369	-	-	1,028,369
Effect of movements in foreign exchange rates	-	9,425	(30,610)	-	-	(21,185)
Balance as at December 31, 2011	36,361	254,250	997,759	-	-	1,288,370
Balance as of December 31, 2011	36,361	254,250	997,759	-	-	1,288,370
Acquisitions (note 4)	-	73,448	-	-	489,650	563,098
Other additions	-	-	-	106,508	-	106,508
Effect of movements in foreign exchange rates	-	(4,355)	-	(437}	7,800	3,008
Balance as at December 31, 2012	36,361	323,343	997,759	106,071	497,450	1,960,984
Depreciation and impairment losses:						
Balance as of December 31, 2010	36,361	-	-	-	-	36,361
Amortization for the year	-	16,853	32,137	-	-	48,990
Effect of movements in foreign exchange rates	-	98	(1,479)	-	-	(1,381)
Balance as at December 31, 2011	36,361	16,951	30,658	-	-	83,970
Balance as of December 31, 2011	36,361	16,951	30,658	-	-	83,970
Amortization for the year	-	57,426	123,823	18,879	49,840	249,968
Effect of movements in foreign exchange rates	-	(588)	(1,186)	(78)	(96)	(1,948)
Balance as at December 31, 2012	$ 36,361	$ 73,789	$ 153,295	$ 18,801	$ 49,744	$ 331,990
Carrying amounts:						
At December 31, 2011	$ -	$ 237,300	$ 967,101	$ -	$ -	$ 1,204,401
At December 31, 2012	-	249,554	844,464	87,270	447,706	1,628,994

For the year ended December 31, 2011 (amortization on intangible assets is included in the Statement of Comprehensive Income) as follows:
i) Cost of revenue, software and services - $30,658 and, ii) Sales and marketing - $16,951.
For the year ended December 31, 2012 (amortization on intangible assets is included in the Statement of Comprehensive Income) as follows:
i) Cost of revenue – $122,637, ii) Support, maintenance and delivery - $49,745, iii) General and administrative $18,801, and, iv) Sales and marketing - $56,838

In Canadian Dollars (unless otherwise specified)

10. Other current liabilities:

The Company purchased certain rental equipment with payment terms of less than one year. The amount outstanding at December 31, 2012 is $2,438,946 and is secured by the equipment.

11. License and maintenance contract:

The Company has a multi-year licensing agreement with its software development tools provider. In accordance with IAS 38, the license fee component of this agreement meets the definition of an intangible asset and has been recorded as an asset along with the related liability recorded as license obligation.

The software maintenance fee component of the contract is being expensed over the term of the arrangement to September 2018 based upon the average amount due each quarter during the term.

License fees of $1,232,000 US are due over a five year period commencing October 1, 2011, payable quarterly in amounts ranging from $36,500 US to $70,000 US. In addition, software maintenance fees of $1,968,000 US are due over an eight year period commencing October 1, 2011, payable quarterly in amounts ranging from $55,000 US to $68,750 US.

The total license obligation at December 31, 2012 is $739, 519 (2011 - $952,286). The principal component due in 2013 of $207,070 (2011 - $195,567) is recorded as a current liability. The following are the amounts due, including interest, in each year for both components of the agreement:

	Maintenance fee	License fee	Total
2013	$ 225,096	$ 272,354	$ 497,450
2014	231,066	266,384	497,450
2015	241,512	231,065	472,577
2016	254,446	108,942	363,388
2017	260,415		260,415
Thereafter	470,589	-	470,589
	$ 1,683,124	$ 878,745	$ 2,561,869

12. Long-term debt:

	December 31, 2012	December 31, 2011
Long-term debt	$ 19,605,506	$ 13,018,019
Less: current portion	(570,298)	(1,199,879)
	$ 19,035,208	$ 11,818,140

In Canadian Dollars (unless otherwise specified)

12. Long-term debt (continued):

First Facility - Revolving Loan and Security Agreement

On May 31, 2012, 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:

Advance Date:	May 30, 2012
Borrower:	Noble Rents, Inc. (wholly owned US subsidiary)
Guarantor:	Noble Iron Inc (Canadian Parent)
Maximum Advance Amount:	$25,000,000 US subject to applicable borrowing base as determined by the value of rental fleet, accounts receivable and parts inventory
Interest Rate:	Fully floating tied to the one month LIBOR plus 325 basis points
Payments:	No fixed payments are required over the term. Cash is swept daily by the lender and is credited against outstanding debt
Term/Maturity Date:	Four years due in full on September 30, 2015
Security:	First security interest in all assets of the borrower
Prepayment premium:	None

The balance outstanding as of December 31, 2012 on the First Facility is $16,660,756 ($16,746,161 US). As there are no scheduled principal repayments on the facility in the next 12 months, the full amount of the debt has been classified as long-term.

The facility is evidenced by a revolving note and security agreement that includes a continuing first charge security interest in all of the Company's US subsidiary's assets. 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 Company to maintain certain metrics or ratios. This includes fixed charge coverage, leverage and liquidity ratios. As of December 31, 2012, the Company is in compliance with these covenants.

Second Facility – Loan and Security Agreement

On October 9, 2012, the Company entered into a Second Facility to finance certain rental assets with a US based lender.

As of December 31, 2012, this second facility had several outstanding loan schedules funded separately as equipment was delivered. The financing terms for the various schedules are as follows:

Advance Date:	Various beginning in October of 2012

In Canadian Dollars (unless otherwise specified)

12. Long-term debt (continued):

Borrower:	Noble Rents (TX), Inc.
Payments:	6 monthly payments of principal and interest totaling 1.0% per month of the value of the equipment financed followed by 58 equal payments of principal and interest amortizing to a final payment equal to 15% of the original equipment cost
Maximum Advance Amount:	$8,900,000 US
Interest Rate:	Three month LIBOR plus 449 basis points reset quarterly with a minimum rate of 5.99%
Guarantor:	Noble Iron Inc (Canadian Parent)
Maturity:	64 months following advance
Security:	First preferred security interest in all assets of the borrower
Prepayment:	No prepayment premium if the note is paid off within two years of the original advance date

The balance outstanding as of December 31, 2012, on the Second Facility is $2,096,430 ($2,107,177 US).

Third Facility – Agreement for Inventory Financing

On October 19, 2012, the Company entered into a Third Facility financing certain rental assets with a US lender. The principal terms of the facility are as follows:

Advance Date:	Various beginning in October of 2012
Borrower:	Noble Equipment, Inc.
Payments:	48 monthly equal payments of principal and interest
Interest Rate:	One month LIBOR plus 450 basis points reset monthly with a minimum rate LIBOR floor of 50 basis points
Guarantor:	Noble Iron Inc (Canadian Parent) and Noble Iron (US), Inc.
Maturity:	48 months following advance
Maximum Advance Amount:	$700,000 US
Advance Rate:	70% of invoice amount
Security:	First preferred security interest in the assets financed under the agreement
Prepayment:	No prepayment premium

The balance outstanding as of December 31, 2012, on the Third Facility is $653,783 ($657,134 US).

In Canadian Dollars (unless otherwise specified)

12. Long-term debt (continued):

Other Term Debt – Loan and Security Agreements

The Company entered into two (2) loan agreement and security agreements to finance certain transportation equipment with US based lenders. The principal terms of these loans are as follows:

Advance date:	Various beginning October 19, 2012
Interest Rate:	0.0% to 5.97%
Borrower:	Various wholly owned US subsidiaries
Payments:	60 equal monthly payments of principal and interest
Security:	First preferred security interest in assets financed under the agreement
Guarantor:	Noble Iron (US), Inc.
Prepayment:	Open for repayment at any time without notice or prepayment premium

The balance outstanding as of December 31, 2012, on the Fourth Facility is $194,537 ($195,534 US).

The following are the principal amounts due over the next five years on long-term debt as of December 31, 2012:

2013	$ 570,298
2014	621,404
2015	623,650
2016	17,109,988
2017 and thereafter	680,166
	$ 19,605,506

12. Long-term debt (continued):

In 2011, the Company's US subsidiary entered into a loan agreement covering the terms and conditions of the above noted long-term debt, comprising two loan facilities. The "First Facility" was funded in conjunction with the acquisition described in note 5. The principal terms of this facility are as follows:

Advance Date: August 30, 2011

Interest Rate: 7.0%

Monthly Payments: 24 payments of $120,000 US on account of principal and interest followed by 24 equal payments of principal and interest calculated to amortize the remaining loan balance to $964,454 US

Maturity Date: September 30, 2015

Security: First security interest on all assets

Guarantor: Texada Software Inc.

Other: Open for repayment at any time without notice or prepayment premium

The balance outstanding as of December 31, 2012 on the First Facility is nil (2012 - $9,526,985 ($9,714,664 US)).

The Company has entered into a loan agreement (the "Second Facility") covering capital equipment financing from the same lender as the First Facility. The loan amount is up to $3,400,000 US to be drawn on the purchase of $4,000,000 US of rental fleet.

As of December 31, 2011, this facility has been fully drawn in various tranches. The principal terms of the facility are as follows:

Interest Rate: 5.92%

Monthly Payments: 12 equal payments of principal and interest totaling 1.0% per month of the value of the equipment financed followed by 50 equal payments of principal and interest to amortize the loan to 15% of the original amount

Maturity Date: 62 months following advance

Security: First security interest on all assets

Guarantor: Texada Software Inc.

Other: Open for repayment at any time without notice or prepayment premium

The balance outstanding as of December 31, 2012, on the Second Facility is $nil (2011 - $3,491,034 ($3,559,807 US)).

In Canadian Dollars (unless otherwise specified)

13. 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:

	2012	2011
Net earnings (loss)	$ (1,814,589)	$ 1,676,377
Income tax recovery	(1,430,549)	(618,000)
Earnings (loss) before income tax	(3,245,138)	1,058,377
Statutory income tax rate	26.5%	28.3%
Expected income tax expense (recovery)	(859,962)	299,521
Effect on income tax of:		
Difference related to gain on fair value incurred on acquisition	(83,175)	(1,281,951)
Difference between Canadian rate and rate applicable to subsidiaries in other countries	(457,960)	191,029
Unrecognized tax benefits of losses and temporary differences	(89,946)	154,714
Non-deductible expense and other permanent differences	60,494	18,687
Deferred tax expense	$ (1,430,549)	$ (618,000)

(b) Deferred tax assets and liabilities:

(i) Unrecognized deferred tax assets:

	2012	2011
Net operating loss carryforwards	$ 2,612,336	$ 2,422,217
Property and equipment	100,000	123,769
Intangible assets	610,000	611,315
Total unrecognized deferred tax assets	$ 3,322,336	$ 3,157,301

In assessing the ability to realize the benefit of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers the likelihood of future profitability, the character of the deferred tax assets and available tax planning strategies in making this assessment. To the extent that management believes it is probable the deferred tax assets will be realized, that portion of the deferred tax assets is recognized in the financial statements. Based on this assessment, the deferred tax assets as at December 31, 2012 and 2011 have not been recognized.

In Canadian Dollars (unless otherwise specified)

13. Income taxes (continued):

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

(ii) Recognized deferred tax liabilities:

	Balance December 31, 2011	Recognized in net earnings or loss	Acquired in business combination	Balance December 31, 2011	Recognized in net earnings or loss	Acquired in business combination	Balance December 31, 2012
Property and equipment	$ -	$1,697,000	$2,038,000	$3,735,000	$2,493,000	$ -	$6,228,000
Intangible assets	-	(7,000)	102,000	95,000	25,000	160,000	280,000
Net operating loss carryforwards	-	(2,308,000)	-	(2,308,000)	(3,892,000)	-	(6,200,000)
	$ -	$(618,000)	$2,140,000	$1,522,000	$(1,374,000)	$160,000	$308,000

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.

At December 31, 2012, the Company has the following estimated amounts available to reduce future years' income for tax purposes for its Canadian, US and Australian operations.

	Recognized	Unrecognized	Total
2014	$ -	$ 735,000	$ 735,000
2015	-	-	-
2020	-	1,205,000	1,205,000
2021	-	925,000	925,000
2022	-	545,000	545,000
2023	-	35,000	35,000
2025	-	1,445,000	1,445,000
2026	-	980,000	980,000
2027	-	220,000	220,000
2028	-	70,000	70,000
2029	-	300,000	300,000
2030	-	255,000	255,000
2031	5,080,000	775,000	5,855,000
2032	10,350,000	795,000	11,145,000
Indefinite	-	530,000	530,000
	$ 15,430,000	$ 8,815,000	$ 24,245,000

In Canadian Dollars (unless otherwise specified)

14. Share capital:

(a) Share consolidation:

On July 23, 2012, the Company completed a consolidation of its outstanding common shares on the basis of one new common share for every five then existing common share. All references in these financial statements to the number of shares reflect this consolidation as if it took place on December 31, 2010.

(b) Authorized:

100,000,000 preferred shares without par value, assumable in one or more series as well as an unlimited number of common shares without par value.

(c) Issued:

Common shares	Number	Amount
Balance, December 31, 2010	2,555,470	$ 15,571,062
Common shares issued for cash	8,000,000	3,970,000
Common shares issued on convertible debentures conversion	1,998,995	1,134,533
Balance, December 31, 2011	12,554,465	20,675,595
Common shares issued for cash	4,500,000	4,460,000
Common shares issued for debt	116,570	112,400
Common shares issued upon exercise of options	23,933	13,925
Balance, December 31, 2012	17,194,968	$ 25,261,920

On August 30, 2011 and September 15, 2011, the Company issued a total of 8,000,000 common shares in a private placement at $0.50 per share for gross proceeds of $4,000,000. Expenses of the private placement of $30,000 have been deducted from the gross proceeds.

On December 2, 2011, the Company issued a total of 1,998,995 common shares at an average price of $0.55 in conjunction with the conversion of a portion of the convertible debentures which matured on that date. The expired unexercised special warrants valued at $139,717 were transferred from convertible debentures conversion option to contributed surplus on the conversion of the convertible debentures.

On May 18, 2012, the Company issued a total of 116,570 common shares upon the completion of a shares-for-debt transaction involving three members of senior management, at $1.05 per share, to retire $112,400 of debt.

In Canadian Dollars (unless otherwise specified)

14. Share capital (continued):

(c) Issued (continued):

On June 30, 2012, the Company issued a total of 4,500,000 common shares in a private placement at $1.00 per share for gross proceeds of $4,500,000. Expenses of the private placement totaling $40,000 have been deducted from the gross proceeds.

During the year, the Company issued 23,933 common shares upon the exercise of share options. The exercise price of these options was $0.50 per share. Total cash proceeds were $11,967 with $13,925 being allocated to share capital and $1,958 recorded as a reduction to contributed surplus.

(d) Stock-based compensation:

Pursuant to its stock option plan established May 15, 2002, as amended periodically through June 1, 2012, the Company has reserved for issuance 1,700,000 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. To date, all options have been granted 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, 2012, the Company granted 290,000 options to purchase common shares (2011 - 375,000). All of the options granted in 2011 were at an exercise price of $0.50 per share. Options granted in 2012 were at exercise prices ranging from $0.50 to $1.45. At December 31, 2012, 1,113,628 options (2011 - 854,287) remain outstanding and are exercisable at prices ranging from $0.50 to $1.45 per share. The options expire at varying dates to October 2022.

The weighted average fair value of options granted in 2012 and 2011 have been calculated based on the following assumptions:

	2012	2011
Weighted average fair value of each option	$ 0.46	$ 0.40
Assumptions:		
Expected volatility	282%	287%
Risk free interest rate	1.72%	1.78%
Expected life in years	10 years	10 years
Expected dividend yield	0%	0%

In Canadian Dollars (unless otherwise specified)

14. Share capital (continued):

(d) Stock-based compensation (continued):

The following table reflects activity under the stock option plan from December 31, 2010, through to December 31, 2012, and the weighted average exercise prices:

	Number of common shares under option	Weighted average exercise price
Outstanding, December 31, 2010	489,367	$ 0.52
Granted	375,000	0.50
Cancelled	(9,540)	0.50
Outstanding, December 31, 2011	854,827	0.50
Granted	290,000	0.96
Exercised	(23,933)	0.50
Cancelled	(7,266)	0.87
Outstanding, December 31, 2012	1,113,628	$ 0.62

Information related to the share options outstanding at December 31, 2012, is presented below:

Exercise price	Number outstanding	Number exercisable	Weighted average remaining contractual life (in years)	Weighted average exercise price
$0.10 - $1.00	1,073,028	784,704	8.0	$ 0.59
$1.01 - $5.00	40,600	13,926	9.3	1.50
	1,113,628	798,630	8.2	$ 0.62

The fair value of the Company's stock option grants are estimated using the Black-Scholes option pricing model. The stock-based compensation expense for the year ending December 31, 2012 was $228,278 (2011 - $106,759) and is included in support, maintenance and delivery and general and administration in the Consolidated Statements of Comprehensive Income (Loss).

In Canadian Dollars (unless otherwise specified)

15. Net earnings (loss) per share:

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

	2012	2011
Net earnings (loss)	$ (1,814,589)	$ 1,676,377
Weighted average number of common shares outstanding:		
Basic	14,917,407	4,363,951
Diluted	14,917,407	4,837,679
Net earnings (loss) per share:		
Basic	$ (0.12)	$ 0.38
Diluted	(0.12)	0.35

16. Employee benefits:

	2012	2011
Short-term employee benefits	$ 7,143,680	$ 3,721,563
Compulsory social security contributions	336,153	217,064
Stock-based compensation	228,278	106,759
	$ 7,708,111	$ 4,045,386

In Canadian Dollars (unless otherwise specified)

17. Leases:

The Company is committed to future payments under various leases for premises expiring with terms to 2017. Minimum lease payments over this period are as follows:

2013	$	811,610
2014		826,264
2015		858,112
2016		622,797
2017		139,286
	$	3,258,069

18. Changes in non-cash operating working capital:

		2012		2011
Accounts receivable	$	(836,216)	$	(120,073)
Inventories		4,586		(21,843)
Prepaid expenses and other assets		(154,120)		(527,905)
Accounts payable and accrued liabilities		882,451		28,026
Deferred revenue		(51,085)		6,602
	$	(154,384)	$	(635,193)

In Canadian Dollars (unless otherwise specified)

19. Related party transactions:

Loans:

The Company has provided loan advances of $87,500 to a corporation controlled by a senior officer/director in conjunction with two of the Company's financing transactions. The advances are non-interest bearing, with $52,500 due on December 2, 2013 and $35,000 due on December 3, 2015 (and in certain circumstances an earlier date should the senior officer/director cease to be employed by the Company) and are secured by the 350,000 common shares acquired with the loan advances.

Key management personnel compensation:

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 Company also provides benefit plan and vehicle allowances to executive officers. In addition, key executive officers are granted stock options at the discretion of the Company's board of directors.

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

Key management personnel compensation comprised:

	2012	2011
Short-term employee benefits	$ 1,259,347	$ 884,970
Stock-based compensation	87,595	71,551
	$ 1,346,942	$ 956,521

Shareholdings:

Key executive officers of the Company control 4.5% of the Company's outstanding voting common shares as at December 31, 2012.

20. Financial instruments:

Due to their short-term to maturity, the fair values of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, other current liabilities and license obligation are not considered to be materially different from their carrying values. The fair value of the long-term debt is approximately equal to its carrying value using market interest rates as of December 31, 2012.

21. Financial risk management:

The Company is exposed to foreign exchange risk, concentration and credit risk and liquidity risk. To mitigate exposure to these risks, the Company designs and implements risk management strategies that are consistent with its business objectives and risk tolerance. However, these strategies cannot eliminate risk and no assurance can be provided that these strategies will continue to be effective.

(i) Foreign exchange risk:

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. 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, 2012, is $3,099,841 (2011 - $2,442,554), Australian dollars at December 31, 2012, is $16,709 (2011 - $94,002) and New Zealand dollars at December 31, 2012, is $15,395 (2011 - $25,678).

The impact of a one cent change in the value of the Canadian dollar, relative to the US dollar on net US denominated assets and liabilities at December 31, 2012, impacts the Company's earnings (loss) by approximately $62,000.

(ii) Interest rate risk:

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

The impact of a one percent change in interest rates impacts the Company's net earnings (loss) by approximately $196,000 (2011 - $130,000)

21. Financial risk management (continued):

(iii) Concentration and credit risk:

The Company primarily sells its software to customers operating in the North American rental 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 these amounts.

As of December 31, 2012, $926,832 or 28.0% of accounts receivable were more than 90 days past due. Trade accounts receivable are recorded net of an allowance for doubtful accounts totaling $202,594 as at December 31, 2012.

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

Balance, December 31, 2010	$	40,000
Additions		20,000
Write-offs		(5,000)
Balance December 31, 2011		55,000
Additions		252,594
Write-offs		(5,000)
Balance December 31, 2012	$	302,594

During the year ended December 31, 2012, the Company incurred bad debt expense related to trade accounts receivable of $252,594 (2011 - $20,000).

The following is an ageing of the Group's accounts receivable as at December 31, 2011 and 2012 (In thousands):

		2012		2011
Current	$	1,236	$	1,009
30 - 59 days		812		847
60 - 89		490		413
90 and over		927		112
Less allowance for doubtful accounts		(303)		(55)
	$	3,162	$	2,326

21. Financial risk management (continued):

(iii) Concentration and credit risk (continued):

The Company primarily sells to customers operating in the North American and Australian/New Zealand construction, asset management and rental industry and customers throughout Southern California and Houston, Texas in its equipment rental business. 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 that there is no significant risk associated with the collection of these amounts.

(iv) Borrowing base risk:

A significant portion of the Company’s debt is financed through a revolving credit facility, secured by the appraised value of the rental equipment. The Company is subject to the risk of market fluctuations related to the value of its rental fleet. If the market value of used equipment were to fall faster and further than management expectations, the Company would be at risk of having an insufficient borrowing base securing its’ debt. This would result in a default under the facility if the Company were not in a position to cure the default through additional capitalization.

In Canadian Dollars (unless otherwise specified)

21. Financial risk management (continued):

(v) Liquidity risk:

Financial liquidity represents the Company's ability to fund future operating activities and investments. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that there is sufficient cash to cover the expected short-term and long-term cash requirements.

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

December 31, 2012	Carrying amount	Contractual cash flows	6 months or less	7 - 12 months	2 years	3 - 5 years	More than 5 years
Long-term debt	$ 19,605,506	$ 20,440,549	$ 464,579	$ 392,244	$ 761,471	$ 18,481,565	$ 340,690
License obligation	739,519	878,745	136,799	135,555	266,384	340,007	-
Accounts payable and accrued liabilities	2,472,553	2,472,553	2,472,553	-	-	-	-
Equipment payable	2,438,946	2,438,946	1,963,782	475,164	-	-	-
	$ 25,256,524	$ 26,230,793	$ 5,037,713	$ 1,002,963	$ 1,027,855	$ 18,821,572	$ 340,690

December 31, 2011	Carrying amount	Contractual cash flows	6 months or less	7 - 12 months	2 years	3 - 5 years	More than 5 years
Long-term debt	$ 13,018,019	$ 15,418,348	$ 1,013,053	$ 1,013,053	$ 2,788,371	$ 9,881,811	$ 722,059
License obligation	952,286	1,181,754	142,380	141,109	278,404	619,861	-
Accounts payable and accrued liabilities	2,282,538	2,282,538	2,282,538	-	-	-	-
	$ 16,252,843	$ 18,882,640	$ 3,437,971	$ 1,154,162	$ 3,066,775	$ 10,501,672	$ 722,059

22. Capital risk management:

The Company's objective is to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future business development. The Company defines capital as shareholders' equity. Management of the Company is currently reviewing potential options to refinance the long-term debt presently outstanding. 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, 2012 other than the refinancing risk related to the long-term debt incurred during the year.

The Company was compliant with its debt covenant obligations at December 31, 2012 and during 2012.

23. Segmented information:

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

For the year ended December 31, 2012, no single customer, in either reportable segment, accounted for 10% or more of total Company revenue. As of December 31, 2012, no one customer accounted for more than 10% of accounts receivable. For the year ended December 31, 2011, one software and services customer accounted for $1,030,000 of revenue or 13% of total Company revenue. As of December 31, 2011, no one customer accounted for more than 10% of the accounts receivable balance.

23. Segmented information (continued):

(In 000's) Revenue by Reportable Segment		Year ended December 31, 2012		2011
Equipment rental	$	11,400	$	3,210
Software licenses and services		4,765		4,460
	$	16,165	$	7,670

(In 000's) Net Earnings (Loss) by Reportable Segment		Year ended 2012		December 31, 2011
Equipment rental	$	860	$	3,093
Software licenses and services		684		477
		1,544		3,570
Less:				
Corporate expenses		(3,140)		(1,043)
Gain on expiry of default judgment		691		-
Interest expense		(910)		(330)
Interest expense and accretion on convertible debentures		-		(521)
	$	(1,815)	$	1,676

(In 000's) Property and Equipment and Intangible Assets and Other Assets by Reportable Segment		Year ended December 31, 2012		2011
Software	$	883	$	1,017
Equipment rental		27,620		18,025
Corporate		272		-
	$	28,775	$	19,042

(In 000's) Revenue by Geographic Segment		Year ended December 31, 2012		2011
North America	$	15,553	$	6,707
Australia & New Zealand		612		963
	$	16,165	$	7,670

(In 000's) Property and Equipment, Intangible Assets and Other Assets by Geographic Segment		Year ended December 31, 2012		2011
North America	$	28,766	$	19,027
Australia		9		15
	$	28,775	$	19,042

24. Subsequent events

On March 20, 2013, the Company announced that it received financing terms from its current lender, Regions Bank, for an additional $15,000,000 US asset based lending facility to refinance debt and support growth at the Company's Houston Texas CELL. Terms of the facility are substantially similar to that provided by the lender in support of the Company's Southern California CELL.

On March 25, 2013, the Company announced a private placement (the "Private Placement") of up to 3,846,153 common shares of the Company (the "Common Shares") at a price of $1.30 CDN per share for anticipated gross proceeds of up to $5,000,000. The Company intends to use the net proceeds of the Private Placement for working capital, equipment purchases and capitalization in support of securing debt facilities. Insiders of the Company are expected to be subscribing for greater than 25% of the Private Placement, on the same terms as arm's length investors. Although there is no certainty when and if the Private Placement will close, the Private Placement is expected to close on or about May 1, 2013. The Private Placement is subject to receipt of all required regulatory and TSX Venture Exchange approvals.