



**MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")**

For The Three Month Period Ended March 31, 2015

# NOBLE IRON INC

Management's Discussion & Analysis for the Three Months Ended March 31, 2015

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## **Basis of Presentation:**

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The following discussion of Noble Iron Inc.'s ("Noble Iron," or the "Company") financial condition and results of operations should be read in conjunction with the Company's unaudited interim consolidated financial statements for the 3 month periods ended March 31, 2015 and March 31, 2014, which were prepared under International Financial Reporting Standards ("IFRS") using the Company's functional currency of Canadian dollars. This MD&A has been prepared as of June 1, 2015 to help investors understand the financial performance of the Company and to provide information that management believes is relevant to an assessment and understanding of the 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 Company's 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 the Company's continuous disclosure materials, is available at [www.NobleIron.com](http://www.NobleIron.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). Noble Iron maintains its registered head office in Ontario, Canada, with executive management based in California and Texas, USA. Noble Iron's Investor Relations department can be reached at 1-281-443-7667. The information on the Company's website is not considered to be a part of this MD&A.

## **Forward Looking Statements:**

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This document may contain forward-looking statements that reflect Noble Iron'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, 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.

## **Overview:**

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Noble Iron Inc., a TSX Venture Exchange listed company (symbol "NIR"), conducts business in two primary segments:

- Construction and Industrial Equipment Rental and Distribution
- Enterprise Asset Management Software

Noble Iron, 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".

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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 for earth moving equipment. 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 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. 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 Houston L.P. ("Bane"), make additions to the Company's equipment fleet, and as working capital to launch the Company'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 commence trading 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 operations in Texas, 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)

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Inc. Under the terms of the financing, Noble Rents, 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 the Company's Founder & Executive Chairman, was appointed to the role of Founder, Chairman & CEO following his election by the Board of Directors.

On October 24, 2014, the Company closed a non-brokered private placement of 6,000,000 common shares at a price of \$1.00 per share for gross proceeds of \$6.0 million. The proceeds are being used for growth and development initiatives, including equipment financing, real estate consolidation, execution of a purchase option on leased real estate in Texas, technology development and recruiting talent.

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

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Noble Iron Inc. engages in equipment rentals and sales, as well as providing software to the construction and industrial equipment industry.

Noble Iron Inc.'s equipment rental and sales 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 for earth moving equipment.

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 and Distribution**

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 market surrounding Houston, Texas.

The Company's construction and industrial equipment 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.

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, Texas, market. As part of the exclusive territory rights agreement, The Company was required to make an initial fleet purchase, as well as make minimum unit purchases during the succeeding two years of the multi-year agreement. The Company met this purchase requirement for 2013 and 2014.

### **Enterprise 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, contract development, and upgrade fees. In addition to these fees, the segment generates maintenance and service revenue. The products are generally licensed under single-year or multi-year

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terms, both of which are arranged to automatically renew. 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. Contract revenue is derived from contracts for the development of custom applications. Customers typically purchase a combination of software, maintenance, and professional services.

## **Other**

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.

Management estimates that the total North American construction and industrial related equipment rental market could exceed \$42 billion in 2015 based on third party research including that of the American Rental Association (ARA). According to the ARA, the equipment rental industry experienced approximately 7.3% growth during the calendar year 2014.

The Company currently operates in the heavy and light construction equipment rental and distribution markets. 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.

### **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. Most companies in this sector are private companies making it difficult to accurately assess the market at this time. We estimate the Company's software business currently as the second largest provider of ERP software to the rental sector.

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## **Seasonality and Other Factors Affecting the Variability of Results and Financial Condition:**

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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 are earned equally throughout the year. As such, seasonality is not a material factor within the segment.

Our results of operations for interim periods and for full fiscal years are also impacted by the variability of certain factors, including, but not limited to; changes in demand of construction and industrial activity; our customers' decision to rent equipment rather than buy equipment (which is impacted by customers' forecasted equipment utilization rates as well as available financing and interest rates), and weather variability outside of normal seasons. Revenue fluctuations in the Company's enterprise asset management software business are also affected by one-time large upfront license sales. These initial license sales may result in more revenue being generated in some quarters over subsequent quarters, and is not necessarily indicative of detrimental business performance in subsequent quarters; following an initial one-time licence sale to a customer, the Company's ongoing revenue for support agreements increases, and the customer is likely to eventually convert to the Company's SaaS (Software-as-a-Service) subscription offering, which increases the Company's overall recurring revenue.

Energy costs in the Company's results of operations are also affected by fluctuations in the price of oil, which influences transportation costs. Fluctuations in commodity prices of metals, such as iron and copper, influence pricing of our parts and equipment from suppliers and therefore also impacts the company's purchase costs. In addition, the effect of asset write-downs, including provisions for bad debts and impairment of assets can affect the variability of our results.

Management decisions to consolidate or reorganize operations, including the closure of facilities, may result in significant restructuring costs in an interim or annual period.

## **First Quarter of 2015 and 2014 Business Developments**

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### **Company Results**

Over 2014 and first quarter of 2015, the Company focused on building scalable operating processes and capabilities, investing in the Company's management and operating teams, and developing proprietary technology. The Company did not make significant equipment fleet investments during 2014 and the first quarter of 2015, as management focused primarily on solidifying the Company's operating platform.

The Company also embarked upon significant change, real estate consolidation and reorganization initiatives within its construction and industrial equipment rental and distribution segment. In May of 2014, the Company began a process of consolidating its four Southern California locations (Ventura, San Diego, Riverside, and Long Beach) into a single facility in Pico Rivera, which is close to the centre of Los Angeles. The construction and industrial equipment rental and distribution segment operated under unusual circumstances during 2014, as the consolidation initiative involved general business disruption and significant employee turnover, with approximately 73% of the employees at the Company's Southern California operations being new hires during 2014. Management believes that the consolidation of the Company's Southern California operations will result in considerable efficiency improvements.

Objectives of the Company's Software segment in 2014 and the first quarter of 2015 included 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 over 2015.

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## Interim Condensed Consolidated Financial Results:

Restatement: The Company identified four items during 2014 that required correction in 2013 and 2012. These restatements were corrected and noted in the Company's 2014 annual consolidated financial results and are repeated here:

- During 2014, the Company determined that certain equipment was being depreciated at an inappropriate accelerated rate. This resulted in an overstatement of depreciation of \$0.5 million as at December 31, 2013 and \$0.06 million as at December 31, 2012. The Company corrected the depreciation calculation and corrected the overstatement by reversing depreciation of \$0.5 million for the year ended December 31, 2013 and \$0.06 million as at December 31, 2012.
- As at December 31, 2013, the Company failed to recognize a state tax benefit associated with certain deductible temporary differences. The deferred tax liability as at December 31, 2013 was overstated by \$0.3 million and the related deferred tax recovery for the year ended December 31, 2013 was understated by the same amount. As a result of the depreciation correction described above, the deferred tax liability as at December 31, 2013 was understated by \$0.2 million and the deferred tax recovery was overstated by the same amount. The Company made a correction to the December 31, 2013 financial statements for these items.
- As a result of not accruing for state income tax, the income tax recovery was overstated by \$0.02 million and accounts payable and accrued liabilities were understated by the same amount as at December 31, 2013.
- During the year ended December 31, 2012, the Company completed a business acquisition and in conjunction with that transaction entered into an operating real estate lease with a purchase option to acquire the Company's premises in Houston, TX. The Company incorrectly recognized the purchase option as an intangible asset with a value of \$0.5 million as part of the business acquisition accounting, together with a related deferred tax liability of \$0.2 million and a resulting gain on fair value increment of \$0.2 million. In order to correct the accounting, the Company recognized property and equipment of \$0.1 million, reversed deferred income tax expense recovery of \$0.2 million and reversed a fair value incremental gain on acquisition of \$0.2 million. Related amortization expense of the lease purchase option was reversed in the amounts of \$0.05 million and \$0.07 million during the years ended December 31, 2012 and December 31, 2013, respectively.

The above changes have been recorded retrospectively in the financial statements. See Note 4 to the Annual Consolidated Financial Statements.

The following table summarizes the Company's interim condensed consolidated results for the three month period ended March 31, 2015 (the "first quarter of 2015") as well as the comparative periods ended March 31, 2014. Further details of the Company's financial and operating results are provided within the subsequent discussion of Segmented Results.

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## Consolidated Financial Highlights

Consolidated Financial Highlights <sup>1</sup> (000's except EPS)	Three Months Ended	
	March 31, 2015	March 31, 2014 restated <sup>1</sup>
Revenues	\$5,651	\$5,221
Cost of Revenue	(2,620)	(2,221)
Expenses, interest, and taxes	(5,745)	(3,824)
Net Earnings (Loss)	(2,714)	(824)
Adjusted EBITDA <sup>2</sup>	(\$100)	\$841
Loss per share - basic and diluted	(\$0.10)	(\$0.04)

	March 31, 2015	December 31, 2014
Total Assets	42,564	42,565
Total Current Liabilities	2,716	3,099
Total Non-Current Liabilities	33,005	30,735
Total Shareholders Equity	6,843	8,731

<sup>1</sup> Cost of Revenue, Net earnings (loss) Loss per share –basic and diluted amounts have been restated. See Note 3 to the Interim Consolidated Financial Statements.

<sup>2</sup>Adjusted EBITDA is a non-IFRS measure and is defined within the “Introduction – Non-IFRS Measures” section of this MD&A.

Comparative Financial Results (000's) - Consolidated Company	Three Months Ended		
	March 31, 2015	March 31, 2014 restated <sup>1</sup>	Percentage Change
<b>Revenue</b>	<b>\$5,651</b>	<b>\$5,221</b>	8%
<b>Cost of Revenue</b>	<b>(2,619)</b>	<b>(2,221)</b>	18%
<b>Expenses</b>			
Support, Maintenance and Delivery	(2,358)	(1,784)	32%
Research and Development	(237)	(183)	30%
Sales and Marketing	(493)	(327)	51%
General and Administration	(2,261)	(1,682)	34%
Income Tax Recovery (Expense)	(21)	436	(105%)
Gain on Fair Value Increment	0	0	
Interest Expense	(231)	(225)	3%
Default Judgement Reversal	0	0	
Foreign Exchange Gain / (Loss)	(145)	(59)	146%
<b>Net Loss</b>	<b>(2,714)</b>	<b>(824)</b>	<b>229%</b>
<b>Add:</b>			
Depreciation / Amortization	2,135	1,779	20%
Income Tax (Recovery) Expense	21	(436)	(105%)
Stock Based Compensation	82	38	116%
Interest Expense	231	225	3%
Severance	0	0	
Foreign Exchange (Gain) / Loss	145	59	146%
<b>Adjusted EBITDA</b>	<b>(\$100)</b>	<b>\$841</b>	<b>(112%)</b>
<b>Loss per share - basic and diluted</b>	<b>(\$0.10)</b>	<b>(\$0.04)</b>	<b>150%</b>

<sup>1</sup> Cost of Revenue, Net loss, Depreciation/Amortization, Income Tax/Recovery, loss per share –basic and diluted amounts have been restated. See Note 3 to the Interim Consolidated Financial Statements.

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Quarterly Results (000's)	2015	2014				2013		
	Q1	Q4	Q3 <sup>1</sup>	Q2 <sup>1</sup>	Q1 <sup>1</sup>	Q4 <sup>1</sup>	Q3 <sup>1</sup>	Q2 <sup>1</sup>
Revenue	\$5,651	\$4,964	\$5,762	\$5,164	\$5,221	\$5,172	\$4,993	\$5,567
Cost of Revenue	(2,619)	(3,079)	(2,427)	(2,131)	(2,221)	(2,411)	(2,060)	(2,177)
Net earnings (loss) for the period	(2,714)	(3,775)	(1,588)	(1,797)	(824)	(1,017)	(1,155)	(1,031)
<b>Add Back:</b>								
Depreciation/Amortization expense	2,135	2,555	1,745	1,629	1,779	1,557	1,713	1,394
Income Tax (Recovery) Expense	21	66	(94)	(56)	(436)	(410)	(1)	-
Stock Based Compensation	82	67	2	36	38	63	37	34
Interest Expense	231	223	244	250	225	263	201	216
Default Judgement Reversal	-	-	-	-	-	-	-	-
Gain on Fair Value Increment	-	-	-	-	-	-	-	-
Severance	-	-	-	-	-	216	-	-
Foreign Exchange (Gain) / Loss	145	(139)	91	(35)	59	68	(40)	16
Adjusted EBITDA (loss)	(100)	(1,003)	400	27	841	740	755	629
Earnings (loss) per share - basic and diluted	(\$0.10)	(\$0.15)	(\$0.07)	(\$0.08)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.05)
Weighted Avg. Shares Outstanding (Basic)	27,417,479	26,085,039	21,415,479	21,411,479	21,355,479	21,265,627	20,572,933	19,900,117
Weighted Avg. Shares Outstanding (Diluted)	27,417,479	26,085,039	21,415,479	21,411,479	21,355,479	21,265,627	20,572,933	19,900,117

<sup>1</sup> Cost of Revenue, Net loss, Depreciation/Amortization, Income Tax/Recovery, loss per share –basic and diluted amounts have been restated. See Note 3 to the Interim Consolidated Financial Statements.

For the first quarter of 2015, Noble Iron recorded revenue of \$5.7 million, a \$0.4 million (8%) increase when compared to the first quarter of 2014. This increase was primarily due to a \$0.4 million increase in equipment rental and distribution revenue.

For the first quarter of 2015, Noble Iron recorded cost of revenue of \$2.6 million, a \$0.4 million (18%) increase when compared to the first quarter of 2014. This increase was primarily due to \$0.4 million increase in depreciation.

For the first quarter of 2015, Noble Iron recorded expenses of \$5.7 million, a \$1.9 million (50%) increase when compared to the first quarter of 2014. This increase was primarily due to a \$0.6 million increase in General and Administration expense, a \$0.6 million increase in Support, Maintenance, and Delivery expense within the Company's construction and industrial equipment rental and distribution operations, \$0.4 million increase in Income Tax expense, \$0.2 million increase in Sales and Marketing expense, and \$0.1 million increase in foreign exchange loss. The increase in expenses was largely due to real estate consolidation and reorganization initiatives, hiring and expansion of the company's core team, and increased investment in technology and process development. Further detail is outlined in the segmented sections of this MD&A.

For the first quarter of 2015, Noble Iron recorded a net loss of \$2.7 million, a \$1.9 million (229%) increase when compared to the first quarter of 2014. This was primarily due to the aforementioned increases in the Company's expenses, and was also largely attributed to a one-time Income Tax Recovery of \$0.5 million which occurred during the first quarter of 2014, and not during the first quarter of 2015.

For the first quarter of 2015, Noble Iron recorded an Adjusted EBITDA loss of \$0.1 million, a \$0.9 million (112%) decline when compared to the first quarter of 2014. This decline was primarily due to the aforementioned increases in the Company's expenses excluding expenses that are removed for the calculation of Adjusted EBITDA as described in the "Non-IFRS" measures section above.

## Segmented Results:

### 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.

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Comparative Financial Results (000's) - Construction and Industrial Equipment Rental and Distribution	Three Months Ended		
	March 31, 2015	March 31, 2014 restated <sup>1</sup>	Percentage Change
<b>Revenue</b>			
Rental	3,878	3,828	1%
Distribution	597	285	109%
<b>Total Revenue</b>	<b>4,475</b>	<b>4,113</b>	<b>9%</b>
<b>Cost of Revenue</b>	<b>(2,470)</b>	<b>(2,060)</b>	<b>20%</b>
<b>Expenses</b>			
Support, Maintenance and Delivery	(1,999)	(1,477)	35%
Sales and Marketing	(437)	(285)	53%
General and Administration	(904)	(782)	16%
Income Tax Recovery (Expense)	(1)	516	(100%)
Gain on Fair Value Increment	0	0	
Interest	(223)	(214)	4%
<b>Net Loss</b>	<b>(\$1,559)</b>	<b>(\$189)</b>	<b>725%</b>
<b>Add:</b>			
Depreciation / Amortization	2,082	1,727	21%
Income Tax (Recovery) Expense	1	(516)	(100%)
Gain on Fair Value Increment	0	0	
Interest	223	214	4%
<b>Adjusted EBITDA</b>	<b>\$747</b>	<b>\$1,236</b>	<b>(40%)</b>

<sup>1</sup> Cost of Revenue, Net loss, Depreciation/Amortization, Income Tax/Recovery, loss amounts have been restated. See Note 3 to the Interim Consolidated Financial Statements.

For the first quarter of 2015, the Construction and Industrial Equipment Rental and Distribution segment recorded revenue of \$4.5 million, which was an increase of \$0.4 million (9%) compared to the first quarter of 2014, primarily due to a \$0.3 million increase in Distribution revenue in the Company's Southern California operations. The timing of equipment sales and disposals can be inconsistent during the course of the year. Equipment disposals were increased year over year in preparation of the company's consolidation in Southern California. Rental revenues were similar year over year as positive trends in Southern California were offset by softness in the Houston region.

For the first quarter of 2015, the Construction and Industrial Equipment Rental and Distribution segment recorded cost of revenue of \$2.5 million, a \$0.4 million (20%) increase when compared to the first quarter of 2014. This increase is primarily due to \$0.4 million increase in depreciation.

For the first quarter of 2015, the Construction and Industrial Equipment Rental and Distribution segment recorded expenses of \$3.6 million, a \$1.3 million (59%) increase when compared to the first quarter of 2014. This increase was due to a \$0.1 million increase in General and Administration expense, a \$0.5 million increase in Support, Maintenance, and Delivery expense, \$0.5 million increase in Income Tax expense, and a \$0.2 million increase in Sales and Marketing expense. The significant increase in Support, Maintenance, and Delivery expense can be attributed to the Company's strategic decision to focus on the repair and refurbishment of its existing equipment, as opposed to the disposal and replenishment of aging but useful equipment. The increased expenses were also impacted by the aforementioned consolidation and reorganization of operations. Many of the other expenses, which include duplication of job functions in multiple yards, transportation costs due to the use of outside trucking haulers, and other inefficiencies related to the Company's consolidation and reorganization of its Southern California operations are expected to decrease as this process reaches completion, expected during the course of the second quarter of 2015.

For the first quarter of 2015, the Construction and Industrial Equipment Rental and Distribution segment recorded a net loss of \$1.6 million, a \$1.4 million (725%) increase in net loss when compared to the first quarter of 2014. This was

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primarily due to the aforementioned increases in the segment's expenses, as well as a \$0.4 million increase in depreciation/amortization.

For the first quarter of 2015, the Construction and Industrial Equipment Rental and Distribution segment recorded an Adjusted EBITDA of \$0.7 million, a \$0.5 million (40%) decline when compared to the first quarter of 2014. This \$0.5 million decline was primarily due to the aforementioned increases in the Company's expenses, including consolidation and reorganization expenses in the Company's Southern California operations, and excluding expenses added back to calculate Adjusted EBITDA.

During first quarter of 2015 the Company spent \$0.2 million on capital expenditures, versus expenditures of \$0.6 million in first quarter of 2014. The Company chose to focus on deploying its equipment fleet in first quarter of 2015 to increase utilization rates, especially during the course of consolidating operations. The Company also chose to invest in repairs and maintenance programs to maintain the useful life of the fleet, rather than dispose of assets with the aim of acquiring newer fleet.

## Enterprise Asset Management Software

Comparative Financial Results (000's) - Enterprise Asset Management Software	Three Months Ended		
	March 31, 2015	March 31, 2014	Percentage Change
<b>Revenue</b>	1,176	\$1,108	6%
<b>Cost of Revenue</b>	(149)	(161)	(7%)
<b>Expenses</b>			
Support, Maintenance and Delivery	(359)	(307)	17%
Research and Development	(237)	(183)	23%
Sales and Marketing	(42)	(27)	56%
General and Administration	(111)	(200)	(45%)
Income Tax Recovery (Expense)	(20)	(80)	(75%)
Interest Expense	(8)	(13)	(38%)
Foreign Exchange Gain / (Loss)	(145)	78	(286%)
<b>Net Earnings</b>	<b>105</b>	<b>215</b>	<b>(51%)</b>
<b>Add:</b>			
Depreciation / Amortization	33	36	(8%)
Income Tax (Recovery) Expense	20	80	(75%)
Interest Expense	8	13	(38%)
Severance	0	0	
Foreign Exchange (Gain) / Loss	145	(78)	(286%)
<b>Adjusted EBITDA</b>	<b>\$311</b>	<b>\$266</b>	<b>17%</b>

For the first quarter of 2015, the Enterprise Asset Management Software segment recorded revenue of \$1.2 million, a \$0.1 million (6%) increase when compared to the first quarter of 2014. This increase can be primarily attributed to higher sales of software licenses and conversions of existing customers from on-premise to the company's SaaS software offering.

For the first quarter of 2015, the Enterprise Asset Management Software segment recorded cost of revenue of \$0.1 million, essentially unchanged from the first quarter of 2014.

For the first quarter of 2015, the Enterprise Asset Management Software segment recorded expenses of \$0.9 million, a \$0.2 million (26%) increase when compared to the first quarter of 2014. The increase in expenses was largely due to increased investment in technology development activities. A \$0.1 million decrease in General and Administrative expenses and a \$0.1 decrease in Income Tax expense was offset by a \$0.2 million increase in foreign exchange losses.

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For the first quarter of 2015, the Enterprise Asset Management Software segment's net income was \$0.1 million, a \$0.1 million (51%) decrease when compared to the first quarter 2014. This was primarily due to the aforementioned increase in foreign exchange losses combined with higher R&D expenses.

For the first quarter of 2015, the Enterprise Asset Management Software segment recorded Adjusted EBITDA of \$0.3 million, 17% higher when compared to the first quarter 2014.

## Other

In addition to expenses incurred within its two operating segments the Company incurs certain expenses that are presented in this MD&A as "Other". These expenses include costs associated with public entity management, corporate level management, technology and process development, company-wide training, branding, trademark and intellectual property, and other ancillary costs required to support operating segments. "Other" was previously called RAO (revenue assistance operations). A summary of these expenses follows:

Comparative Financial Results (000's) - Other	Three Months Ended		
	March 31, 2015	March 31, 2014	Percentage Change
<b>Expenses</b>			
Support, Maintenance and Delivery	0	0	
Sales and Marketing	(14)	(15)	(7%)
General and Administration	(1,246)	(700)	78%
Interest Expense	0	2	(100%)
Income Tax Recovery (Expense)	0	0	
Default Judgement Reversal	0	0	
Foreign Exchange Gain / (Loss)	0	(137)	(100%)
<b>Total Expenses</b>	<b>(1,260)</b>	<b>(850)</b>	<b>48%</b>

Overall, "Other" expenses are primarily the result of continued investment in the infrastructure and tools required to support Noble Iron's corporate functions and the operating business model, including further development of Noble Iron's Interactive Customer Care platform, additional software applications, development of strategic partnerships and data and analytics capabilities.

For the first quarter of 2015, "Other" recorded General and Administration expense of \$1.2 million, a \$0.5 million (78%) increase when compared to the first quarter of 2014. This increase was largely due to \$0.1 million increase in stock option expense, \$0.1 million increase in professional fees accrual, \$0.1 million increase in wages and benefits, and \$0.1 million in recruiting fees.

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## **Liquidity:**

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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 manages liquidity by assessing future cash flow requirements and maintaining 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. No fixed payments are required over the term of the loans. Payments are required to be made when the outstanding advance exceeds the Borrowing Base. The Borrowing Base is largely determined by the fair market value of the equipment fleet as estimated by a third party valuator and as a result, any amount due within the next twelve months cannot be estimated reliably. Cash, which is surplus to working capital requirements is typically held as deposits, in both US and Canadian funds, with larger financial institutions.

As of March 31, 2015, the Company had cash of \$1.1 million and working capital of \$3.1 million, compared to cash of \$1.6 million and working capital of \$2.1 million at March 31, 2014.

As of March 31, 2015, the Company had available unused approved credit facilities (operating, capital, and others combined) of \$14.0 million (\$11.2 million US) subject to borrowing base requirements. The total excess amount above the amount drawn and the Company's borrowing base was approximately \$3.4 million. The Borrowing Base availability is subject to additional thresholds. The net availability above the 8.55% weighted average borrowing base covenant threshold was approximately \$0.5 million.

Management plans to satisfy the Company's liabilities and support growth plans by means of cash flow generated from operations and existing cash reserves.

## **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 assets of Noble Rents Inc. and Noble Rents (TX) Inc. Availability under each facility is subject to a borrowing base as determined by the value of rental fleet and accounts receivable. There are no required fixed principal payments under the four year facilities. Payments are required to be made when the outstanding advance exceeds the Borrowing Base. Interest is charged on a floating basis using the 1-month LIBOR rate, plus a spread ranging from 225 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 March 31, 2015 was \$32.1 million (\$25.3 million US). The facilities contain covenants requiring Noble Rents Inc. and Noble Rents (TX) Inc. to maintain certain financial covenants. This includes fixed charge coverage, and certain liquidity ratios. As of March 31, 2015, Noble Rents Inc. and Noble Rents (TX) Inc. were in compliance with all of the loan covenants.

The lender has also made available to the Company standby letter of credit facilities, subject to borrowing base availability, with a limit of \$4.0 million. No letters of credit were drawn by the Company as of March 31, 2015. The facilities also contain covenants specifying a minimum fixed charge coverage ratio, minimum availability requirements and a restriction on dividends to shareholders.

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 March 31, 2015, equipment payable was nil compared to \$2.4 million as of March 31, 2014. The equipment payable is secured by the associated assets purchased.

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

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During the three months ended March 31, 2015 the Company did not participate in any off-balance sheet arrangements.

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## **Transactions between Related Parties:**

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At March 31, 2015, there is a loan outstanding to a former officer of the Company with a balance due to Noble Iron of \$0.1 million.

## **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 audited Consolidated Financial Statements for the twelve months ended December 31, 2014.

## **Financial Instruments:**

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The Company is exposed to certain risks related to its financial instruments during its normal course of business including, but not limited to; liquidity risk, foreign currency risk, interest rate risk, and credit risk. Noble Iron's financial instruments are detailed below. Noble Iron manages these financial instruments to support the Company's strategy for growth and ongoing operations.

The carrying amount of the Company's short-term financial assets include cash and accounts receivable, and management has determined that the carrying value of these assets approximates the fair value at the reporting date.

The carrying amount of the Company's short-term financial liabilities include accounts payable, accrued liabilities, other current liabilities, and short term debt. Management has determined that the carrying value approximates the fair value at the reporting date.

Management has determined that the carrying value of the Company's long-term debt and license obligation approximates the fair 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 at the reporting date.

## **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 risk for the Company as it continues to grow and deploy the Noble Iron business model. As described under "Liquidity", the Company had a cash balance of approximately \$1.1 million as of the close of business on March 31, 2015 and had working capital of \$3.1 million. 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.

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## **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:**

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.

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. 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,

# NOBLE IRON INC

Management's Discussion & Analysis for the Three Months Ended March 31, 2015

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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. As of the date of filing this MD&A, the company had 27,417,479 common shares issued and outstanding. There are no preferred shares outstanding as of the date of filing.

The Board of Directors ratified, confirmed, and approved a Restricted Share Plan that was adopted effective June 10, 2014. A maximum of 1,000,000 of the Company's shares are available for grant under the Restricted Share Plan. As of the date of this filing Noble Iron had no restricted shares issued. Further information can be found in the Company's Consolidated Financial Statements for the periods ended December 31, 2014 and 2013.

## **Subsequent Event:**

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In conjunction with the consolidation of the Southern California operations to a centralized location in Pico Rivera, the Company vacated the Long Beach facility and was excused from the remainder of the lease obligation with no penalty as of May 31, 2015.

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