

Interim Condensed
Consolidated Financial Statements

NOBLE IRON INC.

For the three and six months ended June 30, 2013 and 2012
(Unaudited)

**MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Noble Iron Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

As at June 30, 2013 and December 2012

In Canadian Dollars

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 3,388,800	\$ 1,821,226
Accounts receivable	3,559,799	3,162,352
Inventories	449,338	322,728
Prepaid expenses and other assets	748,192	700,450
Loan receivable	87,500	52,500
	<u>8,233,629</u>	<u>6,059,256</u>
Property and equipment	30,506,299	27,058,433
Intangible assets	1,683,360	1,628,994
Loan receivable	150,898	35,000
	<u>\$ 40,574,186</u>	<u>\$ 34,781,683</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,773,417	\$ 2,473,565
Other current liabilities (note 6)	668,332	2,438,946
Deferred revenue	142,406	260,153
Current portion of license obligation	230,367	207,070
Current portion of long-term debt (note 3)	7,596	570,298
	<u>2,822,118</u>	<u>5,950,032</u>
License obligation	444,210	532,449
Long-term debt (note 3)	24,802,870	19,035,208
Deferred tax liability	220,752	308,000
Shareholders' equity:		
Share capital (note 4)	30,426,820	25,261,920
Contributed surplus	3,019,185	2,884,903
Accumulated other comprehensive income	711,773	197,733
Deficit	(21,873,543)	(19,388,562)
	<u>12,284,235</u>	<u>8,955,994</u>
	<u>\$ 40,574,186</u>	<u>\$ 34,781,683</u>

See accompanying notes to interim condensed consolidated financial statements.

On behalf of the Board:

/s/ William Swisher Director
/s/ Ron Schwarz Director

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

Three and six months ended June 31, 2013 and 2012

In Canadian Dollars

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenue:				
Rental and distribution (note 9)	\$ 4,099,406	\$ 2,925,378	\$ 7,542,603	\$ 5,485,523
Software and services	1,466,703	1,121,608	2,543,096	2,563,644
	5,566,109	4,046,986	10,085,699	8,049,167
Cost of revenue:				
Rental and distribution	2,152,961	921,205	3,747,839	1,826,447
Software and services	123,090	137,713	257,600	288,015
	2,276,051	1,058,918	4,005,439	2,114,462
Gross profit	3,290,058	2,998,068	6,080,260	5,934,705
Operating expenses:				
Support, maintenance and delivery	1,619,762	1,478,354	3,166,956	2,898,444
Sales and marketing	314,279	288,758	692,239	573,250
Research and development	180,416	149,272	400,398	409,494
General and administration	2,090,412	1,547,964	3,946,912	2,758,716
	4,204,869	3,464,348	8,206,504	6,639,904
Earnings (loss) from operations	(914,812)	(476,280)	(2,126,244)	(705,199)
Financing costs:				
Interest expense	216,025	239,872	442,944	505,193
Foreign exchange loss (gain)	14,605	(10,180)	16,545	(18,064)
	230,630	229,692	459,489	487,129
Earnings (loss) before income taxes	(1,145,442)	(705,972)	(2,585,733)	(1,192,328)
Income tax recovery	-	(180,000)	(100,753)	(260,000)
Net earnings (loss)	(1,145,442)	(525,972)	(2,484,980)	(932,328)
Other comprehensive income (loss):				
Foreign currency translation adjustment	358,178	200,481	514,040	69,073
Total comprehensive income (loss)	\$ (787,264)	\$ (325,491)	\$ (1,970,940)	\$ (863,255)
Net earnings (loss) per share (note 5):				
Basic	\$ (0.06)	\$ (0.04)	\$ (0.13)	\$ (0.07)
Diluted	\$ (0.06)	\$ (0.04)	\$ (0.13)	\$ (0.07)

See accompanying notes to interim condensed consolidated financial statements

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

Six months ended June 30, 2013 and 2012

In Canadian Dollars

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2011	\$20,675,595	\$2,658,583	\$373,783	(\$17,573,973)	\$6,133,988
Stock-based compensation	-	84,632	-	-	84,632
Share capital issuance	4,572,400	-	-	-	4,572,400
Share capital issuance – exercise of share options	5,794	(494)	-	-	5,300
Other comprehensive income (loss) – foreign currency translation adjustment	-	-	69,073	-	69,073
Net income (loss)	-	-	-	(932,328)	(932,328)
Balance, June 30, 2012	\$25,253,789	\$2,742,721	\$442,856	(\$18,506,301)	\$9,933,065
Balance, December 31, 2012	\$25,261,920	\$2,884,903	\$197,733	(\$19,388,562)	\$8,955,994
Stock-based compensation	-	129,182	-	-	129,182
Share capital issuance (note 4)	5,112,500	37,500	-	-	5,150,000
Share capital issuance – exercise of share options	52,400	(32,400)	-	-	20,000
Other comprehensive income (loss) - foreign currency translation adjustment	-	-	514,040	-	514,040
Net income (loss)	-	-	-	(2,484,980)	(2,484,980)
Balance, June 30, 2013	\$30,426,820	\$3,019,185	\$711,773	(\$21,873,542)	\$12,284,236

See accompanying notes to interim condensed consolidated financial statements.

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

Six months ended June 30, 2013 and 2012

In Canadian Dollars

	June 30, 2013	June 30, 2012
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	\$ (2,484,980)	\$ (932,328)
Items not involving cash:		
Depreciation and amortization	2,903,183	1,561,812
Stock-based compensation	129,182	84,634
Interest expense	442,944	505,193
Gain on disposal of property and equipment	(122,390)	(172,284)
Foreign currency translation adjustment	16,545	(37,854)
Income tax recovery	(100,753)	(260,000)
Change in non-cash operating working capital (note 7)	(1,389,695)	(213,111)
Net cash from (used in) operating activities	(605,964)	536,062
Investing activities:		
Purchase of property and equipment	(4,638,805)	(3,257,158)
Purchase of intangibles	(137,317)	(70,438)
Proceeds on sale of property and equipment	790,218	353,705
Net cash (used in) investing activities	(3,985,904)	(2,973,891)
Financing activities:		
Proceeds from share issuance	5,020,000	4,577,700
Proceeds from long-term debt	16,896,716	16,248,489
Repayment of other current liabilities	(1,770,614)	-
Repayment of long-term debt	(13,545,684)	(14,144,416)
Repayment of license obligation	(101,589)	(94,385)
Interest paid	(373,112)	(515,728)
Net cash from financing activities	6,125,717	6,071,660
Effect of exchange rate changes on cash	33,725	(4,019)
Increase (decrease) in cash	1,567,574	3,629,812
Cash, beginning of period	1,821,226	1,978,219
Cash, end of period	\$ 3,388,800	\$ 5,608,031

See accompanying notes to interim condensed consolidated financial statements.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited)
For the three and six months ended June 30, 2013 and 2012
In Canadian Dollars (unless otherwise specified)

1. Reporting entity:

Noble Iron Inc. (the "Company") was incorporated under the Company's Act (British Columbia). The address of the Company's registered office is 7B-291 Woodlawn Road West, Guelph, Ontario, N1H 7L6. Executive management of the Company is located in Houston, Texas. The interim condensed consolidated financial statements ("interim financial statements") of the Company, as at and for the three and six months ended, June 30, 2013 and 2012, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Noble Iron Inc. (TSXV: NIR), operates in three complimentary industries: 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")TM. 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 interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2012, which are available on SEDAR. These interim financial statements were approved by the Audit Committee of the Board of Directors on August 29, 2013.

These interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2012.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

2. Basis of preparation (continued):

(d) New Accounting Pronouncements:

The Company adopted the following accounting pronouncements during the period, details of which are included in the Company's 2012 annual consolidated financial statements. These standards did not have a significant impact on these interim financial statements.

- a) IFRS 10, Consolidated Financial Statements
- b) IFRS 12, Disclosure of Interest in Other Entities
- c) IFRS 13, Fair Value Measurement
- d) Amendments to IAS 1, Presentation of Financial Statements
- e) Amendments to IAS 19, Employee Benefits
- f) Amendments to IFRS 7, Offsetting Financial Assets and Liabilities
- g) Annual improvements to IFRS 2009-2011

3. Long-term debt

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

- *Advance Date:* May 31, 2013
- *Borrower:* Noble Rents TX Inc. (wholly owned US subsidiary)
- *Guarantor(s):* Noble Iron Inc. (Canadian Parent) and Noble Iron (U.S.), Inc.
- *Maximum Advance:* \$15,000,000 US subject to applicable borrowing base as determined by the value of rental fleet and accounts receivable
- *Interest Rate:* Fully floating tied to the one month LIBOR plus 275 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 (4) years, due in full on May 31, 2017
- *Security:* First security interest in all assets of the borrower
- *Prepayment premium:* None

The balance outstanding as of June 30, 2013 on this facility is \$5,103,717 (\$4,855,134 US). As there are no scheduled principal repayments on the facility during 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 borrower's assets.

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

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

3. Long-term debt (continued):

The facility contains covenants requiring the Company to maintain certain metrics or ratios. This includes fixed charge coverage, and liquidity ratios. As of June 30, 2013, the Company is in compliance with these covenants.

4. Share capital:

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, 2011.

(a) 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.

(b) Issued:

The Company had 21,231,122 issued and outstanding common shares as at June 30, 2013 and 17,194,968 at December 31, 2012. During the six month period ended June 30, 2013 the Company issued a total of 4,036,154 common shares, including 40,000 with the exercise of share options and 3,996,154 shares in conjunction with the closing of private placements.

5. Net income (loss) per share:

The computations for basic and diluted earnings per share for the six months ended June 30, 2013 and 2012 are as follows:

	2013	2012
Net income (loss)	\$ (2,484,980)	\$ (932,328)
Weighted average number of common shares outstanding:		
Basic and diluted	18,513,026	12,613,187
Net earnings (loss) per share:		
Basic and diluted	\$ (0.13)	\$ (0.07)

6. Other current liabilities:

The Company purchased certain rental equipment from manufacturers with payment terms of less than one year. The amount outstanding at June 30, 2013 is \$668,332 (2012 - \$2,438,946) and is secured by the equipment.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

7. Changes in non-cash operating working capital:

	June 30, 2013	June 30, 2012
Accounts receivable	(397,447)	\$ (634,434)
Inventories	(126,610)	(2,198)
Prepaid expenses and other assets	(47,742)	198,105
Accounts payable and accrued liabilities	(700,148)	192,894
Deferred revenue	(117,748)	32,522
	(1,389,695)	(213,111)

8. Segmented information:

The Company operates in two complementary reportable segments: construction and industrial equipment rental and distribution, and enterprise asset management software. The Company's external revenue by geographic region is based on the region in which the revenue is transacted. Property and equipment assets are based on the geographic region in which the Company operates.

For the six months ended June 30, 2012 one customer accounted for 10% or more of total Company revenue. For the six months ended June 30, 2013 no single customer accounted for 10% or more of total Company revenue. For the six months ended June 30, 2012 no one customer accounted for more than 10% of accounts receivable. For the six months ended June 30, 2013, one customer accounted for approximately 14% of total Company accounts receivable.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

8. Segmented information (continued):

(In 000's)	The six months ended June 30,	
Revenue by Reportable Segment	2013	2012
Equipment rental and distribution	\$ 7,543	\$ 5,486
Software licenses and services	2,543	2,563
	\$ 10,086	\$ 8,049

(In 000's)	The six months ended June 30,	
Net Earnings (Loss) by Reportable Segment	2013	2012
Equipment rental and distribution	\$ (658)	\$ 270
Software licenses and services	726	592
	68	862
Less:		
Corporate expenses	(2,110)	(1,289)
Interest expense	(443)	(505)
	(2,485)	\$ (932)

(In 000's)	June 30,	June 30,
Property and Equipment, Intangible Assets and Other Assets by Reportable Segment	2013	2012
Equipment rental and distribution	\$ 31,186	\$ 19,774
Software licenses and services	829	953
Corporate	325	0
	\$ 32,340	\$ 20,727

(In 000's)	The six months ended June 30,	
Revenue by Geographic Segment	2013	2013
North America	\$ 9,319	\$ 7,685
Australia & New Zealand	767	364
	\$ 10,086	\$ 8,049

(In 000's)	June 30,	June 30,
Property and Equipment, Intangible Assets and Other Assets by Geographic Segment	2013	2012
North America	\$ 32,330	\$ 20,714
Australia & New Zealand	10	13
	\$ 32,340	\$ 20,727

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

9. Rental and distribution revenue components:

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

	June 30, 2013	June 30, 2012
Rental revenue	\$ 6,506,874	\$ 4,987,203
Ancillary revenue	1,035,729	498,320
	<u>\$ 7,542,603</u>	<u>\$ 5,485,523</u>

10. Financial Instruments – Risk Management

The Company is exposed to fleet valuation risk, credit risk, foreign exchange risk, interest rate risk and liquidity risk related to its underlying financial assets and liabilities. Risk management strategies are designed to ensure that Company 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, 2012, and no assurance can be provided that these strategies will continue to be effective.

11. Determination of Fair Values

a) Short term Financial Assets

Management has determined the carrying amount of its short-term financial assets, including cash and cash equivalents, short-term investments, trade receivables and other receivables, approximates fair value at the reporting date due to the short-term maturity of these instruments.

b) Non-derivative financial liabilities

The fair value of the Company's loans and borrowings, predominantly bearing floating interest rates, are calculated using the present value of future principal and interest payments. The loans and borrowings are discounted at the current market rates of interest available to the Company for the same or similar debt instruments with similar remaining maturity.