Consolidated Interim Financial Statements of

# TUCKAMORE CAPITAL MANAGEMENT INC.

Three and Nine Months Ended September 30, 2013 and 2012
(Unaudited)

These statements have not been reviewed by an independent firm of Chartered Accountants.

**TUCKAMORE CAPITAL MANAGEMENT INC.**
Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)
(unaudited)

| | September 30, 2013 | December 31, 2012 Restated* |
|---|---|---|
| Assets | | |
| Current Assets: | | |
| Cash | $ 11,993 | $ 10,549 |
| Cash and short-term investments held in trust | 2,960 | 2,935 |
| Accounts receivable | 168,390 | 162,915 |
| Inventories | 16,775 | 16,073 |
| Prepaid expenses | 5,415 | 4,520 |
| Other current assets | 3,377 | 2,942 |
| Total current assets | $ 208,910 | $ 199,934 |
| Property, plant and equipment (note 3) | 61,834 | 64,473 |
| Long-term investments (note 6) | 25,745 | 24,994 |
| Goodwill (note 4) | 61,127 | 63,839 |
| Intangible assets (note 4) | 51,735 | 61,464 |
| Other assets | 630 | 685 |
| Total assets | $ 409,981 | $ 415,389 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 67,925 | 73,434 |
| Deferred revenue | 4,352 | 2,705 |
| Current portion of obligations under finance leases | 5,423 | 4,789 |
| Unsecured debentures (note 5) | 23,148 | - |
| Total current liabilities | $ 100,848 | $ 80,928 |
| Obligations under finance leases | 12,785 | 11,756 |
| Senior credit facility (note 5) | 89,671 | 89,300 |
| Secured debentures (note 5) | 157,962 | 152,860 |
| Unsecured debentures (note 5) | - | 18,781 |
| Deferred tax liability (note 7) | 5,818 | 8,513 |
| Shareholders' equity | 42,897 | 53,251 |
| Total liabilities & shareholders' equity | $ 409,981 | $ 415,389 |

*Certain amounts shown here do not correspond to the annual consolidated financial statements as at December 31, 2012 and reflect adjustments made as detailed in note 6.
See accompanying notes to unaudited consolidated interim financial statements.

**TUCKAMORE CAPITAL MANAGEMENT INC.**

Consolidated Interim Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)
(unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 Restated* | 2013 | 2012 Restated* |
| Revenues | $ 188,230 | $ 174,218 | $ 513,103 | $ 508,150 |
| Cost of revenues | (145,604) | (139,834) | (405,609) | (416,653) |
| Gross profit | 42,626 | 34,384 | 107,494 | 91,497 |
| Selling, general and administrative | (26,294) | (23,504) | (74,195) | (69,895) |
| Amortization of intangible assets | (1,646) | (2,910) | (7,050) | (7,868) |
| Depreciation | (4,145) | (4,086) | (11,943) | (10,782) |
| Income from long-term investments | 1,129 | 1,725 | 3,574 | 4,509 |
| Interest expense, net | (8,709) | (7,772) | (25,285) | (23,894) |
| Loss on de-recognition of debt (note 5) | - | - | - | (1,534) |
| Write-down of goodwill and intangible assets (note 4) | (5,713) | - | (5,713) | - |
| Restructuring costs | - | (926) | - | (926) |
| Loss before income taxes | $ (2,752) | $ (3,089) | $ (13,118) | $ (18,893) |
| Income tax recovery (expense) - current | 7 | (632) | (101) | (645) |
| Income tax recovery (expense) - deferred (note 7) | 173 | (610) | 2,695 | 2,515 |
| Net loss from continuing operations | $ (2,572) | $ (4,331) | $ (10,524) | $ (17,023) |
| Income from discontinued operations (net of income tax) | - | - | - | 1,962 |
| Net loss and comprehensive loss | $ (2,572) | $ (4,331) | $ (10,524) | $ (15,061) |
| | | | | |
| Loss per share (note 8) | | | | |
| Basic & Diluted: | | | | |
| Continuing operations | $ (0.04) | $ (0.06) | $ (0.15) | $ (0.24) |
| Net loss | $ (0.04) | $ (0.06) | $ (0.15) | $ (0.21) |

*Certain amounts shown here do not correspond to the interim consolidated financial statements as at September 30, 2012 and reflect adjustments made as detailed in note 6.

See accompanying notes to unaudited consolidated interim financial statements.

**TUCKAMORE CAPITAL MANAGEMENT INC.**
Consolidated Interim Statements of Shareholders' Equity
(In thousands of Canadian dollars, except per share amounts)
(unaudited)

| | Number of shares | Shareholders' Capital | Deficit | Contributed Surplus | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance - December 31, 2012 | 71,631,431 | $ 414,884 | $ (369,726) | $ 8,093 | $ 53,251 |
| Net loss for the period | - | - | (10,524) | - | (10,524) |
| Stock-based compensation | - | - | - | 170 | 170 |
| Balance - September 30, 2013 | 71,631,431 | $ 414,884 | $ (380,250) | $ 8,263 | $ 42,897 |

| | Number of shares | Shareholders' Capital | Deficit | Contributed Surplus | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance - December 31, 2011 | 71,631,431 | $ 414,884 | $ (345,864) | $ 6,917 | $ 75,937 |
| Net loss for the period (Restated*) | - | - | (15,061) | - | (15,061) |
| Stock-based compensation | - | - | - | 959 | 959 |
| Balance - September 30, 2012 | 71,631,431 | $ 414,884 | $ (360,925) | $ 7,876 | $ 61,835 |

*Please refer to note 11 for more details.
See accompanying notes to unaudited consolidated interim financial statements.

## TUCKAMORE CAPITAL MANAGEMENT INC.

Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
(unaudited)

| | | Nine months ended September 30, 2013 | | Nine months ended September 30, 2012 Restated* |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Net loss for the period | $ | (10,524) | $ | (15,061) |
| Items not affecting cash: | | | | |
| Income from discontinued operations (note 2) | | - | | (1,962) |
| Amortization of intangible assets | | 7,050 | | 7,868 |
| Depreciation | | 11,943 | | 10,782 |
| Deferred income tax recovery (note 7) | | (2,695) | | (2,515) |
| Income from equity investments, net of cash received | | (751) | | (32) |
| Non-cash interest expense | | 9,469 | | 8,304 |
| Amortization of deferred financing costs (note 5) | | 489 | | - |
| Loss on derecognition of debt (note 5) | | - | | 1,534 |
| Stock based compensation expense | | 170 | | 959 |
| Write-down of goodwill and intangible assets (note 4) | | 5,713 | | - |
| Changes in non-cash working capital | | (11,307) | | (21,497) |
| Cash provided by discontinued operations (note 2) | | - | | 106 |
| Total cash provided by (used in) operating activities | $ | 9,557 | $ | (11,514) |
| Investing activities: | | | | |
| Proceeds on disposal of investment | | - | | 7,866 |
| Purchase of property, plant and equipment (note 3) | | (3,613) | | (2,906) |
| Net proceeds on disposal of property, plant and equipment | | 729 | | 321 |
| Purchase of software | | (283) | | (29) |
| Decrease in other assets | | (55) | | (1,347) |
| Cash used by discontinued operations (note 2) | | - | | (7) |
| Total cash (used in) provided by investing activities | $ | (3,222) | $ | 3,898 |
| Financing activities: | | | | |
| Repayment of long-term debt | | (118) | | (6,200) |
| (Increase) decrease in cash held in trust | | (25) | | 3,907 |
| Repayment of finance lease obligations | | (4,748) | | (4,193) |
| Cash used in discontinued operations (note 2) | | - | | (385) |
| Total cash used in financing activities | $ | (4,891) | $ | (6,871) |
| Increase (decrease) in cash | | 1,444 | | (14,487) |
| Cash, beginning of period - continuing operations | | 10,549 | | 26,371 |
| Cash, beginning of period - discontinued operations | | - | | 285 |
| Cash, end of period | $ | 11,993 | $ | 12,169 |
| Cash, end of period - continuing operations | $ | 11,993 | $ | 12,169 |
| Supplemental cash flow information: | | | | |
| Interest paid | | 10,924 | | 20,984 |
| Supplemental disclosure of non-cash financing and investing activities: | | | | |
| Acquisition of property, plant and equipment through finance leases | | 6,420 | | 11,206 |

*Certain amounts here do not correspond to the interim consolidated financial statements as at September 30, 2012 and reflect adjustments made as detailed in note 6.
See accompanying notes to unaudited consolidated interim financial statements.

Tuckamore Capital Management Inc. ("Tuckamore") is a corporation formed pursuant to the Business Corporations Act (Ontario). The registered office is located in Toronto, Ontario. Tuckamore was created to indirectly invest in securities of private businesses, either in limited partnerships or in corporations (collectively the "Operating Partners").

The consolidated interim financial statements were authorized for issue in accordance with a resolution of the directors of Tuckamore on November 12, 2013.

## 1. Significant accounting policies

a) Basis of Presentation

These consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Financial Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

These consolidated interim financial statements have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

These consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2012.

**New standards, interpretations and amendments adopted by the Company**

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013.

The Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 13 *Fair Value Measurement*. As required by IAS 34, the nature and effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosures of Interest in Other Entities* will result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not have a material impact on the consolidated annual or interim financial statements of the Company.

The nature and the impact of each new standard/amendment is described below:

**IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements***

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS

10 changes the definition of control such that an investor controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

**IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures***

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of this new standard impacted the financial position of the Company by replacing proportionate consolidation of joint ventures in Titan, Gusgo and IC Group (see note 6) with the equity method of accounting. The effect of IFRS 11 is described in more detail in note 6, which includes a quantification of the effect on the financial statements.

**IFRS 13 *Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted fair value measurements carried out by the Company.

## 2. Discontinued operations

**Marketing**

a) On June 29, 2012 Tuckamore sold its 80% interest in Armstrong Partnership LP for cash proceeds of $5,366 and a distribution settled of $243. This resulted in an accounting gain of approximately $3,186. Approximately $3,800 of the total proceeds was used to repay the senior credit facility.

**Industrial Services**

a) In November 2011, the majority limited partner of Waydex Services LP ("Waydex") delivered to ClearStream an offer letter pursuant to the shotgun buy-sell provision of the limited partnership agreement governing Waydex. In December 2011 ClearStream elected to sell its 40% interest in Waydex to the majority partner. The buy-sell transaction closed on January 24, 2012 for gross proceeds of $2,500 resulting in a nominal accounting loss. Net proceeds were used to repay senior indebtedness in the amount of $2,400. No income or loss was recorded in 2012 related to Waydex.

(In thousands of Canadian dollars)

For the nine months ended September 30, 2012

| | Marketing |
|---|---|
| Revenue | $ 5,215 |
| Expenses | (4,877) |
| Loss before taxes | 338 |
| Gain on sale of investment | 3,192 |
| Income tax recovery - deferred | (1,568) |
| Net income from discontinued operations | 1,962 |
| Net income per share - basic | 0.03 |
| Net income per share - diluted | 0.03 |

## 3. Property, plant and equipment

During the nine months ended September 30, 2013, the Company acquired assets with a cost of $10,033, including equipment under finance leases of $6,420 (September 30, 2012 - $14,112, including equipment under finance leases of $11,206).

a) Collateral:

As at September 30, 2013, property, plant and equipment with a carrying amount of $41,176 is subject to a general security agreement under the long-term debt (December 31, 2012 - $47,819).

b) Capital Commitments:

As at September 30, 2013, Tuckamore had no capital commitments for the acquisition of new equipment (December 31, 2012 - $nil).

## 4. Impairment of goodwill and intangible assets with indefinite lives

Significant declines in business volumes at Gemma indicated that assets of Gemma may have been impaired. As such, management performed an impairment test on Gemma in the third quarter of 2013. This test was performed in accordance with the policy described in note 1 of the Company's consolidated annual financial statements for the period ended December 31, 2012.

**Valuation technique**

The recoverable value is based on the higher of value in use ("VIU"), using the income approach or the fair value less costs to sell ("FVLCS"), using the market approach. The income approach is predicated upon the value of the future cash flows that a business will generate. The discounted cash flow ("DCF") method was used which involves projecting cash flows and converting them into a present value equivalent through discounting, The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about earnings before taxes, interest, depreciation and amortization ("EBITDA"), capital expenditures, growth rates and discount rates.

**Growth**

The assumptions used were based on the Company's internal estimate. The Company used projected EBITDA and capital expenditures for five years and applied a perpetual long-term growth rate of 2% thereafter. The perpetual growth rates are management's estimate of long-term inflation and productivity growth in the industry and geographic locations in which it operates. In arriving at its forecasts, Tuckamore considered past experience, economic trends such as GDP growth and inflation as well as industry and market trends.

**Discount rate**

Tuckamore assumed discount rate of 18.5% in order to calculate the present value of projected future cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industries, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate.

During the quarter ended September 30, 2013, $2,712 of goodwill and $3,001 of brand intangibles related to Gemma were impaired as a result of business volume declines. Management has considered reasonably possible changes in assumptions for the discounted cash flows.

## 5. Senior credit facility and debentures

a) Senior credit facility

As at December 31, 2011 senior debt was $96,955 before deferred financing charges of $1,250.

On January 24, 2012 and June 29, 2012 the sales of Waydex Services LP and Armstrong Partnership closed for net proceeds of $2,400 and $3,800 respectively, which amounts were used to repay senior indebtedness.

On March 9, 2012 Tuckamore completed an assignment (the "Assignment") to Bank of Montreal ("BMO") of its senior credit facility from the Marret Lenders. In connection with the Assignment, BMO received an assignment of all of the rights and obligations of the Marret Lenders under the Senior Credit Facility. Tuckamore also entered into a third amended and restated credit agreement, providing improved borrowing terms to the Tuckamore group of companies (the "Amended Senior Credit Facility") and appointing BMO as agent. The maturity date of the senior credit facility is March 9, 2015. For accounting purposes, the assignment of the senior credit facility to BMO was a de-recognition of debt. A loss on de-recognition of $1,534 was recorded in 2012 representing transaction costs and the write-off of deferred financing costs related to the de-recognized credit facility.

On November 13, 2012 Tuckamore reached an agreement to amend the financial covenants related to the Senior Credit facility. The amended covenants include the interest coverage ratio, priority senior debt ratio and the minimum EBITDA ("Earnings Before Interest, Taxes, Depreciation & Amortization") amount. The amended covenants were in effect for the three quarters commencing the quarter ended September 30, 2012. As part of this amendment, the interest rate on the Senior Credit Facility was adjusted to prime plus 1.625%. The total cost of the amendment was 0.125% or $113 and this amount was expensed during the year ended December 31, 2012. On September 25, 2013 Tuckamore reached an agreement to amend the financial covenants ('the Second Amendment") related to the Senior Credit facility. The amended covenants include the interest coverage ratio, priority senior debt ratio and the minimum EBITDA amount, and are in effect for all quarters, commencing with the quarter ended September 30, 2013 through to December 2014. As part of the Second Amendment, the interest rate on the Senior Credit Facility was adjusted to prime plus 1.75%. This rate can be reduced when certain leverage ratios are achieved. The total cost of the amendment was 0.225% or $204 and this amount was expensed during the quarter ended September 30, 2013.

At September 30, 2013 Tuckamore was in compliance with its debt covenants. There is a risk that the Company may not meet certain debt covenants in the future and without an amendment from its senior lenders, the senior credit facility and debentures would be due on demand and classified as current.

Tuckamore is obligated to repay a portion of the senior credit facility prior to the maturity date of the senior credit facility based on proceeds from specified dispositions, proceeds from the issuance of equity instruments or based on excess operating cash flows as defined. During 2013, excess cash flows of $118 were used to repay a portion of the term facility.

(In thousands of Canadian dollars)

Advances outstanding under the Amended Senior Credit Facility at September 30, 2013 total $90,637 with $60,000 of this amount as a revolving facility and the balance as a term facility. The full amount of the revolving facility was drawn at September 30, 2013.

| | | |
|---|---|---|
| **Total senior credit facility at December 31, 2011** | $ | 96,955 |
| Repayments | | (6,200) |
| **Total senior credit facility at December 31, 2012** | $ | 90,755 |
| Repayments | | (118) |
| Advances | | - |
| **Total senior credit facility at September 30, 2013** | $ | 90,637 |
| Deferred financing costs at December 31, 2011 | | (1,250) |
| Additional deferred financing costs incurred on the old facility | | (403) |
| Deferred costs written off on de-recognition of debt | | 1,534 |
| Deferred financing costs incurred on new senior credit facility | | (1,961) |
| Amortization of deferred financing costs | | 625 |
| Deferred finance costs at December 31, 2012 | | (1,455) |
| Amortization of deferred financing costs | | 489 |
| Deferred finance costs at September 30, 2013 | | (966) |
| **Net Balance of senior credit facility at September 30, 2013** | $ | 89,671 |

b) Secured and unsecured debentures

The aggregate principal amount of the Secured Debentures is $176,228 and the maturity date of the Secured Debentures is March 23, 2016 (the "Secured Debenture Maturity Date"). The interest rate is 8% per annum, payable semi-annually in arrears on June 30 and December 31 in each year until the Secured Debenture Maturity Date. The Secured Debentures are listed on the Toronto Stock Exchange ("TSX"). Tuckamore has the option to repurchase any or all Secured Debentures outstanding at any time and Tuckamore also has the right to redeem in cash any or all Secured Debentures outstanding at any time in its sole discretion without bonus or penalty, provided all accrued interest is paid at redemption, assuming Tuckamore has cash available and subject to any restrictions in the senior credit facility. Tuckamore is also obligated to redeem a portion of the Secured Debentures prior to the Secured Debenture Maturity Date in certain circumstances based on proceeds from specified dispositions, proceeds from the issuance of equity instruments or based on excess operating cash flow as defined. The Secured Debentures have a security interest in substantially all of Tuckamore's assets which is subordinated to similar security interests granted in connection with the Senior Credit Facility or certain debt incurred in the future by Tuckamore's subsidiaries.

(In thousands of Canadian dollars)

The aggregate principal amount of the Unsecured Debentures is $26,552 and the maturity date is March 23, 2014 (the "Unsecured Debenture Maturity Date"). Interest will accrue on the principal amount of the Unsecured Debentures at a non-compounding rate of 3.624% per annum, payable in cash at the Unsecured Debenture Maturity Date. The Unsecured Debentures are listed on the TSX.

Tuckamore will repay the principal amount of the Unsecured Debentures on the Unsecured Debenture Maturity Date either in cash or by delivering common shares of Tuckamore at a conversion price of $0.2254 per common share. The total number of common shares to be issued on the repayment of the Unsecured Debentures is capped at 10% of the fully diluted common shares of Tuckamore on the repayment date. In certain circumstances Tuckamore's ability to settle the obligation through the issuance of shares will not be available. The Unsecured Debentures mature on March 23, 2014 and as such they have been reclassified as a current liability on the consolidated interim balance sheet.

| | | **Secured Debentures** | | **Unsecured Debentures** |
|---|---|---|---|---|
| Issue date | | March 23, 2011 | | March 23, 2011 |
| Principal Amount | $ | 176,228 | $ | 26,552 |
| Interest Rate | | 8.0% | | 3.624% |
| Carrying value at September 30, 2013 | $ | 157,962 | $ | 23,148 |
| Accretion expense recorded in 2013 | $ | 5,102 | $ | 4,367 |
| Accretion expense remaining to be recorded prior to maturity | $ | 18,266 | $ | 3,404 |
| Maturity Date | | March 23, 2016 | | March 23, 2014 |

(In thousands of Canadian dollars)

## 6. Share of Investments in a joint venture

Tuckamore has a 92% interest in Titan, an 80% interest in Gusgo and an 80% interest in IC Group. Please refer to the Company's audited annual consolidated financial statements for the year ended December 31, 2012 for more information on these entities.

Under IAS 31 *Investments in Joint Ventures* (prior to the transition to IFRS 11), the Company's interest in Titan, Gusgo and IC Group were classified as jointly controlled entities and Tuckamore's share of assets, liabilities, revenue and expenses were proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Company has determined that these entities are a joint venture and as such, they are required to be accounted for using the equity method. The effect of applying IFRS 11 on the three and nine months ended September 30, 2012 and as at December 31, 2012 is as follows:

| Impact on the consolidated statement of income and comprehensive income | Three months ended September 30, 2012 | Nine months ended September 30, 2012 |
|---|---|---|
| Decrease in the reported revenues | (15,318) | (46,043) |
| Decrease in the cost of revenue | 10,040 | 30,015 |
| Decrease in gross profit | (5,278) | (16,028) |
| Decrease in selling, general and administrative expenses | 3,590 | 10,931 |
| Decrease in depreciation | 161 | 475 |
| Decrease in other income | 9 | 31 |
| (Increase) decrease in future tax expense | (207) | 82 |
| Increase in income from long-term investments | 1,725 | 4,509 |
| **Net impact on net income and comprehensive income** | - | - |

| Impact on the consolidated balance sheet | As at December 31, 2012 |
|---|---|
| Increase in long-term investments | 24,994 |
| Decrease in cash and cash equivalents | (1,533) |
| Decrease in cash and short-term investments held in trust | (1,564) |
| Decrease in accounts receivable | (11,502) |
| Decrease in inventory | (9,715) |
| Decrease in prepaid expenses | (433) |
| Decrease in property, plant and equipment | (1,965) |
| Decrease in goodwill | (8,627) |
| Decrease in intangibles | (1,309) |
| Decrease in other assets | (1,090) |
| Decrease in accounts payable and accrued liabilities | 6,489 |
| Decrease in deferred revenue | 5,446 |
| Decrease in finance lease obligations | 570 |
| Decrease in deferred tax liability | 239 |
| **Net impact on equity** | - |

There is no material impact on the consolidated interim statement of cash flows and no impact on the basic and diluted earnings per share.

(In thousands of Canadian dollars)

## 7. Income taxes

The major components of income tax recovery (expense) are as follows:

| | Three months ended September 30, 2013 | Three months ended September 30, 2012 | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 |
|---|---|---|---|---|
| Total current income tax recovery (expense) | $ 7 | $ (632) | $ (101) | $ (645) |
| Deferred income tax recovery: | | | | |
| Origination and reversal of temporary differences | 173 | (600) | 2,668 | 2,181 |
| Deferred tax due to changes in tax rates | - | (10) | 27 | 334 |
| Total deferred income tax recovery | $ 173 | $ (610) | $ 2,695 | $ 2,515 |

## 8. Income (loss) per share

The shares issuable under the stock options are the only potentially dilutive units.

The following table sets forth the adjustments to the numerator and denominator for fully diluted income (loss) per share:

| Three months ended September 30, | 2013 | 2012 |
|---|---|---|
| Numerator: | | |
| Loss from continuing operations | $ (2,572) | $ (4,331) |
| Net loss | $ (2,572) | $ (4,331) |
| Denominator: | | |
| Weighted average number of shares outstanding (basic) | 71,631 | 71,631 |
| Effect of stock options vested[1] | - | - |
| Weighted average number of shares outstanding (diluted) | 71,631 | 71,631 |

| Nine months ended September 30, | 2013 | 2012 |
|---|---|---|
| Numerator: | | |
| Loss from continuing operations | $ (10,524) | $ (17,023) |
| Income from discontinued operations | - | 1,962 |
| Net loss | $ (10,524) | $ (15,061) |
| Denominator: | | |
| Weighted average number of shares outstanding (basic) | 71,631 | 71,631 |
| Effect of stock options vested[1] | - | - |
| Weighted average number of shares outstanding (diluted) | 71,631 | 71,631 |

[1] The effect of stock options vested for the three and nine months ended September 30, 2013 and three and nine months ended September 30, 2012 was anti-dilutive.

(In thousands of Canadian dollars)

## 9. Related party disclosures

a) Advances to operating partnerships

Tuckamore regularly provides advances to the operating partnerships to fund working capital needs. The advances bear interest at prime plus 1%, are unsecured and are due on demand. Advances are included in other current assets. The following table reflects the advances to other joint venture partners of the Operating Partnerships:

| As at | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Net advances to joint venture operating partners | $ 1,455 | $ 1,359 |

b) Employee loans

Employee loans were made to certain management and employees. In accordance with the terms and conditions, the loans bear interest at prime, were used to purchase shares of Tuckamore and are collateralized by shares and in certain cases personal guarantees. The loan balances were $1,335 as at September 30, 2013 and December 31, 2012.

c) Other related party transactions

Income from long-term investments is net of $230 and $690 of rent expense paid to a company owned by the minority shareholder of Gusgo for the three and nine months ended September 30, 2013 (2012 - $230 and $690). Tuckamore shares space and services with a business which employs two of its directors, and paid $66 and $227 for the three and nine months ended September 30, 2013 (2012 - $87 and $261) for such services. Interest charged to joint venture Operating Partners on advances was $189 and $556 for the three and nine months ended September 30, 2013 (2012 - $185 and $557). One of Tuckamore's former board members is a member of the executive team for a client of Gemma. Revenues in the amount of $2,428 and $7,375 were realized from this client during the period in which this particular board member served on Tuckamore's board for the three and nine months ended September 30, 2013 (2012 - $2,806 and $8,344). Another former member of Tuckamore's board of directors is a senior partner at a vendor from which Tuckamore obtains services. Total expenses and expenditures for services obtained during the period in which this particular board member served Tuckamore's board for the three and nine months ended September 30, 2013 amounted to approximately $319 and $796 (2012 - $975 and $1,962), respectively.

## 10. Segmented information

Tuckamore has three reportable operating segments, each of which has separate operational management and management reporting information. A majority of Tuckamore's operations, assets and employees are located in Canada. The marketing segment represents an integrated direct marketing company and a provider of on-line promotional and loyalty programs and select insurance products. The industrial services segment includes two reportable segments and represents the investments in a fully integrated provider of mid-stream production services to the energy industry and a provider of demolition contract services and site remediation services. The other segment includes a distributor and manufacturer of heavy equipment, a container transportation business and a reverse logistics provider. The corporate segment includes head office administrative and financing costs incurred by Tuckamore. The eliminations column represents adjustments required to reconcile Tuckamore's segmented reporting, to the reporting on the consolidated interim balance sheet and statement of loss and comprehensive loss. This column represents adjustments required to account for joint ventures under IFRS 11.

(In thousands of Canadian dollars)

| Three months ended September 30, 2013 | Marketing | Industrial Services | | Other | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| | | ClearStream | Quantum Murray | | | | |
| Revenues | 7,370 | 136,054 | 47,202 | 11,665 | - | (14,061) | 188,230 |
| Cost of revenues | (4,707) | (105,419) | (36,970) | (7,917) | - | 9,409 | (145,604) |
| Gross profit | 2,663 | 30,635 | 10,232 | 3,748 | - | (4,652) | 42,626 |
| Selling, general and administrative | (2,303) | (15,154) | (6,972) | (2,641) | (2,571) | 3,347 | (26,294) |
| Amortization of intangible assets | 274 | (1,462) | (446) | - | (12) | - | (1,646) |
| Depreciation | (145) | (2,562) | (1,494) | (115) | (3) | 174 | (4,145) |
| Income from long-term investments | - | - | - | - | - | 1,129 | 1,129 |
| Interest expense | (17) | (2,894) | (104) | (180) | (5,529) | 15 | (8,709) |
| Write-down of goodwill and intangible assets | (5,713) | - | - | - | - | - | (5,713) |
| Income (loss) before income taxes | (5,241) | 8,563 | 1,216 | 812 | (8,115) | 13 | (2,752) |
| Income tax recovery (expense) - current | - | 8 | - | - | (1) | - | 7 |
| Income tax recovery (expense) - deferred | 797 | 395 | (352) | 11 | (665) | (13) | 173 |
| Net income (loss) from continuing operations | (4,444) | 8,966 | 864 | 823 | (8,781) | - | (2,572) |
| Add back: | | | | | | | - |
| Interest expense | 17 | 2,894 | 104 | 180 | 5,529 | (15) | 8,709 |
| Amortization | (274) | 1,462 | 446 | - | 12 | - | 1,646 |
| Depreciation | 145 | 2,562 | 1,494 | 115 | 3 | (174) | 4,145 |
| Income tax (recovery) expense - current | - | (8) | - | - | 1 | - | (7) |
| Income tax (recovery) expense - deferred | (797) | (395) | 352 | (11) | 665 | 13 | (173) |
| EBITDA | (5,353) | 15,481 | 3,260 | 1,107 | (2,571) | (176) | 11,748 |
| Total assets as at: September 30, 2013 | 16,940 | 269,596 | 86,595 | 24,469 | 22,141 | (9,760) | 409,981 |
| Total liabilities as at: September 30, 2013 | 8,516 | 160,357 | 53,166 | 22,671 | 132,134 | (9,760) | 367,084 |

(In thousands of Canadian dollars)

| Nine months ended September 30, 2013 | Marketing | Industrial Services | | Other | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| | | ClearStream | Quantum Murray | | | | |
| Revenues | 23,583 | 391,051 | 106,651 | 36,826 | - | (45,008) | 513,103 |
| Cost of revenues | (15,077) | (309,930) | (85,452) | (25,130) | - | 29,980 | (405,609) |
| Gross profit | 8,506 | 81,121 | 21,199 | 11,696 | - | (15,028) | 107,494 |
| Selling, general and administrative | (7,403) | (44,009) | (20,352) | (8,288) | (5,052) | 10,909 | (74,195) |
| Amortization of intangible assets | (1,290) | (4,387) | (1,338) | - | (35) | - | (7,050) |
| Depreciation | (384) | (6,918) | (4,507) | (353) | (245) | 464 | (11,943) |
| Income from long-term investments | - | - | - | - | - | 3,574 | 3,574 |
| Interest expense | (41) | (8,743) | (230) | (531) | (15,807) | 67 | (25,285) |
| Write-down of goodwill and intangible assets | (5,713) | - | - | - | - | - | (5,713) |
| (Loss) Income before income taxes | (6,325) | 17,064 | (5,228) | 2,524 | (21,139) | (14) | (13,118) |
| Income tax expense - current | - | (91) | - | - | (10) | - | (101) |
| Income tax recovery (expense) - deferred | 1,226 | 1,306 | (317) | (20) | 486 | 14 | 2,695 |
| Net (loss) income from continuing operations | (5,099) | 18,279 | (5,545) | 2,504 | (20,663) | - | (10,524) |
| Add back: | | | | | | | |
| Interest expense | 41 | 8,743 | 230 | 531 | 15,807 | (67) | 25,285 |
| Amortization | 1,290 | 4,387 | 1,338 | - | 35 | - | 7,050 |
| Depreciation | 384 | 6,918 | 4,507 | 353 | 245 | (464) | 11,943 |
| Income tax expense - current | - | 91 | - | - | 10 | - | 101 |
| Income tax (recovery) expense - deferred | (1,226) | (1,306) | 317 | 20 | (486) | (14) | (2,695) |
| EBITDA | (4,610) | 37,112 | 847 | 3,408 | (5,052) | (545) | 31,160 |
| Total assets as at: September 30, 2013 | 16,940 | 269,596 | 86,595 | 24,469 | 22,141 | (9,760) | 409,981 |
| Total liabilities as at: September 30, 2013 | 8,516 | 160,357 | 53,166 | 22,671 | 132,134 | (9,760) | 367,084 |

# TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Interim Financial Statements
(In thousands of Canadian dollars)
Three and Nine months ended September 30, 2013 and 2012
(unaudited)

| Three months ended September 30, 2012 | Marketing | Industrial Services | | Other | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| | | ClearStream | Quantum Murray | | | | |
| Revenues | $ 8,861 | $ 120,019 | $ 48,516 | $ 12,140 | $ - | $ (15,318) | $ 174,218 |
| Cost of revenues | (5,906) | (97,368) | (38,410) | (8,190) | - | 10,040 | (139,834) |
| Gross profit | 2,955 | 22,651 | 10,106 | 3,950 | - | (5,278) | 34,384 |
| Selling, general and administrative | (2,297) | (12,185) | (7,988) | (2,617) | (2,007) | 3,590 | (23,504) |
| Amortization of intangible assets | (782) | (1,659) | (456) | - | (13) | - | (2,910) |
| Depreciation | (159) | (1,911) | (625) | (137) | (1,415) | 161 | (4,086) |
| Income from equity investment | - | - | - | - | - | 1,725 | 1,725 |
| Interest expense | (9) | (2,929) | (112) | (178) | (4,553) | 9 | (7,772) |
| Restructuring costs | - | - | (926) | - | - | - | (926) |
| (Loss) income before income taxes | $ (292) | $ 3,967 | $ (1) | $ 1,018 | $ (7,988) | $ 207 | $ (3,089) |
| Income tax expense - current | - | (632) | - | - | - | - | (632) |
| Income tax recovery (expense) - deferred | 218 | 967 | 182 | 220 | (1,990) | (207) | (610) |
| Net (loss) income from continuing operations | $ (74) | $ 4,302 | $ 181 | $ 1,238 | $ (9,978) | $ - | $ (4,331) |
| Add back: | | | | | | | |
| Interest expense | 9 | 2,929 | 112 | 178 | 4,553 | (9) | 7,772 |
| Amortization | 782 | 1,659 | 456 | - | 13 | - | 2,910 |
| Depreciation | 159 | 1,911 | 625 | 137 | 1,415 | (161) | 4,086 |
| Income tax expense - current | - | 632 | - | - | - | - | 632 |
| Income tax (recovery) expense - deferred | (218) | (967) | (182) | (220) | 1,990 | 207 | 610 |
| EBITDA | $ 658 | $ 10,466 | $ 1,192 | $ 1,333 | $ (2,007) | $ 37 | $ 11,679 |
| Total assets as at: December 31, 2012 | 25,560 | 263,449 | 91,920 | 24,954 | 22,250 | (12,744) | 415,389 |
| Total liabilities as at: December 31, 2012 | 11,253 | 172,915 | 53,104 | 23,035 | 114,575 | (12,744) | 362,138 |

(In thousands of Canadian dollars)

| Nine months ended September 30, 2012 | Marketing | Industrial Services | | Other | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| | | ClearStream | Quantum Murray | | | | |
| Revenues | $ 27,605 | $ 361,870 | $ 128,280 | $ 36,438 | $ - | $ (46,043) | $ 508,150 |
| Cost of revenues | (18,168) | (299,283) | (104,882) | (24,335) | - | 30,015 | (416,653) |
| Gross profit | 9,437 | 62,587 | 23,398 | 12,103 | - | (16,028) | 91,497 |
| Selling, general and administrative | (7,360) | (35,966) | (23,747) | (7,949) | (5,804) | 10,931 | (69,895) |
| Amortization of intangible assets | (2,347) | (4,110) | (868) | - | (545) | 2 | (7,868) |
| Depreciation | (494) | (4,965) | (1,831) | (402) | (3,563) | 473 | (10,782) |
| Income from equity investment | - | - | - | - | - | 4,509 | 4,509 |
| Interest expense | (32) | (8,618) | (250) | (540) | (14,485) | 31 | (23,894) |
| Loss on de-recognition of debt | - | - | - | - | (1,534) | - | (1,534) |
| Restructuring Costs | - | - | (926) | - | - | - | (926) |
| (Loss) income before income taxes | $ (796) | $ 8,928 | $ (4,224) | $ 3,212 | $ (25,931) | $ (82) | $ (18,893) |
| Income tax expense - current | (12) | (632) | - | - | - | (1) | (645) |
| Income tax (expense) recovery - deferred | (161) | 272 | 935 | (67) | 1,453 | 83 | 2,515 |
| Net (loss) income from continuing operations | $ (969) | $ 8,568 | $ (3,289) | $ 3,145 | $ (24,478) | $ - | $ (17,023) |
| Add back: | | | | | | | |
| Interest expense | 32 | 8,618 | 250 | 540 | 14,485 | (31) | 23,894 |
| Amortization | 2,347 | 4,110 | 868 | - | 545 | (2) | 7,868 |
| Depreciation | 494 | 4,965 | 1,831 | 402 | 3,563 | (473) | 10,782 |
| Income tax expense - current | 12 | 632 | - | - | - | 1 | 645 |
| Income tax expense (recovery) - deferred | 161 | (272) | (935) | 67 | (1,453) | (83) | (2,515) |
| EBITDA | $ 2,077 | $ 26,621 | $ (1,275) | $ 4,154 | $ (7,338) | $ (588) | $ 23,651 |
| Total assets as at: December 31, 2012 | 25,560 | 263,449 | 91,920 | 24,954 | 22,250 | (12,744) | 415,389 |
| Total liabilities as at: December 31, 2012 | 11,253 | 172,915 | 53,104 | 23,035 | 114,575 | (12,744) | 362,138 |

## 11. Comparative figures

As a result of discontinued operations and a change in the accounting treatment of financing costs related to the assignment of debt to BMO, the 2012 comparative consolidated interim statements of loss and comprehensive loss and cash flows have been reclassified from financial statements previously presented to conform to the September 30, 2013 interim consolidated financial statements. The comparative consolidated interim statement of loss and comprehensive loss categorizes the revenues and expenses of businesses sold in 2012 as discontinued operations.

Certain amounts and balances on the consolidated financial statements were restated as a result of Tuckamore's application of IFRS 11. Please refer to note 1 and note 6 for more information.