

Interim Condensed  
Consolidated Financial Statements

**NOBLE IRON INC.**

(formerly Texada Software Inc.)

For the three and nine months ended September 30, 2012 and 2011  
(Unaudited)

**MANAGEMENT'S COMMENTS ON  
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Noble Iron Inc. (the "Company"), formerly Texada Software Inc., have been prepared by and are the responsibility of the Company's management. The unaudited interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# NOBLE IRON INC. (formerly Texada Software Inc.)

Interim Condensed Consolidated Statements of Financial Position  
(Unaudited)

As at September 30, 2012 and December 31, 2011

	September 30, 2012	December 31, 2011
<b>Assets</b>		
Current assets:		
Cash	\$ 2,597,181	\$ 1,978,219
Accounts receivable	3,340,342	2,326,136
Inventory	427,396	327,314
Prepaid expenses and other assets	755,383	546,330
	7,120,302	5,177,999
Indemnity fund	-	203,400
Property and equipment (note 5)	22,434,485	17,546,769
Intangible assets (note 6)	1,254,694	1,204,401
Loan receivable	87,500	87,500
	\$ 30,896,981	\$ 24,220,069
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,076,148	\$ 2,282,538
Deferred revenue	268,346	311,238
Current portion of license obligation	203,239	195,567
Current portion of long-term debt	166,722	1,199,879
	3,714,455	3,989,222
License obligation	605,693	756,719
Long-term debt (note 7)	16,130,712	11,818,140
Deferred income tax liability	1,162,000	1,522,000
Shareholders' equity:		
Share capital (note 8)	25,261,920	20,675,595
Contributed surplus	2,798,395	2,658,583
Accumulated other comprehensive income	19,459	373,783
Deficit	(18,795,653)	(17,573,973)
	9,284,121	6,133,988
	\$ 30,896,981	\$ 24,220,069

See accompanying notes to interim unaudited condensed consolidated financial statements.

# NOBLE IRON INC. (formerly Texada Software Inc.)

## Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Revenue:</b>				
Software and services	\$ 1,127,320	\$ 1,091,470	\$ 3,690,227	\$ 3,391,252
Rental	2,842,651	791,954	8,328,174	791,954
	<u>3,969,971</u>	<u>1,883,424</u>	<u>12,018,401</u>	<u>4,183,206</u>
<b>Cost of revenue:</b>				
Software and services	122,374	104,844	410,384	404,534
Rental	949,829	225,610	2,776,276	225,610
	<u>1,072,203</u>	<u>330,454</u>	<u>3,186,660</u>	<u>630,144</u>
Gross profit	2,897,768	1,552,970	8,831,741	3,553,062
<b>Operating expenses:</b>				
Support, maintenance and delivery	1,605,992	750,670	4,503,764	1,434,103
Sales and marketing	252,355	133,915	825,589	310,032
Research and development	237,493	179,425	646,986	553,532
General and administration	1,706,528	648,819	4,464,584	1,535,932
Gain on fair value increment on acquisition	-	(5,160,673)	-	(5,160,673)
Business acquisition expenses	-	300,000	-	300,000
Gain on expiry of default judgment (note 4)	(691,424)	-	(691,424)	-
	<u>3,110,944</u>	<u>(3,147,844)</u>	<u>9,749,499</u>	<u>(1,027,074)</u>
Income (loss) before the undernoted	(213,176)	4,700,814	(917,758)	4,580,136
<b>Financing costs:</b>				
Interest expense	200,712	19,669	705,875	53,053
Interest expense on convertible debentures	-	303,441	-	373,670
Accretion on convertible debentures	-	19,438	-	56,034
Foreign exchange loss (gain)	(23,895)	589	(41,953)	13,261
	<u>176,817</u>	<u>343,137</u>	<u>663,922</u>	<u>496,018</u>
Income (loss) before income taxes	(389,993)	4,357,677	(1,581,680)	4,084,118
Deferred income tax recovery	100,000	-	360,000	-
Net income (loss)	(289,993)	4,357,677	(1,221,680)	4,084,118
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustment	(423,397)	126,254	(354,324)	121,603
Total comprehensive income (loss)	\$ (713,390)	\$ 4,483,931	\$ (1,576,004)	\$ 4,205,721
<b>Net earnings (loss) per share: (note 8)</b>				
Basic	\$ (0.02)	\$ 0.83	\$ (0.09)	\$ 1.18
Diluted	\$ (0.02)	\$ 0.83	\$ (0.08)	\$ 1.18
<b>Weighted average number of shares outstanding: (note 8)</b>				
Basic	17,133,042	5,251,122	14,080,658	3,463,894
Diluted	17,599,503	5,251,122	14,547,119	3,463,894

See accompanying notes to interim unaudited consolidated financial statements.

# NOBLE IRON INC. (formerly Texada Software Inc.)

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

Nine months ended September 30, 2012 and 2011

	Share capital	Convertible debentures conversion option	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, January 1, 2011	\$ 15,571,062	\$ 139,717	\$ 2,412,107	\$ 105,856	\$ (19,250,350)	\$ (1,021,608)
Stock-based compensation	-	-	52,659	-	-	52,659
Share capital issuance	3,970,000	-	-	-	-	3,970,000
Other comprehensive income - foreign currency translation adjustment	-	-	-	121,603	-	121,603
Net earnings	-	-	-	-	4,084,118	4,084,118
<b>Balance, September 30, 2011</b>	<b>19,541,062</b>	<b>139,717</b>	<b>2,464,766</b>	<b>227,459</b>	<b>(15,166,232)</b>	<b>7,206,772</b>
Balance, December 31, 2011	\$ 20,675,595	\$ -	\$ 2,658,583	\$ 373,783	\$ (17,573,973)	\$ 6,133,988
Stock-based compensation	-	-	141,770	-	-	141,770
Share capital issuance	4,572,400	-	-	-	-	4,572,400
Share capital issuance - exercise of share options	13,925	-	(1,958)	-	-	11,967
Other comprehensive income - foreign currency translation adjustment	-	-	-	(354,324)	-	(354,324)
Net loss	-	-	-	-	(1,221,680)	(1,221,680)
<b>Balance, September 30, 2012</b>	<b>\$ 25,261,920</b>	<b>\$ -</b>	<b>\$ 2,798,395</b>	<b>\$ 19,459</b>	<b>\$ (18,795,653)</b>	<b>\$ 9,284,121</b>

See accompanying notes to interim unaudited condensed consolidated financial statements.

# NOBLE IRON INC. (formerly Texada Software Inc.)

Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited)

Nine months ended September 30, 2012 and 2011

	September 30, 2012	September 30, 2011
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ (1,221,680)	\$ 4,084,118
Items not involving cash:		
Amortization	2,576,189	248,196
Indemnity fund	203,400	-
Stock-based compensation	141,770	52,659
Interest expense	705,875	53,053
Gain on property and equipment disposals	(188,036)	-
Interest on convertible debentures added to principal	-	373,670
Accretion on convertible debentures	-	56,034
Gain on fair value increment on acquisition	-	(5,160,673)
Gain on expiry of default judgment	(691,424)	-
Unrealized foreign exchange gain	(131,743)	(121,603)
Tax recovery	(360,000)	-
Change in non-cash operating working capital (note 10)	(594,038)	(999,306)
	440,313	(1,413,852)
Investing activities:		
Business acquisitions	(2,287,220)	(122,413)
Proceeds on sale of property and equipment	373,677	-
Purchase of property and equipment	(5,818,597)	(26,844)
Acquisition of intangible assets	(110,787)	-
	(7,842,927)	(149,257)
Financing activities:		
Proceeds from issuance of common shares	4,586,325	3,970,000
Proceeds from long-term debt, net of repayments	4,312,572	-
Interest paid	(713,270)	(2,489)
Repayment of license obligation	(160,032)	-
	8,025,595	3,967,511
Effect of exchange rate changes on cash	(4,019)	(88,996)
Increase (decrease) in cash	618,962	2,315,406
Cash, beginning of period	1,978,219	851,371
Cash, end of period	\$ 2,597,181	\$ 3,166,777

See accompanying notes to interim unaudited condensed consolidated financial statements.

# **NOBLE IRON INC.** (formerly Texada Software Inc.)

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended September 30, 2012 and 2011

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## **1. Reporting entity:**

Noble Iron Inc. (the "Company") was incorporated under the Company's Act (British Columbia). On July 23, 2012, the Company changed its name to Noble Iron Inc. from Texada Software Inc. The address of the Company's registered office is 7B-291 Woodlawn Road West Guelph, Ontario, N1H 7L6. Certain senior management of the Company are located in Houston, Texas. The interim condensed consolidated financial statements of the Company as at and for the nine months ended September 30, 2012 and 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

On July 23, 2012, the Company completed the consolidation of its outstanding common shares on the basis of one (1) new common share for every five (5) old common shares. All references in these financial statements to number of shares reflect this consolidation as if it took place on December 31, 2010.

Noble Iron Inc. (TSXV: NIR), operates in three complementary sectors: equipment rental, equipment dealership and enterprise asset management software, for the construction and industrial equipment industry.

The Company operates its equipment rental business and dealership under the name "Noble Iron." Noble Iron rental depots currently serve customers in California and Texas. Noble Iron's dealership offer select manufacturers' equipment and accessories for sale and is the exclusive distributor of LiuGong Construction Machinery equipment in Southeast Texas.

The Company's software division, Texada Software, provides software applications to manage the complete asset ownership lifecycle, from acquisition, rental, sales and other activities, through to disposal. Texada Software offers in-the-cloud or client-based software, and is scalable to meet the needs of any customer.

## **2. Basis of preparation:**

### **(a) Statement of compliance:**

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2011, which are available on SEDAR. These condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors on November 29, 2012.

### **(b) Basis of measurement:**

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

# **NOBLE IRON INC.** (formerly Texada Software Inc.)

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended September 30, 2012 and 2011

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## **2. Basis of preparation (continued):**

(c) Functional and presentation currency:

The functional currency of the Group's entities is the currency of their primary economic environment.

In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, assets and liabilities of Group entities reported in their functional currencies are translated into the Canadian dollar at the exchange rate on the reporting date.

The functional currency of the Company's Canadian operations is the Canadian dollar. The functional currency of the Company's subsidiary operations located in the United States is the US dollar and for its operations in Australia, the Australian dollar.

(d) Future Accounting Pronouncements:

The IASB has issued the following pronouncements.

IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurements, which fair value is required or permitted under IFRS.

Annual Improvements to IFRSs 2009-2011 Cycle – various standards

The above pronouncements shall be applied to annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not early adopted these standards, amendments and interpretations; however, the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.



# NOBLE IRON INC. (formerly Texada Software Inc.)

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended September 30, 2012 and 2011

### 3. Acquisition of the operating assets of Bane Machinery Houston LP:

On July 9, 2012, a Company wholly-owned U.S. subsidiary completed the acquisition of certain operating assets of Bane Machinery Houston LP ("Bane"), a Houston, Texas based equipment rental and distribution facility, which was established 2007 (the "Bane Acquisition").

The total cash consideration of the transaction was approximately \$2.3 Ml. U.S. In conjunction with the acquisition of the assets of the business acquired, including an active customer list, the Company retained all employees of the business and entered into a lease on the property where the business is conducted. None of Bane's liabilities were assumed as part of the acquisition.

The business will operate a full rental and distribution location (CELL: Centralized Equipment Logistics Location ™) serving southeast Texas. The transaction will allow the Company to expand its operational footprint and its strong relationship with key equipment suppliers

The acquisition was accounted for using the purchase method. The purchase price was allocated to the assets acquired and the liabilities assumed based upon their estimated fair values as follows:

Assets acquired:	
Parts inventory	\$ 33,294
Property and equipment:	
Shop equipment	141,999
Vehicles	39,172
Rental fleet	2,039,200
Intangible asset - customer list	24,483
Fair value of assets acquired	\$ 2,278,148
Consideration paid:	
Cash paid at closing	\$ 2,278,148
Total consideration	\$ 2,278,148

The above purchase price allocation is preliminary and may be revised once a valuation of the assets acquired is completed.

Commencing on the acquisition date of July 9, 2012, the Company will provide amortization of property and equipment and the intangible asset acquired over their respective useful lives, using a straight-line method, as follows: a) property and equipment – three to six years; and b) customer list – five years.

The assets and results of operations of Bane have been consolidated with the Company from the acquisition date of July 9, 2012. The revenue and earnings that would have been derived from the Bane acquisition prior to the acquisition date of July 9, 2012 is indeterminable.

# NOBLE IRON INC. (formerly Texada Software Inc.)

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended September 30, 2012 and 2011

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#### 4. Gain on expiry of default judgment:

During the most recent quarter, the execution and appeal periods for a default judgment in the original amount of \$219,259 U.S. rendered against a wholly owned U.S. subsidiary in September 2002 have expired.

The original default judgment amount was accrued during the year ended December 31, 2002 and interest on the judgment has been recorded in the Company's financial statements in each subsequent quarter up to and including June 30, 2012.

Accordingly, during the current quarter, the Company has recorded a gain on expiry of default judgment in these financial statements in the amount of \$691,424 to reverse the accrued liability relating to the default judgment.

#### 5. Property and equipment:

During the nine months ended September 30, 2012 additions to property and equipment were \$5,818,596 (2011 - \$26,844). The net book value of disposals of property and equipment was \$185,641 during the nine months ended September 30, 2012 (2011 - nil).

#### 6. Intangible assets:

During the nine months ended September 30, 2012 additions to intangible assets were \$110,787 (2011 - nil). There were no disposals of intangibles in 2012 or 2011.

#### 7. Long-term debt:

##### a) Revolving Credit Facility

In May 2012, a Company wholly owned U.S. subsidiary completed a refinancing of its long-term debt. The existing debt facilities were repaid with the proceeds of the new loan facility. The salient terms of this loan facility are as follows:

- \$25.0 MI. U.S. Revolving Senior Secured Line of Credit Facility with a four year term;
- Interest rate of one month LIBOR plus 325 basis points; no scheduled principal payments;
- A total of \$13.2 MI. U.S. funded at closing leaving \$11.8 MI. undrawn and available, subject to applicable borrowing base determined by the value of rental fleet, accounts receivable and inventory.

The facility requires a daily cash sweep that is credited against outstanding debt and has no scheduled principal payments during the four year term. The facility is evidenced by a revolving note. Security for the facility includes a continuing first charge security interest in all of the U.S. subsidiary's assets. Noble Iron Inc. has provided a corporate guarantee of the facility supported by a pledge of its common shares in the subsidiary.

The facility also covenants certain fixed charge coverage and liquidity requirements. As of September 30, 2012, the Company is in compliance with these covenants.

# **NOBLE IRON INC.** (formerly Texada Software Inc.)

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended September 30, 2012 and 2011

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## **7. Long-term debt (continued):**

As there are no scheduled principal repayments on the facility in the next 12 months, the full amount of the debt has been shown as long-term in the Company's interim condensed consolidated statements of financial position as of September 30, 2012.

### b) Equipment Inventory Financing

In August 2012, a Company wholly owned U.S. subsidiary entered into an inventory financing agreement with a lender to provide a line of credit for the purchase of rental and distribution equipment. The salient terms of this agreement are as follows:

- \$0.7 Ml. U.S. Line of Credit Facility with individual equipment schedules amortized equally over 48 months;
- Interest rate equal to the 90 day LIBOR plus 450 basis points (minimum LIBOR floor of 50 basis points);
- Advance rate to invoice cost of 70%.

## **8. Share capital:**

### (a) Authorized:

100,000,000 preferred shares without par value, assumable in one or more series. An unlimited number of common shares without par value.

### (b) Issued:

On July 23, 2012, the Company completed the consolidation of its outstanding common shares on the basis of one (1) new common share for every five (5) old common shares. All references in these financial statements to number of shares reflect this consolidation as if it took place on December 31, 2010.

The Company had 17,197,831 issued and outstanding common shares as at September 30, 2012. During the nine months ended September 30, 2012, the Company issued a total of 4,643,366 common shares, including 126,110 under a shares for debt transaction, 17,266 on the exercise of share options and 4,500,000 shares in conjunction with the closing of a private placement.

# NOBLE IRON INC. (formerly Texada Software Inc.)

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended September 30, 2012 and 2011

## 9. Net income per share:

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

	2012	2011
Net income (loss)	\$ (1,221,680)	\$ 4,084,118
Weighted average number of common shares outstanding:		
Basic	14,080,658	3,463,894
Diluted	14,457,119	3,463,894
Net earnings (loss) per share:		
Basic	\$ (0.09)	\$ 1.18
Diluted	\$ (0.08)	\$ 1.18

## 10. Changes in non-cash operating working capital:

	2012	2011
Accounts receivable	\$(1,014,206)	\$ 43,344
Inventory	(100,083)	(31,107)
Prepaid expenses and other assets	(209,053)	(873,256)
Accounts payable and accrued liabilities	772,196	(155,894)
Deferred revenue	(42,892)	17,607
	\$ (594,038)	\$ (999,306)

## 11. Segmented information:

The Company currently operates in two reportable segments being, i) equipment rental and distribution and, ii) the development and distribution of enterprise asset and rental management software and related services to rental companies and other organizations.

The Company's external revenue by geographic region is based on the region in which the revenue is transacted. Property and equipment, intangible and other assets are based on the geographic region in which the Company operates.

(In 000's)	Nine months ended September 30,	
Revenue by Reportable Segment	2012	2011
Equipment rental	\$ 8,328	\$ 792
Software licenses and services	3,690	3,391
	\$ 12,018	\$ 4,183

# NOBLE IRON INC. (formerly Texada Software Inc.)

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended September 30, 2012 and 2011

## 11. Segmented information (continued):

(In 000's)	Nine months ended September 30,	
Net income (loss) by Reportable Segment	2012	2011
Equipment rental	\$ 135	\$ 5,147
Software licenses and services	777	(50)
	912	5,097
Less:		
Corporate expenses	\$ (2,119)	\$ (530)
Gain on expiry of default judgment	691	-
Interest expense	(706)	(53)
Interest expense and accretion on convertible debentures	-	(430)
	\$ (1,222)	\$ 4,084

(In 000's)	September 30,		December 31,	
Property and Equipment, Intangible Assets and Other Assets by Reportable Segment	2012	2011	2012	2011
Equipment rental	\$ 22,502	\$ 17,926		
Software licenses and services	1,274	1,116		
	\$ 23,776	\$ 19,042		

(In 000's)	Nine months ended September 30,	
Revenue by Geographic Segment	2012	2011
North America	\$ 11,497	\$ 3,423
Australia & New Zealand	521	760
	\$ 12,018	\$ 4,183

(In 000's)	September 30,		December 31,	
Property and Equipment, Intangible Assets and Other Assets by Geographic Segment	2012	2011	2012	2011
North America	\$ 23,766	\$ 19,027		
Australia	10	15		
	\$ 23,776	\$ 19,042		

For the nine months ended September 30, 2012, one customer accounted for 9% of total revenue. For the nine months ended September 30, 2011, two customers accounted for 12% of revenue. As at September 30, 2012, one customer accounted for 16% of the accounts receivable balance and as of December 31, 2011 no one customer accounted for 10% of the accounts receivable balance.

## 12. Subsequent event:

Subsequent to September 30, 2012, the Company announced that the significant software customer accounting for 9% of Company revenue for the nine months ended September 30, 2012 will migrate their Texada Software serviced locations to another software platform currently being utilized within their parent company's business.