

Interim Condensed
Consolidated Financial Statements

NOBLE IRON INC.

For the six months ended June 30, 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 June 30, 2014 and December 31, 2013

In Canadian Dollars

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$ 1,251,540	\$ 2,658,204
Accounts receivable	2,884,610	2,994,819
Inventories	679,833	482,833
Prepaid expenses and other assets	457,981	943,387
	5,273,964	7,079,243
Long term assets:		
Property and equipment	34,193,558	34,567,954
Intangible assets	988,392	1,366,108
Loan receivable	122,273	119,015
Deferred tax asset	770,867	906,388
	36,075,090	36,959,465
Total assets	\$ 41,349,054	\$ 44,038,708
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,878,960	\$ 1,620,645
Other current liabilities (note 5)	1,644,901	2,996,469
Deferred revenue	312,948	238,473
Current portion of license obligation	248,276	240,040
Current portion of long-term debt	161,667	221,910
	4,246,752	5,317,537
Long term liabilities:		
License obligation	207,269	330,306
Long-term debt	29,851,637	27,931,286
Deferred tax liability	225,645	794,900
	30,284,551	29,056,492
Total liabilities	\$ 34,531,303	\$ 34,374,029
Shareholders' equity:		
Share capital (note 3)	30,571,004	30,502,004
Contributed surplus	3,032,116	2,997,045
Accumulated other comprehensive income	262,973	497,073
Deficit	(27,048,342)	(24,331,443)
	6,817,751	9,664,679
Total liabilities and shareholder's equity	\$ 41,349,054	\$ 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 and six months ended June 30, 2014 and 2013

In Canadian Dollars

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue:				
Rental and distribution (note 7)	\$ 4,075,603	\$ 4,099,406	\$ 8,179,170	\$ 7,542,603
Software and services	1,087,603	1,466,703	2,195,055	2,543,096
	5,163,206	5,566,109	10,374,225	10,085,699
Cost of revenue:				
Rental and distribution	2,041,614	2,152,961	3,976,924	3,747,839
Software and services	147,974	123,090	305,159	257,600
	2,189,588	2,276,051	4,282,083	4,005,439
Gross profit	2,973,618	3,290,058	6,092,142	6,080,260
Operating expenses:				
Support, maintenance and delivery	2,164,674	1,619,762	4,155,688	3,166,956
Research and development	184,548	180,416	359,200	400,398
Sales and marketing	397,221	314,279	778,571	692,239
General and administration	1,954,140	2,090,412	3,637,193	3,946,912
	4,700,583	4,204,869	8,930,652	8,206,505
Loss from operations	(1,726,965)	(914,811)	(2,838,510)	(2,126,245)
Finance costs:				
Interest expense	250,043	216,025	449,828	442,944
Foreign exchange loss	(34,408)	14,605	7,009	16,545
	215,635	230,630	456,837	459,489
Loss before income taxes	(1,942,600)	(1,145,441)	(3,295,347)	(2,585,734)
Income tax recovery	(56,576)	-	(578,448)	(100,753)
Net loss	(1,886,024)	(1,145,441)	(2,716,899)	(2,484,981)
Other comprehensive income:				
Items that will not be reclassified to net loss:				
Foreign currency translation adjustment	(928,715)	358,178	(234,099)	514,040
Total comprehensive loss	\$ (2,814,739)	\$ (787,264)	\$ (2,950,998)	\$ (1,970,940)
Net loss per share:				
Basic and diluted (note 4)	\$ (0.09)	\$ (0.06)	\$ (0.13)	\$ (0.13)

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 six months ended June 30, 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	-	129,182	-	-	129,182
Share capital issuance	5,112,500	37,500	-	-	5,150,000
Share capital issuance – exercise of share options	52,400	(32,400)	-	-	20,000
Other comprehensive income - foreign currency translation adjustment	-	-	514,040	-	514,040
Net 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
Balance, December 31, 2013	\$ 30,502,004	\$ 2,997,045	\$ 497,073	\$ (24,331,443)	\$ 9,664,679
Stock-based compensation	-	74,071	-	-	74,071
Share capital issuance	-	-	-	-	-
Share capital issuance – exercise of share options	69,000	(39,000)	-	-	30,000
Other comprehensive income (loss) - foreign currency translation adjustment	-	-	(234,100)	-	(234,100)
Net loss	-	-	-	(2,716,899)	(2,716,899)
Balance June 30, 2014	\$ 30,571,004	\$ 3,032,116	\$ 262,973	\$ (27,048,342)	\$ 6,817,751

See accompanying notes to interim unaudited condensed consolidated financial statements

NOBLE IRON INC.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

For the six months ended June 31, 2014 and 2013

In Canadian Dollars

	June 30, 2014	June 30, 2013
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (2,716,899)	\$ (2,484,980)
Items not involving cash:		
Depreciation and amortization	3,611,502	2,903,183
Stock-based compensation	74,071	129,182
Interest expense	449,828	442,944
Fleet valuation reserve	(13,687)	-
Gain on disposal of property and equipment	(45,984)	(122,390)
Unrealized foreign exchange (gain) loss	(144,104)	16,545
Income tax recovery	(578,448)	(100,753)
Change in non-cash operating working capital (note 6)	731,405	(1,389,695)
Net cash from (used in) operating activities	1,367,684	(605,964)
Investing activities:		
Purchase of property and equipment	(2,129,992)	(4,638,805)
Purchase of intangibles	-	(137,317)
Proceeds on sale of property and equipment	330,415	790,218
Net cash (used in) investing activities	(1,799,577)	(3,985,904)
Financing activities:		
Proceeds from issuance of common shares	30,000	5,020,000
Proceeds from long-term debt	11,747,381	16,896,716
Repayment of other current liabilities	(1,351,568)	(1,770,614)
Repayment of long-term debt	(10,837,896)	(13,545,684)
Repayment of license obligation	(182,195)	(101,589)
Interest paid	(391,897)	(373,112)
Net cash (used in) from financing activities	(986,175)	6,125,717
Increase (decrease) in cash	(1,418,068)	1,533,849
Cash, beginning of period	2,658,204	1,821,226
Effect of exchange rate changes on cash	11,404	33,725
Cash, end of period	\$ 1,251,540	\$ 3,388,800

See accompanying notes to interim unaudited condensed consolidated financial statements

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

As at June 30, 2014 and December 31, 2013

In Canadian Dollars

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, June 30, 2014 and 2013, 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 complementary 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")™. 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 in-the-cloud or client-based scalable software applications to manage the complete asset ownership lifecycle, from acquisition, rental, sales and other activities through to disposal.

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 annual 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 the Audit Committee of the Board of Directors on August 29, 2014.

These interim condensed consolidated 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, 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 six months ended June 30, 2014 and 2013
In Canadian Dollars

2. Basis of preparation (continued):

(b) 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.

(c) 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

(d) 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.
- c) Management is currently reviewing the impact of IFRS 15, Revenue from Contracts with Customers, which will be effective January 1, 2017. IFRS 15 provides a single model to be used regarding the accounting of revenue derived from contracts with customers.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited)
For the six months ended June 30, 2014 and 2013
In Canadian Dollars

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 June 30, 2014 or December 31, 2013.

(b) Issued:

Issued and outstanding common shares were 21,415,479 as of June 30, 2014 and 21,355,479 as of December 31, 2013. During 2014, the Company issued 60,000 common shares with the exercise of share options.

4. Net loss per share:

The computations for basic and diluted earnings per share for the six months ended June 30, 2014 and 2013 are as follows:

	June 30, 2014	June 30, 2013
Net loss	\$ (2,716,899)	\$ (2,484,980)
Weighted average number of common shares outstanding:		
Basic and diluted	21,383,656	18,513,026
Net loss per share:		
Basic and diluted	\$ (0.13)	\$ (0.13)

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 1,008,900 (June 30, 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 June 30, 2014 related to these vendor arrangements is \$1,644,901 (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 six months ended June 30, 2014 and 2013
In Canadian Dollars

6. Changes in non-cash operating working capital:

	June 30, 2014	June 30, 2013
Accounts receivable	\$ 110,209	\$ (397,447)
Inventories	(197,000)	(126,610)
Prepaid expenses and other assets	485,406	(47,742)
Accounts payable and accrued liabilities	258,315	(700,148)
Deferred revenue	74,475	(117,748)
	\$ 731,405	\$ (1,389,695)

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.

	June 30, 2014	June 30, 2013
Rental revenue	\$ 7,582,493	\$ 6,506,874
Ancillary revenue	596,677	1,035,729
	\$ 8,179,170	\$ 7,542,603

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:

Based on its review, Management asserts the carrying amount of the Company's short-term financial assets, including cash and accounts receivable, approximates fair value at the reporting date. The carrying value of loans receivable approximate fair value.

(b) Financial liabilities:

Management has determined 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 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.

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

As at June 30, 2014 and December 31, 2013

In Canadian Dollars

	Carrying Amount				Fair Value			
	Non-current assets	Current Assets			Level 1	Level 2	Level 3	Total
	Trade and other receivables	Trade and other receivables	Cash and cash equivalents	Total				
June 30, 2014								
Financial assets measured at fair value								
Loan receivable	122,273	-	-	122,273	-	122,273	-	122,273
Financial assets not measured at fair value								
Trade and other receivables	-	2,884,610	-	2,884,610				
Cash and cash equivalents	-	-	1,251,540	1,251,540				
	<u>\$ 122,273</u>	<u>\$ 2,884,610</u>	<u>\$ 1,251,540</u>	<u>\$ 4,258,423</u>				<u>\$ 122,273</u>
December 31, 2013								
Financial assets measured at fair value								
Loan receivable	119,015	-	-	119,015	-	119,015	-	119,015
Financial assets not measured at fair value								
Trade and other receivables	-	2,994,819	-	2,994,819				
Cash and cash equivalents	-	-	2,658,204	2,658,204				
	<u>\$ 119,015</u>	<u>\$ 2,994,819</u>	<u>\$ 2,658,204</u>	<u>\$ 5,772,038</u>				<u>\$ 119,015</u>

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the six months ended June 30, 2014 and 2013

In Canadian Dollars

	Carrying Amount				Fair Value			
	Non-current assets	Current Assets			Level 1	Level 2	Level 3	Total
		Loans and borrowings	Trade and other payables	Loans and borrowings				
June 30, 2014								
Financial liabilities not measured at fair value								
Accounts payable and accrued liabilities	-	(1,878,960)	-	(1,878,960)				
Other current liabilities	-	(1,644,901)	-	(1,644,901)				
License obligation	(207,269)	-	(248,276)	(455,545)	(455,545)			(455,545)
Term debt	(29,851,637)	-	(161,667)	(30,013,304)				
	<u>\$ (30,058,906)</u>	<u>\$ (3,523,861)</u>	<u>\$ (409,943)</u>	<u>\$ (33,992,710)</u>				<u>\$ (455,545)</u>
December 31, 2013								
Financial liabilities not measured at fair value								
Accounts payable and accrued liabilities	-	(1,620,645)	-	(1,620,645)				
Other current liabilities	-	(2,996,469)	-	(2,996,469)				
License obligation	(330,306)	-	(240,040)	(570,346)	(570,346)			(570,346)
Term debt	(27,931,286)	-	(221,190)	(28,152,476)				
	<u>\$ (28,261,592)</u>	<u>\$ (4,617,114)</u>	<u>\$ (461,230)</u>	<u>\$ (33,339,936)</u>				<u>\$ (570,346)</u>

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

As at June 30, 2014 and December 31, 2013

In Canadian Dollars

10. Segmented information:

The Company operates in two reportable segments being, i) Construction and Industrial Equipment Rental and Distribution and, ii) 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, 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 six months ended June 30, 2014 and 2013

In Canadian Dollars

10. Segmented information (continued):

Revenue by Reportable Segment	The six months ended June 30,	
	2014	2013
Equipment rental and distribution	\$ 8,179,170	\$ 7,543,000
Enterprise asset management software	2,195,055	2,543,000
	\$ 10,374,225	\$ 10,086,000

Net Earnings (Loss) by Reportable Segment	The six months ended June 30,	
	2014	2013
Equipment rental and distribution	\$ (963,835)	\$ (658,000)
Enterprise asset management software	513,160	726,000
	(450,675)	68,000
Less:		
Corporate expenses	(1,816,396)	(2,110,000)
Interest expense	(449,828)	(443,000)
	\$ (2,716,899)	\$ (2,485,000)

Property and Equipment and Intangible Assets and Other Assets by Reportable Segment	June 30,	December 31,
	2014	2013
Equipment rental and distribution	\$ 34,328,358	\$ 34,869,000
Enterprise asset management software	686,391	763,000
Corporate	167,201	303,000
	\$ 35,181,950	\$ 35,935,000

Revenue by Geographic Segment	The six months ended June 30,	
	2014	2013
North America	9,912,372	9,319,000
Australia & New Zealand	461,853	767,000
	\$ 10,374,225	\$ 10,086,000

Property and Equipment and Intangible Assets and Other Assets by Reportable Segment	June 30,	December 31,
	2014	2013
North America	35,172,432	35,924,000
Australia	9,518	11,000
	\$ 35,181,950	\$ 35,935,000

NOBLE IRON INC.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the six months ended June 30, 2014 and 2013

In Canadian Dollars

11. Seasonality:

Revenues within the Company's construction and industrial equipment rental and distribution segment will generally be seasonal. Demand for construction and rental equipment generally increases during temperate weather months and typically slows during storm and snow seasons. 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.

12. Related party transactions:

Loans receivable:

On January 8, 2013, the Company provided a loan advance of \$150,000, recorded at a fair value of \$112,500, to a senior officer. The loan is interest free; however, IFRS requires interest be imputed in the loan. The loan balance at June 30, 2014 was \$122,273. The principal due on January 8, 2018 (and in certain circumstances an earlier date should the senior officer cease to be employed by the Company). The loan is secured by 150,000 common shares acquired by the senior officer at the time the loan was advanced.

13. Subsequent Events:

On July 14, 2014, at the Company's annual general meeting of shareholders (the "Meeting"), the shareholders ratified, confirmed and approved an amendment to the Company's existing stock option plan (the "Option Plan") increasing the number of stock options available under the Option Plan from 2,119,112 to 3,283,095, being 15.33% of the number of the Company's common shares issued and outstanding as of the date of the amendment. The Shareholders also ratified, confirmed and approved at the Meeting the Company's restricted share plan (the "Restricted Share Plan") which was adopted by the Board of Directors effective June 10, 2014. A maximum of 1,000,000 shares, or 4.67% of the number of the Company's common shares issued and outstanding as of the date of approval of the Restricted Share Plan, are available for grant under the Restricted Share plan. Please see the management information circular of the Company dated June 13, 2014, available under the Company's profile at www.SEDAR.com, for a description of the Restricted Share Plan.