



## **MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**

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For the Three and Nine Months Ended September 30, 2014

# NOBLE IRON INC.

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## **Basis of Presentation:**

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The following discussion of the financial condition and results of operations should be read in conjunction with the Interim Condensed Consolidated Financial Statements for the nine month period ended September 30, 2014 and the Consolidated Financial Statements for the year ended December 31, 2013, which were prepared under International Financial Reporting Standards (“IFRS”). This MD&A has been prepared as of November 25, 2014 to help investors understand the financial performance of the Company and provide information that management believes is relevant to an assessment and understanding of Noble Iron Inc.’s (“Noble Iron” or the “Company” or the “Group”) business, risks, opportunities and performance measures. We have prepared this document in conjunction with our broader responsibilities for the accuracy and reliability of the financial statements and the development and maintenance of appropriate internal controls in our efforts to ensure that the financial information is complete and reliable. The Audit Committee of the Board of Directors has reviewed this document and all other publicly reported financial information for integrity, usefulness, and consistency.

Additional information about Noble Iron, including copies of continuous disclosure materials, is available on Noble Iron’s website at [www.NobleIron.com](http://www.NobleIron.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com). Noble Iron maintains the registered head office in Ontario, Canada, with executive management based in California, USA, and Texas, USA. Noble Iron’s Investor Relations department can be reached at 1-832-767-4424. The information on the Company’s website is not to be considered a part of this MD&A.

## **Forward Looking Statements:**

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This document may contain forward-looking statements which reflect the Company’s current expectations regarding future events. The forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "estimate", "expect", "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. These forward-looking statements involve risk and uncertainties, including the difficulty in predicting acceptance of and demands for new products and services, the impact of the products, services and pricing strategies of competitors, delays in developing and launching new products and services, fluctuations in operating results and other risks, any of which could cause actual results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. There are many inherent risks in the industries in which Noble Iron operates; some are more specific to the Company. The reader should consult Noble Iron's ongoing quarterly filings for additional information on risks and uncertainties relating to these forward-looking statements. The reader should not place undue reliance on any forward-looking statements. Management assumes no obligation to update or alter any forward-looking statements whether as a result of new information, further events or otherwise, unless required by law.

## **Non-IFRS Measures:**

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The term “Adjusted EBITDA” refers to net earnings (loss) before interest expense, income taxes, depreciation, amortization, gain on fair value increment on acquisition, acquisition expenses, stock-based compensation, severances, and foreign exchange. The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration the other items listed above.

“Adjusted Working Capital” is defined by Management as working capital excluding current liabilities for equipment purchases that remain secured by the equipment. Management believes Adjusted Working Capital is more indicative of the Company’s working capital position. Adjusted EBITDA and Adjusted Working Capital are not recognized measures under IFRS. Readers are cautioned that Adjusted EBITDA and Adjusted Working Capital should not be construed as an alternative to net earnings (loss) or working capital determined in accordance with IFRS as an indicator of the financial performance of the Company or as a measure of the Company’s liquidity or cash flows. The Company’s method of calculating Adjusted EBITDA and Adjusted Working Capital may differ from that of other issuers or companies operating in similar sectors and, accordingly, may not be comparable to similar measures presented by other issuers.

# NOBLE IRON INC.

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## Overview:

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Noble Iron Inc., a TSX Venture Exchange listed company (symbol “NIR”), operates in three primary sectors:

- Construction and Industrial Equipment Rental
- Construction and Industrial Equipment Sales and Dealership
- Equipment Asset Management Software

Noble Iron Inc.’s Equipment Asset Management Software customers include rental companies, construction companies, contractors, dealers, and other users and owners of equipment assets. The Company’s software business operates under the name “Texada Software”.

In August of 2011, the Company began operating directly in construction and industrial equipment rental under the name “Noble Iron”. The Company’s equipment rental offering is currently available in Southern California and Houston, Texas.

In May 2012, the Company expanded its platform by launching its equipment dealership, offering select manufacturers’ equipment for sale. The Company’s dealership also operates under the name, “Noble Iron”. Prior to launching its dealership, the Company announced an agreement with LiuGong (“LiuGong”), a global construction equipment manufacturer, for Noble Iron to represent LiuGong as its dealer with exclusive territory distribution rights for the 20 counties making up the greater Houston, Texas, market. In January 2014, Noble Iron also began representing Allied Construction Products under an exclusive dealership agreement.

## Historical Timeline and Background:

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The Company was incorporated on March 21, 2000 as Aqua Capital Corp. On May 13, 2002 Aqua Capital Corp. was acquired by RentOnTheDot Inc. (“ROTD”), which constituted the Company’s “Qualifying Transaction” under Policy 2.4 of the TSX Venture Exchange. As the acquisition resulted in the shareholders of ROTD owning greater than 50% of the Company’s common shares, it was accounted for as an acquisition of the Company by ROTD using the purchase method. Systematic Computer Services Corporation (“SCSC”) was acquired in 2001 by ROTD.

Effective May 15, 2002, the Company changed its name to “Texada Software Inc.” carrying on the business of ROTD, and its principal subsidiary SCSC, developing and providing enterprise asset management software solutions to the equipment rental and construction services sector.

On October 22, 2010, the Company announced its intention to pursue strategic expansion directly into the construction and industrial equipment rental and distribution sectors.

On August 30, 2011, the Company announced it had concluded the acquisition of certain operating assets of a California, USA, based construction and industrial equipment rental business, Rolls Scaffold & Equipment Inc., dba Rolls High Reach (“Rolls”).

On September 15, 2011, the Company completed a non-brokered private placement for 8,000,000 common shares of the Company at a price of \$0.50 per share, for gross proceeds of \$4.0 million. The Company used the proceeds to satisfy liquidity conditions related to the Rolls acquisition, fleet expansion, and to provide for general working capital.

On May 31, 2012, the Company announced the closing of a \$25.0 million USD revolving secured line of credit facility from a large U.S. lender for the recapitalization of all outstanding debt of its wholly owned subsidiary Noble Rents Inc. Under the terms of the financing, Noble Rents, Inc. can borrow up to \$25.0 million USD based upon borrowing base availability as supported by the subsidiary’s assets, including its equipment fleet, accounts receivable and parts inventory.

On June 29, 2012, the Company closed a non-brokered private placement of 4,500,000 common shares at a price of \$1.00 per share for gross proceeds of \$4.5 million. The proceeds were used to acquire certain assets of Bane Machinery

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Houston L.P. (“Bane”), additional equipment fleet, and working capital to launch Noble Iron’s operations in Houston, Texas.

On July 23, 2012, the Company announced the completion of a name change from “Texada Software Inc.” to “Noble Iron Inc.”, and that the Company’s shares would trade under the ticker symbol “NIR” on the TSX Venture Exchange. The Company also announced the completion of a stock consolidation on the basis of one new common share for every five existing common shares.

On May 6, 2013, the Company closed a non-brokered private placement of 3,846,154 common shares at a price of \$1.30 per share for gross proceeds of \$5.0 million. The proceeds were used to satisfy liquidity conditions related to the refinancing of debt in support of the Company’s Houston, Texas, operations, fleet expansion, and to provide for general working capital.

On May 31, 2013, the Company announced the closing of a \$15.0 million USD revolving secured line of credit facility from a large U.S. lender for the recapitalization of all outstanding debt of its wholly owned subsidiary Noble Rents (TX) Inc. Under the terms of the financing, Noble Rents (TX) Inc. can borrow up to \$15.0 million USD based upon borrowing base availability as supported by the subsidiary’s equipment rental fleet, accounts receivable and parts inventory.

On January 1, 2014, Nabil Kassam, previously Founder & Executive Chairman, was appointed to the role of Founder, Chairman & CEO following his election by the board of directors.

## **Description of Noble Iron’s Business:**

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Noble Iron Inc. operates in equipment rental, equipment sales, and enterprise asset management software for the construction and industrial equipment industry.

Noble Iron Inc.’s equipment rental and dealership business operates under the name “Noble Iron”, and currently serves customers in California and Texas. Noble Iron offers construction and industrial equipment and accessories for rent and for sale, and is the exclusive distributor of LiuGong Construction Machinery equipment in Southeast Texas.

Noble Iron Inc.’s software division operates under the name “Texada Software”. Texada Software develops software applications to manage the complete equipment ownership lifecycle: from equipment purchasing; rental & sales transactions; inventory management; maintenance & depreciation tracking; through to used equipment sales, disposal & inventory replenishment. Texada Software offers in-the-cloud or client-based software, and is scalable to meet the needs of any equipment rental company, dealership, construction company, contractor, and any customer who owns or uses construction or industrial equipment.

### **Construction and Industrial Equipment Rental**

Established in August 2011, the Company’s Southern California operations serve two major MSAs (“Metropolitan Statistical Areas”) in the United States, including Los Angeles, and Riverside-San Bernardino.

In July 2012, The Company expanded its construction and industrial equipment rental operations to the greater Houston, Texas, market.

The Company’s construction and industrial rental operations deploy a fleet comprised of aerial, forklift, heavy construction, and light compact construction equipment. Segment revenues consist of equipment rental revenue along with other associated revenues such as, equipment protection fees, environmental fees and delivery charges. Other ancillary revenues include: fuel sales, parts sales and proceeds from the disposition of rental fleet as part of the Company’s capital expenditure and replenishment plan.

### **Construction and Industrial Equipment Sales and Dealership**

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On May 15, 2012, Noble Iron announced the launch of its dealership offering, as well as a dealership agreement with exclusive territory rights to represent and distribute LiuGong Construction Machinery in the 20 counties that make up the greater Houston, TX, market. The Company's appointment as a LiuGong dealer required an initial fleet purchase, as well as minimum unit purchases during the succeeding two years of the multi-year agreement. The Company met this purchase requirement for 2013 and intends to do so for 2014.

## **Enterprise Resource Planning and Equipment Asset Management Software**

The software segment's revenues are derived from license revenues, which include server license fees, user license fees, Software as a Service ("SaaS") subscription fees, and upgrade fees. In addition to these fees, the segment generates maintenance and service revenue. The products are generally licensed under single-year, multi-year, or perpetual arrangements in which the fair value of the license fee is separately determinable from service fees. Maintenance fee arrangements generally include ongoing customer support and rights to certain product updates. Service revenue consists of professional fees charged for product training, consulting, implementation, and programming services. Customers typically purchase a combination of software, maintenance, and professional services.

In conjunction with its foray directly into renting equipment in 2011, the Company launched a proactive project and implementation plan for Noble Interactive Customer Care ("NiCC"). NiCC is a proprietary technology architecture that integrates call center interactions as well as a variety of other processes unique to the Company.

## **Noble Iron's Markets:**

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### **Construction and Industrial Equipment Rental and Distribution**

The equipment rental market consists of companies renting various types of construction and industrial equipment, on both short and long-term contracts in return for rental fees. The rental industry remains highly fragmented and consists of a small number of multi-location, regional or national rental houses, as well as large number of small independent businesses serving discrete local markets. Equipment rental and sales activity is impacted by a broad range of economic factors, including residential and non-residential construction trends, infrastructure investment and maintenance, as well as overall economic activity.

Construction and industrial equipment is largely provided to end users through two channels: equipment rental companies and equipment dealers. Examples of other national rental equipment companies include United Rentals, Hertz Equipment Rental, and Sunbelt Rentals.

Incorporating ARA (American Rental Association) and other industry research, management estimates that the total North American construction and industrial related equipment rental market may exceed \$40 billion in 2014. The equipment rental industry experienced approximately 7% growth during the calendar year 2013. Growth within the North American Rental Industry has outpaced that of the general US economy since 2010 and is expected to grow at a compounded annual growth rate in excess of 8.8% through 2017.

The relative sizes of the three primary revenue generating segments of the equipment rental market, as previously published by the ARA (American Rental Association), are:

- Heavy and Light Construction - 67%
- General Tool - 25%
- Party / Event - 8%

The Company currently operates in the heavy and light construction equipment rental market. The majority of its rental fleet is comprised of aerial reach, forklift and earth moving equipment. The heavy and light construction equipment rental market consists of equipment with a significant capital cost and is deployed primarily to professional contractors to meet the demands of their construction projects. Customers in this market are generally repeat customers with longstanding relationships with equipment rental companies, and in some instances, may have contractual supply arrangements for certain types of equipment.

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## Equipment Asset Management Software

Customers in the North American construction equipment rental sector currently account for approximately 90% of the Company's software revenue. It is estimated there are more than 30,000 companies worldwide that rent various types of equipment, 12,000 of which conduct business in the United States and Canada.

The market for rental management software has existed for over 30 years, and management estimates its growth at generally less than 10% per year. Management estimates there are more than 200 providers of rental management software to the three primary segments of the rental market, and that current annual revenues in the North American enterprise asset management software market are approximately \$50 million USD, as it relates to the equipment rental industry. This estimate places the Company's software business currently as the second largest provider of ERP software to the rental sector.

## Financial Overview:

### Company Results

For the first nine months of 2014, the Company's focus has been on building scalable operating processes and capabilities, investing in the company's management and operating teams, consolidating real estate, and software development, while continuing to pursue growth within the construction and industrial equipment rental segment. The Company has not made significant fleet investments during 2014, as the emphasis has been placed on continuing to establish the operating platform to support rapid scaling of the company's fleet.

Objectives of the Company's Software segment include: migrating existing customers from customized software products to the current standard version, converting on premise software clients to Texada's SaaS (Software-as-a-Service) cloud-based offering, as well as developing specific software products, mobile applications and support capabilities for the Company's rental and dealership operations. These new software applications are intended to be developed for the Company's internal operations, and are also planned to be deployed to external software customers.

### Consolidated Quarterly Results

The following table outlines, in summary form, the Company's comparative results for the last eight quarters along with summarized Statement of Financial Position information presented for 2014 and 2013:

Quarterly Results (000's)	2014			2013			2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$5,762	\$5,163	\$5,221	\$5,172	\$4,993	\$5,567	\$4,519
Adjusted EBITDA (loss)	400	26	841	524	755	629	277
Net earnings (loss) for the period	(1,675)	(1,886)	(913)	(1,188)	(1,270)	(1,146)	(1,339)
Earnings (loss) per share - basic *	(\$0.08)	(\$0.09)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.06)	(\$0.08)
Earnings (loss) per share - diluted *	(\$0.08)	(\$0.09)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.06)	(\$0.08)
Weighted Avg. Shares Outstanding (Basic)	21,415,479	21,411,479	21,355,479	21,265,627	20,572,933	19,900,117	17,331,635
Weighted Avg. Shares Outstanding (Diluted)	21,415,479	21,411,479	21,355,479	21,265,627	20,572,933	19,900,117	17,331,635

Selected Information (000's)	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Total Assets	\$ 43,610	\$ 41,349	\$ 42,734	\$ 44,039
Total Current Liabilities	\$ 5,896	\$ 4,247	\$ 3,683	\$ 5,318
Total Non-Current Liabilities	\$ 32,643	\$ 30,285	\$ 29,567	\$ 29,056
Total Shareholder Equity	\$ 5,071	\$ 6,817	\$ 9,484	\$ 9,665

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## Consolidated Company Results

The following table outlines, in summary form, the Company's consolidated results for the three month and nine month periods ending September 30, 2014 and September 30, 2013:

Comparative Financial Results (000's) - Consolidated Company	Nine Months Ended				Three Months Ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
<b>Revenue</b>	\$16,137	100%	\$15,079	100%	\$5,762	100%	\$4,993	100%
<b>Cost of Revenue</b>	(6,742)	(42%)	(6,163)	(41%)	(2,486)	(43%)	(2,158)	(43%)
<b>Summary Expenses</b>								
Support, Maintenance and Delivery	(6,225)	(39%)	(4,797)	(32%)	(2,050)	(36%)	(1,630)	(33%)
Research and Development	(583)	(4%)	(581)	(4%)	(224)	(4%)	(181)	(4%)
Sales and Marketing	(1,199)	(7%)	(897)	(6%)	(421)	(7%)	(205)	(4%)
General and Administration	(5,576)	(35%)	(5,711)	(38%)	(2,013)	(35%)	(1,892)	(38%)
Deferred Income Tax / Recovery	672	4%	102	1%	94	2%	1	0%
Stock Based Compensation	(76)	(0%)	(166)	(1%)	(2)	(0%)	(37)	(1%)
Interest Expense	(695)	(4%)	(644)	(4%)	(244)	(4%)	(201)	(4%)
Foreign Exchange Gain / Loss	(98)	(1%)	23	0%	(91)	(2%)	40	1%
<b>Net Earnings (Loss)</b>	<b>(4,385)</b>	<b>(27%)</b>	<b>(3,755)</b>	<b>(25%)</b>	<b>(1,675)</b>	<b>(29%)</b>	<b>(1,270)</b>	<b>(25%)</b>
<b>Add Back:</b>								
Depreciation / Amortization	5,444	34%	4,731	31%	1,832	32%	1,828	37%
Deferred Income Tax / Recovery	(672)	(4%)	(102)	(1%)	(94)	(2%)	(1)	(0%)
Stock Based Compensation	76	0%	166	1%	2	0%	37	1%
Interest Expense	695	4%	644	4%	244	4%	201	4%
Foreign Exchange Gain / Loss	98	1%	(23)	(0%)	91	2%	(40)	(1%)
<b>Adjusted EBITDA</b>	<b>\$1,256</b>	<b>8%</b>	<b>\$1,661</b>	<b>11%</b>	<b>\$400</b>	<b>7%</b>	<b>\$755</b>	<b>15%</b>

Total Company revenue for the nine month period ended September 30, 2014 was \$16.1 million, 7% higher than that earned over the same nine month period in 2013. Total revenue for the three month period ended September 30, 2014 was \$5.8 million, 15% higher than that of the same period in 2013. The year over year revenue differences are largely attributed to an increase in rental activity within the Company's construction and industrial rental operations. Rental revenue within the business increased by \$1.4 million, or 14%, during the nine month period ended September 30, 2014 as compared to the same nine month period in 2013. Quarterly rental revenues increased \$0.4 million, or 10%, for the three month period ended September 30, 2014 as compared to the same three month period in 2013.

The net loss for the Company was \$4.4 million for the nine month period ending September 30, 2014, as compared to a net loss of \$3.8 million for the same nine month period ended September 30, 2013. The increase in Company's net loss was driven in part by depreciation totaling \$5.4 million and \$4.7 million for the respective nine month periods ended September 30, 2014 and September 30, 2013. On a quarterly basis, when comparing the three month period ending September 30, 2014 to the same period in 2013, the increase in net loss for the company was attributable to higher repair, maintenance and outside trucking cost within the Company's rental segment. The Company has chosen to substantially increase Support Maintenance and Delivery expense at its California operations for repairs and maintenance of its rental fleet and rolling stock during the nine month period ended September 30, 2014, much of which was acquired in 2011 during the Rolls acquisition, rather than pursuing disposal and replenishment of aged usable equipment. The Company also increased its expense for outside trucking and marketing activities during the nine and three month periods ended September 30, 2014 as compared to the same nine and three month periods in 2013.

Cost of Revenue for the nine months ended September 30, 2014 totaled \$6.7 million, as compared to \$6.2 for the same nine month period ended September 30, 2013. The year over year increase is in part attributable to a \$0.7 million increase in depreciation for the nine months ended September 30, 2014. On a quarterly basis, Cost of Revenue increased \$0.3 million when comparing the three months ended September 30, 2014 to the same period in 2013. The quarterly Cost of Revenue increase is attributable to the previously mentioned increase in outside trucking cost, as well as higher cost of goods sold related to the sale of used rental fleet for the three month period ended September 30, 2014 as compared to the same period in 2013.

The Company generated an Adjusted EBITDA of \$1.3 million for the nine month period ended September 30, 2014, as compared to \$1.7 million for the same nine month period in 2013. Adjusted EBITDA totaled \$0.4 million, on \$5.8 million of revenue, for the three month period ending September 30, 2014, as compared to an Adjusted EBITDA totaling

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\$0.8 million on \$5.0 million of revenue for the same period in 2013. The year over year decrease in Adjusted EBITDA was largely driven by increased expense for repairs and maintenance activities at the Company's California operations, as well as reduced volume and margin contribution from equipment disposals during the nine month period ended September 30, 2014 when compared to the same nine month period in 2013. Sequentially, Adjusted EBITDA increased by \$0.4 million when comparing the three months ended September 30, 2014 to the prior three month period ended June 30, 2014.

## Segment Results:

An overview of the Company's operating segments for the three and nine months ended September 30, 2014 and September 30, 2013 is provided below. In addition, expenses incurred by the Company's Revenue Assistance Operations, in support of all operating segments, is also presented.

### Construction and Industrial Equipment Rental and Distribution

The Company currently operates construction and industrial equipment rental and distribution operations in two major markets, Southern California and Southeastern Texas. The following table contains comparative data for the three and nine months ended September 30, 2014 and September 30, 2013.

Comparative Financial Results (000's) - Equipment Rental and Distribution	Nine Months Ended				Three Months Ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
<b>Revenue</b>								
Rental	11,655	91%	10,212	88%	4,072	89%	3,705	91%
Ancillary Revenue	1,100	9%	1,384	12%	503	11%	348	9%
<b>Total Revenue</b>	<b>12,755</b>	<b>100%</b>	<b>11,596</b>	<b>100%</b>	<b>4,575</b>	<b>100%</b>	<b>4,053</b>	<b>100%</b>
<b>Cost of Revenue</b>	<b>(6,321)</b>	<b>(50%)</b>	<b>(5,797)</b>	<b>(50%)</b>	<b>(2,377)</b>	<b>(52%)</b>	<b>(2,049)</b>	<b>(51%)</b>
Summary Expenses								
Support, Maintenance and Delivery	(5,151)	(40%)	(3,738)	(32%)	(1,664)	(36%)	(1,299)	(32%)
Sales and Marketing	(1,096)	(9%)	(695)	(6%)	(388)	(8%)	(195)	(5%)
General and Administration	(2,653)	(21%)	(2,437)	(21%)	(949)	(21%)	(822)	(20%)
Deferred Income Tax / Recovery	821	6%	102	1%	107	2%	1	0%
Interest	(659)	(5%)	(592)	(5%)	(231)	(5%)	(185)	(5%)
<b>Net Earnings (Loss)</b>	<b>(\$2,304)</b>	<b>(20%)</b>	<b>(\$1,561)</b>	<b>(13%)</b>	<b>(\$927)</b>	<b>(20%)</b>	<b>(\$496)</b>	<b>(12%)</b>
<b>Add:</b>								
Depreciation / Amortization	5,282	41%	4,574	39%	1,774	39%	1,743	43%
Deferred Income Tax / Recovery	(821)	(6%)	(102)	(1%)	(107)	(2%)	(1)	(0%)
Interest	659	5%	592	5%	231	5%	185	5%
<b>Adjusted EBITDA</b>	<b>\$2,816</b>	<b>22%</b>	<b>\$3,503</b>	<b>30%</b>	<b>\$971</b>	<b>21%</b>	<b>\$1,431</b>	<b>35%</b>

Total revenue generated from the equipment rental and distribution segment for the three and nine month periods ended September 30, 2014 was \$4.6 million and \$12.8 million, respectively. Revenues for the same periods in 2013 totaled \$4.1 million and \$11.6 million. Rental revenue increased 14% for the nine month period ended September 30, 2014, as compared to the same period in 2013. On a quarterly basis, rental revenues increased 10% for the three months ended September 30, 2014, as compared to the same three month period in 2013. The increase in rental revenue was driven by fleet growth as well as sales and marketing initiatives. Ancillary revenue, from equipment disposals and other activities, decreased 21%, or \$0.3 million, for the nine month period ended September 30, 2014 as compared to the same period in 2013. It is important to note that the purchase and sale of new and used equipment does not occur evenly throughout the year within the segment, and may fluctuate significantly from period to period.

Cost of revenue in the equipment rental and distribution segment, for the nine and three month periods ended September 30, 2014, was \$6.3 million and \$2.4 million, respectively, as compared to \$5.8 million and \$2.0 million for the same periods in 2013. Cost of revenue, for the nine and three month periods ending September 30, 2014, comprised primarily of depreciation and amortization totaling \$5.3 million and \$1.8 million, with the remainder being attributable to outside trucking and the cost of goods sold related to new and used equipment sales.

Net loss for the nine month period ended September 30, 2014 totaled \$2.3 million, as compared to a net loss of \$1.6 million for the same nine month period in 2013. Comparative losses for the three month periods ended September 30, 2014 and 2013 were \$1.0 million and \$0.5 million, respectively. The year over year, and quarter over quarter, increase

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in net loss is partially attributable to an increase in expense related to fleet and rolling stock repairs at the Company's California operations. These Support, Maintenance and Delivery expenses increased by \$1.4 million and \$0.4 million, for the nine and three month periods ended September 30, 2014 as compared to the same periods in 2013. Throughout 2014 the Company chose to increase spending on repairs and maintenance at its' Southern California operations rather than pursuing the disposal and replenishment of rental equipment fleet. These expenses are expected to remain at higher than normal levels through the balance of the year. The Company also increased its expenses for outside trucking, and sales and marketing initiatives. Losses for the nine month period ended September 30, 2014 were also offset by a \$0.8 million gain related to a deferred income tax recovery, which were \$0.7 million greater than that of the same nine month period in 2013. Capital expenditures for fleet additions at the Company's Houston, Texas operations continue as planned.

Adjusted EBITDA totaled \$2.8 million for the nine months ended September 30, 2014, a decrease of 20% as compared to the same period in 2013. For the quarter, Adjusted EBITDA totaled \$1.0 million; a decrease of 32% compared to the same three month period ended September 30, 2013. The decrease in Adjusted EBITDA, for the segment, was primarily driven by increased Service, Maintenance and Delivery expense as previously noted.

## Enterprise Asset Management Software

Comparative Financial Results (000's) - Software Segment	Nine Months Ended				Three Months Ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
<b>Revenue</b>	3,382	100%	\$3,483	100%	\$ 1,187	100%	\$940	100%
<b>Cost of Revenue</b>	(421)	(12%)	(366)	(11%)	(109)	(9%)	(109)	(12%)
Summary Expenses								
Support, Maintenance and Delivery	(1,074)	(32%)	(1,059)	(30%)	(386)	(33%)	(331)	(35%)
Research and Development	(583)	(17%)	(581)	(17%)	(224)	(19%)	(181)	(19%)
Sales and Marketing	(61)	(2%)	(89)	(3%)	(19)	(2%)	7	1%
General and Administration	(502)	(15%)	(809)	(23%)	(180)	(15%)	(464)	(49%)
Deferred Income Tax / Recovery	(149)	(4%)	0	0%	(13)	(1%)	0	0%
Interest Expense	(41)	(1%)	(52)	(1%)	(15)	(1%)	(16)	(2%)
Foreign Exchange Gain / Loss	79	2%	42	1%	(91)	(8%)	33	4%
<b>Net Earnings (Loss)</b>	<b>630</b>	<b>19%</b>	<b>569</b>	<b>16%</b>	<b>150</b>	<b>13%</b>	<b>(121)</b>	<b>(13%)</b>
<b>Add:</b>								
Depreciation / Amortization	110	3%	109	3%	41	3%	37	4%
Deferred Income Tax / Recovery	149	4%	0	0%	13	1%	0	0%
Interest Expense	41	1%	52	1%	15	1%	16	2%
Foreign Exchange Gain / Loss	(79)	(2%)	(42)	(1%)	91	8%	(33)	(4%)
<b>Adjusted EBITDA</b>	<b>\$851</b>	<b>25%</b>	<b>\$688</b>	<b>20%</b>	<b>\$310</b>	<b>26%</b>	<b>(\$101)</b>	<b>(11%)</b>

Enterprise asset management software revenues are derived from license fees, upgrades, and service elements, which include maintenance, implementation and training. Support, Maintenance, and delivery expense primarily consists of personnel costs associated with maintenance, training and other professional services efforts. Sales and marketing expenses consist primarily of personnel costs, trade show expense and other promotional activities. Research and Development expense includes personnel costs associated with software development. General and Administration expense primarily consists of personnel costs associated with the administration of the business.

Total segment revenue was \$3.4 million for the nine month period ended September 30, 2014, down slightly from \$3.5 million for the nine month period ended September 30, 2013. On a quarterly basis, total revenue for the segment was \$1.2 million for the three month period ended September 30, 2014; an increase of 26% as compared to the same three month period ended September 30, 2013. The quarterly increase in revenue is attributable to a one-time sale of software licenses to a single customer during the most recent quarter totaling \$0.1 million, as well an overall increase in the number of SaaS license users. Recurring revenue from SaaS products, and software maintenance fees, increased by more than 10% during the most recent nine month period ended September 30, 2014 as compared to the same period in 2013.

Net earnings for the segment ended at \$0.6 million for the nine month periods ended September 30, 2014 and 2013. Net earnings were \$0.2 million for the three month period ended September 30, 2014 as compared to a net loss of \$0.1 million for the three month period ended September 30, 2013. The increase in quarterly earnings, for the three month period ending September 30, 2014, as compared to the same quarter of 2013, is directly attributable to a one-time charge

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for severances totaling \$0.3 recorded during the third quarter of 2013. General and Administration cost also decreased year over year, and quarter over quarter, as a result of the above mentioned severance charge recorded during the third quarter of 2013.

Adjusted EBITDA totaled \$0.9 million for the nine month period ended September 30, 2014, compared to \$0.7 million for the same period of 2013. On a quarterly basis, Adjusted EBITDA totaled \$0.3 million for the three month period ended September 30, 2014 as compared to a net loss of (\$0.1) million for the same period of 2013. The year over year, and quarter over quarter, increase in Adjusted EBITDA is partially the result of the above mentioned severance charge recorded during the third quarter of 2013.

## Revenue Assistance Operations

The Company incurs certain macro-level expenses that are presented in this MD&A as Revenue Assistance Operations (“RAO”). These expenses represent costs associated with public entity management, planning and executing strategic initiatives, technology and process development, training, research, corporate level management, Company-wide branding, trademark and intellectual property work, as well as other ancillary costs required to support operating segments. A summary of these expenses are as follows:

Comparative Financial Results (000's) - Revenue Assistance Operations	Nine Months Ended				Three Months Ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
<b>Expenses</b>								
Sales and Marketing	(42)	2%	(113)	4%	(14)	2%	(17)	3%
General and Administration	(2,421)	89%	(2,465)	89%	(884)	98%	(606)	93%
Stock Based Compensation	(76)	3%	(166)	6%	(2)	0%	(37)	6%
Interest Expense	5	(0%)	0	0%	2	(0%)	0	0%
Foreign Exchange Gain / Loss	(177)	7%	(19)	1%	0	0%	7	(1%)
<b>Total</b>	<b>(2,711)</b>	<b>100%</b>	<b>(2,763)</b>	<b>100%</b>	<b>(898)</b>	<b>100%</b>	<b>(653)</b>	<b>100%</b>
<b>Non-Cash Expenses</b>								
Depreciation / Amortization	52	(2%)	48	(2%)	17	(2%)	48	(7%)
Stock Based Compensation	76	(3%)	166	(6%)	2	(0%)	37	(6%)
Interest Expense	(5)	0%	0	0%	(2)	0%	0	0%
Foreign Exchange Gain / Loss	177	(7%)	19	(1%)	0	0%	(7)	1%
<b>Total Net of Non-Cash Expenses</b>	<b>(\$2,411)</b>	<b>89%</b>	<b>(\$2,530)</b>	<b>92%</b>	<b>(\$881)</b>	<b>98%</b>	<b>(\$575)</b>	<b>88%</b>

Total expenses, net of non-cash items, at RAO increased \$0.2 million and decreased \$0.1 million for the three and nine month periods ended September 30, 2014, respectively. On a quarterly basis, comparing the three month period ended September 30, 2014 with the same period of 2013, RAO expenses net of non-cash items as a percentage of total Company revenue declined 3%. Overall, RAO expenses remain in line with expectations, and are primarily the result of continued investment in the infrastructure and tools required to support the Noble Iron business model, including further development of the Noble Iron Interactive Customer Care capabilities, additional software applications, development of strategic partnerships, and data and analytics capabilities.

## Liquidity:

Liquidity risk is the risk the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk through cash and debt management.

The Company’s centralized finance function manages liquidity by assessing future cash flow requirements and maintains sufficient borrowing base availability against the Company’s debt facilities. Cash flow estimates are based upon rolling forecasts that consider borrowing limits, cash restrictions and compliance with debt covenants. Cash, which is surplus to working capital requirements, is managed by a centralized finance function. These funds are typically held as deposits, in both US and Canadian funds, with larger financial institutions.

Cash flow from operations for the nine months ended September 30, 2014 was a \$1.8 million compared to \$0.2 million for the same period ended September 30, 2013. As of September 30, 2014, the Company had cash of \$0.6 million and negative working capital of \$0.2 million compared to cash of \$3.2 million and working capital of \$3.2 million at September 30, 2013.

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As of September 30, 2014, the Company had available unused approved credit facilities (operating, capital, and others combined) of \$11.7 million US subject to the borrowing base requirements. Net availability, given the value of the Company's borrowing base, was approximately \$0.6 million US. The Company also had accounts receivable, net of reserves, of \$3.5 million and cash totaling \$0.6 million. Management plans to satisfy the Company's liabilities, and support growth plans, by means of cash flow generated from operations, existing cash reserves, raising capital in equity markets, and the refinancing of debt instruments. Management considers Adjusted Working Capital, as previously defined, as a more indicative measure of the Company's near term liquidity. Adjusted Working Capital was \$1.4 million as of September 30, 2014, compared to \$5.9 million at September 30, 2013.

## **Capital Resources:**

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The Company's two rental and distribution operations are supported by separate credit facilities from a single lender which include a continuing first charge security interest in all of the borrower's assets. Availability under each facility is subject to a borrowing base as determined by the value of rental fleet, accounts receivable and parts inventory. There are no required principal payments under the four year facilities and interest is charged on a floating basis using the 1-month LIBOR rate, plus a spread ranging from 225 basis points to 275 basis points. The Company has provided a corporate guarantee to the lender that is also supported by a pledge of the Company's common shares in the respective borrower.

The combined loan balance outstanding under the facilities as of September 30, 2014 was \$31.1 million (\$27.8 million US). The facility contains covenants requiring the Company to maintain certain financial covenants. This includes fixed charge coverage, and certain liquidity ratios. As of September 30, 2014, the Company was in compliance with all of the loan covenants, except for a minimum availability covenant supporting the Company's credit facility within its rental operations. The lender has chosen to not accelerate the loan based upon the current and historical covenant non-compliance. As of November 24, 2014, the date of this MD&A, the Company was in compliance with all loan covenants.

The lender has also made available to the Company standby letter of credit facilities, subject to borrowing base availability, with a combined limit of \$4.0 million. No letters of credit were drawn by the Company as of September 30, 2014. The facilities also contain covenants specifying a minimum fixed charge coverage ratio, minimum availability requirements and a restriction on dividends to shareholders.

As of September 30 2014, the Company had cash of \$0.6 million and negative working capital of \$0.2 million compared to cash of \$2.7 million and working capital of \$1.8 million at December 31, 2013.

Equipment is often procured from manufacturers who offer an extended period before payment is due. During this extended payment period, equipment payables due for these fleet purchases are recorded as Other Current Liabilities. Due to temporary timing differences associated with receipt of fleet purchases and their subsequent financing by existing borrowing facilities, these current equipment payables will then be converted to long-term debt under existing borrowing facilities. As of September 30, 2014, invoices for equipment shipped to operations amounted to \$1.6 million, \$2.6 million as of September 30, 2013. As such, short-term borrowings under terms from manufactures related to equipment purchases are included in Other Current Liabilities on the balance sheet.

## **Off-Balance Sheet Arrangements:**

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During the nine months ended September 30, 2014 the Company did not participate in any off-balance sheet arrangements.

## **Transactions between Related Parties:**

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During the nine months ended September 30, 2014 the Company did not participate in any transactions between related parties.

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## **Changes in Accounting Policies:**

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The significant accounting policies used in preparing the Consolidated Financial Statements are unchanged from those disclosed in the Company's 2013 annual consolidated financial statements except for the review, assessment, and implementation of new IFRS pronouncements prospectively adopted in its financial statements for the annual period beginning on January 1, 2014. The adoption of these pronouncements did not have a material impact on the financial statements. Further details can be found in the Consolidated Financial Statements for the twelve months ended December 31, 2013.

## **Risks and Uncertainties:**

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Noble Iron's management team is responsible for the evaluation and management of risk factors affecting the Company. The following is management's assessment of the significant risks which would have the greatest impact on the Company over the ensuing 12 to 18 months given currently available information. This analysis contains forward looking statements that may differ materially from actual results.

Liquidity continues to be a significant risk for the Company as it continues to grow and deploy the Noble Iron business model. As such, management understands the need to raise funds in support of the business model and anticipates doing such during 2014. As described under "Liquidity", the Company had a cash balance of approximately \$0.6 million as of the close of business on September 30, 2014 and had negative working capital of \$0.2 million. Management's opinion is that Adjusted Working Capital (defined above), which amounted to \$1.4 million on September 30, 2014, offers a better indication of the Company's financial position. However, there can be no assurances that the Company's resources, combined with cash generated from future operations, will be adequate to continue funding operations, which includes the funding needed to sustain and grow the equipment rental fleet and for further expansion.

### **Revenue and Collection Risk:**

The Company has a large number of customers with relatively small account balances which exposes the Company to aggregate billing and collection risk. These risks can include missed billings, unwarranted credits, additional time to collect payments and greater risk of customer default. Continual process improvements are made to ensure timely collection of the Company's accounts receivable. These efforts include the positioning of resources and technology to improve the efficiency of invoicing, collections and customer credit extension.

### **Technology and Software Development:**

The process of developing technology from concept stage, through to design and final production involves time to complete testing, redesign and adoption by customers. Unexpected testing results or performance irregularities are normal in a development process and can result in new product offerings being delayed beyond projected time frames or slow adoption from customers. The risk of not developing and introducing reliable products, on a timely basis, presents a risk to the Company's software business.

### **Reliance on Key Personnel:**

The success of Noble Iron depends on the abilities, experience, efforts and knowledge of their respective senior management and other key employees, including its ability to retain and attract skilled management and employees. The loss of services from key personnel could have a material adverse effect on Noble Iron's business, financial condition, results of operations or future prospects, particularly since it does not enter into non-competition arrangements with senior management and other key employees in certain circumstances. In addition, the growth plans described in this MD&A may require additional employees, increase the demand on management, and produce risks in both productivity and retention levels. Noble Iron may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance Noble Iron will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

### **Foreign Currency and Exchange Risk:**

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Foreign currency risk in the exchange rates between the Canadian dollar and foreign currencies could affect the Company's operating and financial results. The Company is exposed to foreign currency risk as substantially all of its assets and liabilities are denominated in foreign currency, particularly the US dollar. In addition, approximately 80% of its revenues are transacted in US dollars. Future growth of the Company is expected to be in US dollar denominated assets and or transactions. To date, the Company has funded its growth by issuing equity in Canadian funds and raising debt in US dollars. The Company's management monitors exchange rate fluctuations and presently does not use any derivative instruments to manage foreign currency exposure. As the Company continues to grow its US operations, exposure to foreign currency risk may increase with the likelihood of the Company employing exchange rate derivative instruments.

## **Asset and Leverage Risk:**

The integration and sustained growth initiative of the Company's operations into the construction and industrial equipment rental business poses risks that include, but are not limited to: considerable financial leverage, debt repayment requirements relative to anticipated cash flow, the execution of an operational turnaround for acquisitions, the reaction of the Company's software customers to its expansion into the segment, and the availability of additional capital to grow the segment beyond the existing operations. There can be no assurances that sufficient capital will be available on acceptable terms, if at all.

The revolving debt facilities supporting the Company's existing construction and industrial equipment rental and distribution operations, secured by the appraised value of the their respective equipment rental fleet, subjects the Company to market fluctuation risk 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.

A significant portion of the Company's debt is subject to interest rate risk due to the fact the rate charged is fully floating tied to LIBOR. A one percent change in the LIBOR rate would result in an additional annual expense to the Company of approximately \$277,651 US. At present, the Company does not employ an interest rate hedge to mitigate this risk. Management may elect to do such in the future. There can be no assurance that a sufficient hedge could be procured to fully mitigate this risk.

The construction and industrial equipment rental and distribution industry has demonstrated year over year revenue growth surpassing the most recent rate of gross domestic product in the United States where the Company's rental business is transacted. Should the current rate of construction and industrial equipment rental growth in the United States stagnate, or should the United States enter a recessionary period with a prolonged decline in construction activity, the Company may lack sustainable revenue growth needed support its debt obligations and capital expenditure plan.

## **Outstanding Share Data:**

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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 September 30, 2014 or September 30, 2013. Issued and outstanding common shares were 21,415,479 as at September 30, 2014.

## **Seasonality:**

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Revenues within the Company's construction and industrial equipment rental and distribution segment may 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.

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## **Subsequent Event:**

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On October 24, 2014 the Company closed a non-brokered private placement of 6,000,000 common shares of the Company at a price of \$1.00 CDN per share for gross proceeds of \$6,000,000 CDN.

On October 24, 2014 the Company also granted 500,000 stock options to the Founder, Chairman and CEO of Noble Iron at a strike price of \$1.30 CDN per share and 195,000 stock options to independent directors at a strike price of \$1.00 CDN per share.

On November 19, 2014 the Company announced that Harry Jaako stepped down from the Company's Board of Directors due to the demands of his overall business commitments. Discovery Capital, Mr. Jaako's investment fund, remains a significant shareholder of Noble Iron.

Additional information relating to the Company is available on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).