

Interim Condensed
Consolidated Financial Statements

NOBLE IRON INC.

For the three and nine months ended September 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 September 30, 2013 and December 31, 2012

In Canadian Dollars

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 3,223,458	\$ 1,821,226
Accounts receivable	3,038,200	3,162,352
Inventories	554,114	322,728
Prepaid expenses and other assets	1,074,315	700,450
Loan receivable	87,500	52,500
	<u>7,977,587</u>	<u>6,059,256</u>
Property and equipment	31,441,475	27,058,433
Intangible assets	1,394,371	1,628,994
Loan receivable	151,622	35,000
	<u>\$ 40,965,055</u>	<u>\$ 34,781,683</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,688,077	\$ 2,473,565
Other current liabilities (note 5)	2,644,696	2,438,946
Deferred revenue	203,880	260,153
Current portion of license obligation	225,393	207,070
Current portion of long-term debt	7,432	570,298
	<u>4,769,478</u>	<u>5,950,032</u>
License obligation	434,617	532,449
Long-term debt	24,681,528	19,035,208
Deferred tax liability	215,985	308,000
Shareholders' equity:		
Share capital (note 3)	30,426,820	25,261,920
Contributed surplus	3,056,307	2,884,903
Accumulated other comprehensive income	523,450	197,733
Deficit	(23,143,130)	(19,388,562)
	<u>10,863,447</u>	<u>8,955,994</u>
	<u>\$ 40,965,055</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 Loss

(Unaudited)

Three and nine months ended September 30, 2013 and 2012

In Canadian Dollars

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2013	2012	2013	2012
Revenue:				
Rental and distribution (note 8)	\$ 4,053,804	\$ 2,842,651	\$ 11,596,407	\$ 8,328,174
Software and services	939,492	1,127,320	3,482,588	3,690,227
	4,993,296	3,969,971	15,078,995	12,018,401
Cost of revenue:				
Rental and distribution	2,049,158	949,829	5,796,997	2,776,276
Software and services	108,600	122,374	366,200	410,384
	2,157,758	1,072,203	6,163,197	3,186,660
Gross profit	2,835,538	2,897,768	8,915,798	8,831,741
Operating expenses:				
Support, maintenance and delivery	1,630,563	1,605,992	4,797,519	4,503,764
Sales and marketing	204,533	252,355	896,772	825,589
Research and development	180,106	237,493	580,504	646,986
General and administration	1,930,031	1,706,528	5,876,943	4,464,584
Gain on expiry of default judgment	-	(691,424)	-	(691,424)
	3,945,233	3,110,944	12,151,737	9,749,499
Loss from operations	(1,109,695)	(213,176)	(3,235,939)	(917,758)
Financing costs:				
Interest expense	201,368	200,712	644,312	705,875
Foreign exchange gain	(39,832)	(23,895)	(23,287)	(41,953)
	161,536	176,817	621,025	663,922
Loss before income taxes	(1,271,231)	(389,993)	(3,856,964)	(1,581,680)
Income tax recovery	1,643	100,000	102,396	360,000
Net loss	(1,269,588)	(289,993)	(3,754,568)	(1,221,680)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(188,323)	(423,397)	325,717	(354,324)
Total comprehensive loss	(1,457,911)	\$ (713,390)	(3,428,851)	\$ (1,576,004)
Loss per share (note 4):				
Basic	\$ (0.06)	\$ (0.02)	\$ (0.19)	\$ (0.09)
Diluted	\$ (0.06)	\$ (0.02)	\$ (0.19)	\$ (0.08)

See accompanying notes to interim condensed consolidated financial statements

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

Nine months ended September 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	-	141,770	-	-	141,770
Share capital issuance	4,572,400	-	-	-	4,572,400
Share capital issuance – exercise of share options	13,925	(1,958)	-	-	11,967
Other comprehensive income (loss) – foreign currency translation adjustment	-	-	(354,324)	-	(354,324)
Net loss	-	-	-	(1,221,680)	(1,221,680)
Balance, September 30, 2012	\$ 25,261,920	\$ 2,798,395	\$ 19,459	\$ (18,795,653)	\$ 9,284,121
Balance, December 31, 2012	\$ 25,261,920	\$ 2,884,903	\$ 197,733	\$ (19,388,562)	\$ 8,955,994
Stock-based compensation	-	166,304	-	-	166,304
Share capital issuance (note 3)	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	-	-	325,717	-	325,717
Net loss	-	-	-	(3,754,568)	(3,754,568)
Balance, September 30, 2013	\$ 30,426,820	\$ 3,056,307	\$ 523,450	\$ (23,143,130)	\$ 10,863,447

See accompanying notes to interim condensed consolidated financial statements.

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

Nine months ended September 30, 2013 and 2012

In Canadian Dollars

	September 30, 2013	September 30, 2012
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (3,754,568)	\$ (1,221,680)
Items not involving cash:		
Depreciation and amortization	4,730,897	2,576,189
Indemnity Fund	-	203,400
Stock-based compensation	166,303	141,770
Interest expense	644,312	705,875
Gain on disposal of property and equipment	(109,207)	(188,036)
Gain on expiry of default judgment	-	(691,424)
Foreign currency translation adjustment	(23,287)	(131,743)
Income tax recovery	(102,396)	(360,000)
Change in non-cash operating working capital (note 6)	(1,322,860)	(594,038)
Net cash from operating activities	229,194	440,313
Investing activities:		
Business acquisition	-	(2,287,220)
Purchase of property and equipment	(8,125,326)	(5,818,597)
Purchase of intangibles	(12,483)	(110,787)
Proceeds on sale of property and equipment	869,392	373,677
Net cash used in investing activities	(7,268,417)	(7,842,927)
Financing activities:		
Proceeds from share issuance	5,020,000	4,586,325
Proceeds from long-term debt	23,136,222	8,906,280
Proceeds from other current liabilities	205,750	-
Repayment of long-term debt	(19,160,627)	(4,593,708)
Repayment of license obligation	(160,662)	(160,032)
Interest paid	(614,313)	(713,270)
Net cash from financing activities	8,426,370	8,025,595
Effect of exchange rate changes on cash	15,085	(4,019)
Increase in cash	1,402,232	618,963
Cash, beginning of period	1,821,226	1,978,219
Cash, end of period	\$ 3,223,458	\$ 2,597,181

See accompanying notes to interim condensed consolidated financial statements.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 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 nine months ended, September 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. For segment reporting purposes the Company has combined the rental and distribution businesses.

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 November 22, 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 interim 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 nine months ended September 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

2. Basis of preparation (continued):

(d) New and Future 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. Share capital:

(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 September 30, 2013 and 17,194,968 at December 31, 2012. During the nine month period ended September 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 for total consideration of \$5,170,000, \$5,020,000 of which was settled in cash.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

4. Net loss per share:

The computations for basic and diluted loss per share for the three and nine months ended September 30, 2013 and 2012 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net loss	\$ (1,269,588)	\$ (1,221,680)	\$ (3,754,568)	\$ (1,221,680)
Weighted average number of common shares outstanding:				
Basic and diluted	20,572,933	14,080,658	19,429,014	14,080,658
Net loss per share:				
Basic and diluted	\$ (0.06)	\$ (0.09)	\$ (0.19)	\$ (0.09)

5. Other current liabilities:

The Company purchased certain rental equipment from manufacturers with payment terms of less than one year. The amount outstanding at September 30, 2013 is \$2,644,696 (December 31, 2012 - \$2,438,946) and is secured by the equipment.

6. Changes in non-cash operating working capital:

	September 30, 2013	September 30, 2012
Accounts receivable	\$ 124,152	\$ (1,014,206)
Inventories	(231,386)	(100,083)
Prepaid expenses and other assets	(373,865)	(209,053)
Accounts payable and accrued liabilities	(785,488)	772,196
Deferred revenue	(56,273)	(42,892)
	\$ (1,322,860)	\$ (594,038)

7. 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 three and nine months ended September 30, 2012 one customer accounted for 10% or more of total Company revenue. For the three and nine months ended September 30, 2013 no single customer accounted for 10% or more of total Company revenue. For the three and nine months ended September 30, 2012 and September 30, 2013 no one customer accounted for more than 10% of accounts receivable.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

7. Segmented information (continued):

(In 000's)	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Revenue by Reportable Segment				
Equipment rental and distribution	\$ 4,054	\$ 2,843	\$ 11,596	\$ 8,328
Software licenses and services	939	1,127	3,483	3,690
	\$ 4,993	\$ 3,970	\$ 15,079	\$ 12,018

(In 000's)	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net Earnings (Loss) by Reportable Segment				
Equipment rental and distribution	\$ (311)	\$ (135)	\$ (969)	\$ 135
Software licenses and services	(105)	185	621	777
	(416)	50	(348)	912
Less:				
Corporate expenses	(653)	(830)	(2,763)	(2,119)
Gain on expiry of default judgment	-	691	-	691
Interest expense	(201)	(201)	(644)	(706)
	\$ (1,270)	\$ (290)	\$ (3,755)	\$ (1,222)

(In 000's)	September 30, 2013	September 30, 2012
Property and Equipment, Intangible Assets and Other Assets by Reportable Segment		
Equipment rental and distribution	\$ 31,878	\$ 22,502
Software licenses and services	798	1,274
Corporate	311	-
	\$ 32,987	\$ 23,776

(In 000's)	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Revenue by Geographic Segment				
North America	\$ 4,771	\$ 3,812	\$ 14,090	\$ 11,497
Australia & New Zealand	222	157	989	521
	\$ 4,993	\$ 3,969	\$ 15,079	\$ 12,018

(In 000's)	September 30, 2013	September 30, 2012
Property and Equipment, Intangible Assets and Other Assets by Geographic Segment		
North America	\$ 32,974	\$ 23,766
Australia & New Zealand	13	10
	\$ 32,987	\$ 23,776

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2013 and 2012

In Canadian Dollars (unless otherwise specified)

8. 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.

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Rental revenue	\$ 3,705,988	\$ 2,641,332	\$ 10,212,862	\$ 7,623,551
Ancillary revenue	347,816	201,319	1,383,545	704,623
	\$ 4,053,804	\$ 2,842,651	\$ 11,596,407	\$ 8,328,174

9. 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.

10. Determination of Fair Values:

a) Short term Financial Assets:

Management has determined the that carrying amount of its short-term financial assets, including cash, accounts receivable and loan receivable, approximates fair value at the reporting date due to the short-term maturity of these instruments.

b) Non-derivative financial liabilities:

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

Management has determined that the carrying value of the Company's long-term debt and license obligation approximate fair market value using the present value of future principal and interest payments discounted at market based interest rates available to the Company for similar debt instruments with similar maturities.

11. Seasonality:

Revenue from the equipment rental and distribution segment will generally be lower from December through March as the winter weather and seasonal migration of workers hampers construction activity. Rental demand for construction and general rental equipment generally increases in April with warmer weather and typically remains strong through the month of November.

Revenue from the Company's enterprise asset management software segment is largely generated from recurring license fees. These revenues accrue and are earned equally throughout the year.