

Interim Condensed
Consolidated Financial Statements

NOBLE IRON INC.

For the three months ended March 31, 2014 and 2013
(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 interim condensed consolidated 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 March 31, 2014 and December 31, 2013

In Canadian Dollars

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$ 1,585,189	\$ 2,658,204
Accounts receivable	2,887,721	2,994,819
Inventories	502,754	482,833
Prepaid expenses and other assets	811,620	943,387
	5,787,284	7,079,243
Long term assets:		
Property and equipment	34,667,868	34,567,954
Intangible assets	1,332,467	1,366,108
Loan receivable	120,644	119,015
Deferred tax asset	826,154	906,388
	36,947,133	36,959,465
Total assets	\$ 42,734,417	\$ 44,038,708
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 662,384	\$ 1,620,645
Other current liabilities (note 5)	2,444,415	2,996,469
Deferred revenue	213,116	238,473
Current portion of license obligation	253,200	240,040
Current portion of long-term debt	110,188	221,910
	3,683,303	5,317,536
Long term liabilities:		
License obligation	279,717	330,306
Long-term debt	28,997,689	27,931,286
Deferred tax liability	290,058	794,900
	29,567,464	29,056,492
Total liabilities	\$ 33,250,768	\$ 34,374,028
Shareholders' equity:		
Share capital (note 3)	30,502,004	30,502,004
Contributed surplus	3,034,877	2,997,045
Accumulated other comprehensive income	1,191,689	497,073
Deficit	(25,244,921)	(24,331,443)
	9,483,649	9,664,679
Total liabilities and shareholder's equity	\$ 42,734,417	\$ 44,038,708

See accompanying notes to interim unaudited condensed consolidated financial statements

On behalf of the Board:

/s/ Nabil Kassam Director

/s/ Ron Schwarz Director

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

For the three months ended March 31, 2014 and 2013

In Canadian Dollars

	March 31, 2014	March 31, 2013
Revenue:		
Rental and distribution (note 7)	\$ 4,113,110	\$ 3,443,197
Software and services	1,107,658	1,076,393
	5,220,768	4,519,590
Cost of revenue:		
Rental and distribution	2,119,826	1,594,878
Software and services	160,022	134,510
	2,279,848	1,729,388
Gross profit	2,940,920	2,790,202
Operating expenses:		
Support, maintenance and delivery	1,813,277	1,547,193
Research and development	182,702	219,982
Sales and marketing	327,280	377,959
General and administration	1,681,850	1,856,500
	4,005,109	4,001,634
Loss from operations	(1,064,189)	(1,211,432)
Financing costs:		
Interest expense	225,528	226,919
Foreign exchange loss	59,194	1,940
	284,722	228,859
Loss before income taxes	(1,348,911)	(1,440,291)
Income tax recovery	(435,433)	(100,753)
Net loss	(913,478)	(1,339,538)
Other comprehensive income:		
Items that will not be reclassified to net loss:		
Foreign currency translation adjustment	694,616	155,862
Total comprehensive loss	\$ (218,862)	\$ (1,183,676)
Net loss per share (note 4) :		
Basic and diluted	\$ (0.04)	\$ (0.08)

See accompanying notes to interim unaudited condensed consolidated financial statements

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

For the three months ended March 31, 2014 and 2013

In Canadian Dollars

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2012	\$25,261,920	\$2,884,903	\$197,733	(\$19,388,562)	\$8,955,994
Stock-based compensation	-	95,108	-	-	95,108
Share capital issuance	150,000	-	-	-	150,000
Other comprehensive income - foreign currency translation adjustment	-	-	155,862	-	155,862
Net loss	-	-	-	(1,339,538)	(1,339,538)
Balance, March 31, 2013	\$25,411,920	\$2,980,011	\$353,595	(\$20,728,100)	\$8,017,426
Balance, December 31, 2013	\$30,502,004	\$2,997,045	\$497,073	(\$24,331,443)	\$9,664,679
Stock-based compensation	-	37,832	-	-	37,832
Share capital issuance	-	-	-	-	-
Other comprehensive income (loss) - foreign currency translation adjustment	-	-	694,616	-	694,616
Net loss	-	-	-	(913,478)	(913,478)
Balance March 31, 2014	\$30,502,004	\$3,034,877	\$1,191,689	(\$25,244,921)	\$9,483,649

See accompanying notes to interim unaudited condensed consolidated financial statements

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

For the three months ended March 31, 2014 and 2013

In Canadian Dollars

	March 31, 2014	March 31, 2013
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (913,478)	\$ (1,339,538)
Items not involving cash:		
Depreciation and amortization	1,867,556	1,394,325
Stock-based compensation	37,832	95,108
Interest expense	225,528	226,919
Gain on disposal of property and equipment	8,972	(77,444)
Unrealized foreign exchange gain (loss)	(75,370)	1,940
Income tax recovery	(435,433)	(100,753)
Change in non-cash operating working capital (note 6)	(764,671)	(618,799)
Net cash from (used in) operating activities	(49,064)	(418,242)
Investing activities:		
Purchase of property and equipment	(637,128)	(3,583,644)
Proceeds on sale of property and equipment	77	217,126
Net cash (used in) investing activities	(637,051)	(3,366,518)
Financing activities:		
Proceeds from long-term debt	5,029,535	4,508,643
Proceeds (repayment) from other current liabilities	(552,054)	1,930,922
Repayment of long-term debt	(4,640,110)	(3,867,486)
Repayment of license obligation	(59,198)	(50,303)
Interest paid	(199,951)	(226,375)
Net cash (used in) from financing activities	(421,777)	2,295,401
Increase (decrease) in cash	(1,073,015)	(1,501,869)
Cash, beginning of period	2,658,204	1,821,226
Effect of exchange rate changes on cash	34,878	(12,510)
Cash, end of period	\$ 1,585,189	\$ 319,357

See accompanying notes to interim unaudited condensed consolidated financial statements

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2014 and 2013

In Canadian Dollars (unless otherwise specified)

1. Corporate information:

Noble Iron Inc. (the "Company") was incorporated under the Company's Act (British Columbia). The address of the Company's registered office is 7B-291 Woodlawn Road West, Guelph, Ontario, N1H 7L6. Executive management of the Company is located in Houston, Texas. The interim condensed consolidated financial statements of the Company, as at and for the three months ended, March 31, 2013 and 2012, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Noble Iron Inc. is listed on the TSX-Venture Exchange under the symbol NIR. The Company operates in 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 condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). The notes presented in these interim condensed consolidated financial statements include only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosure required by International Financial Reporting Standards ("IFRS") for financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2013, which are available on SEDAR. These interim condensed consolidated financial statements were approved by the Audit Committee of the Board of Directors on May 29, 2014.

These interim condensed consolidated financial statement follow the same accounting policies and methods of application as the consolidated financial statements as at, and for, the year ended December 31, 2013, with the exception of policies that were adopted on January 1, 2014 as more fully described in (d) below.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2014 and 2013

In Canadian Dollars (unless otherwise specified)

2. Basis of preparation (continued):

(b) Functional and presentation currency:

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

(c) Use of judgments and estimates:

In preparing these interim condensed consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013

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

The Company adopted the following accounting pronouncements during the period, details of which are included in the consolidated financial statements for the year ended December 31, 2013. These standards did not have a significant impact on these interim financial statements.

- a) IFRS 7 Financial Instruments: Disclosures
- b) IFRIC 21 Levies
- c) Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- d) Amendments to IAS 32 Financial Instruments: Presentation

(e) New standards and interpretations not yet adopted:

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

- a) In October 2010, the International Accounting Standards Board ("IASB") issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities. The International Accounting Standards Board ("IASB") has tentatively decided on an effective date of January 1, 2018. The Company is currently assessing the impact of the issued and proposed changes to IFRS 9.
- b) IFRS 8, with amendments effective January 1, 2015 requires disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic conditions which have been assessed in determining that the aggregated segments share similar economic characteristics. The Company is currently assessing the impact of the amendments on its annual financial statement disclosures.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2014 and 2013

In Canadian Dollars (unless otherwise specified)

3. Share capital:

(a) Authorized:

The Company has authorized 100,000,000 preferred shares without par value, issuable in one or more series as well as an unlimited number of common shares without par value. There are no preferred shares outstanding as of March 31, 2014 or March 31, 2013.

(b) Issued:

Issued and outstanding common shares were 21,355,479 as of March 31, 2014 and at December 31, 2013.

4. Net loss per share:

The computations for basic and diluted earnings per share for the three months ended March 31, 2013 and 2012 are as follows:

	2014	2013
Net loss	\$ (913,478)	\$ (1,339,538)
Weighted average number of common shares outstanding:		
Basic and diluted	21,355,479	17,331,635
Net loss per share:		
Basic and diluted	\$(0.04)	\$(0.08)

The average market value of the Company's common shares, for the purpose of calculating the dilutive impact of outstanding share options, was based on quoted market prices for the period during which the options were outstanding.

Share options to purchase 1,068,900 (March 31, 2013 – 1,108,628) common shares are excluded from the weighted average common shares in the calculation of diluted loss per share as they are not dilutive.

5. Other current liabilities:

The Company purchased certain rental equipment from manufacturers with varying payment terms of less than one year from several key vendors. The amount outstanding at March 31, 2014 related to these vendor arrangements is \$2,444,415 (December 31, 2013 - \$2,996,469), and is secured by the equipment.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited)
For the three months ended March 31, 2014 and 2013
In Canadian Dollars (unless otherwise specified)

6. Changes in non-cash operating working capital:

	March 31, 2014	March 31, 2013
Accounts receivable	\$107,098	\$113,374
Inventories	(19,920)	(88,498)
Prepaid expenses and other assets	131,768	(64,103)
Accounts payable and accrued liabilities	(958,261)	(534,588)
Deferred revenue	(25,356)	(44,984)
	<u>\$(764,671)</u>	<u>\$(618,799)</u>

7. Rental and distribution revenue:

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

	March 31, 2014	March 31, 2013
Rental revenue	\$ 3,828,046	\$ 3,138,818
Ancillary revenue	285,064	304,379
	<u>\$ 4,113,110</u>	<u>\$ 3,443,197</u>

8. Financial 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's risks and related exposures are consistent with its business objectives and overall risk tolerance. There have been no significant changes to the Company's risk management strategies since December 31, 2013, and no assurance can be provided that these strategies will continue to be effective.

9. Determination of fair values:

(a) Financial Assets:

Management has determined the carrying amount of its short-term financial assets, including cash and accounts receivable, approximates fair value at the reporting date. The amortized cost related to these items as of March 31, 2014 \$4,472,911 (December 31, 2013 - \$5,653,023). The carrying value of loans receivable approximate fair value.

(b) 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. The amortized cost related to these items as of March 31, 2014 was \$3,106,799 (December 31, 2013 -\$4,617,114).

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2014 and 2013

In Canadian Dollars (unless otherwise specified)

9. Determination of fair values (continued):

(b) Financial liabilities (continued):

Management has determined that the carrying amount 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. The amortized cost related to these items as of March 31, 2014 was \$29,277,406 (December 31, 2013 - \$28,261,592).

(c) Fair value:

As of March 31, 2014, the Company did not have any financial instruments, except for cash, that are measured at fair value. This is consistent with 2013.

9. 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 three months ended March 31, 2014 and 2013, no single customer, in either reportable segment, accounted for 10% or more of total Company revenue or accounts receivable.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2014 and 2013

In Canadian Dollars (unless otherwise specified)

Segmented information (continued):

(In 000's)	The months ended March 31,	
	2014	2013
Revenue by Reportable Segment		
Equipment rental and distribution	\$ 4,113,000	\$ 3,443,000
Enterprise asset management software	1,108,000	1,076,000
	\$ 5,221,000	\$ 4,519,000

(In 000's)	The months ended March 31,	
	2014	2013
Net Earnings (Loss) by Reportable Segment		
Equipment rental and distribution	\$ (64,000)	\$ (252,000)
Enterprise asset management software	228,000	119,000
	164,000	(133,000)
Less:		
Corporate expenses	(852,000)	(979,000)
Interest expense	(225,000)	(227,000)
	\$ (913,000)	\$ (1,339,000)

(In 000's)	The months ended March 31,	
	March 31, 2014	December 31, 2013
Property and Equipment and Intangible Assets and Other Assets by Reportable Segment		
Enterprise asset management software	\$ 732,000	\$ 763,000
Equipment rental and distribution	35,095,000	34,869,000
Corporate	294,000	303,000
	\$ 36,121,000	\$ 35,935,000

(In 000's)	The months ended March 31,	
	2014	2013
Revenue by Geographic Segment		
North America	4,987,000	4,354,000
Australia & New Zealand	234,000	165,000
	5,221,000	4,519,000

(In 000's)	The months ended March 31,	
	March 31, 2014	December 31, 2013
Property and Equipment, Intangible Assets and Other Assets by Geographic Segment		
North America	36,110,000	35,924,000
Australia	11,000	11,000
	36,121,000	35,935,000

NOBLE IRON INC.

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(Unaudited)
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10. Seasonality:

Revenues within the Company's construction and industrial equipment rental and distribution segment will generally be lower from December through March as winter weather and seasonal migration of workers hinders construction activity. Demand for construction and rental equipment generally increases in April with warmer weather and typically remains strong through the month of November. The Company's enterprise asset management software segment revenue is largely generated from recurring fees, which accrue and are earned equally throughout the year; as such, seasonality is not a material factor within the segment.