Automodular Corporation

Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

Unaudited

All numbers in thousands, except share and per share data

*** Notice of Disclosure of Non-Auditor Review of Interim Financial Statements**

Pursuant to Ontario Securities Act National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, the interim financial statements 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 Automodular Corporation "the Company" for the interim periods ended March 31, 2014 and 2013 have been prepared in accordance with IAS 34, *Interim Financial Reporting* and are the responsibility of the Company’s management.

The Company’s independent auditors, PricewaterhouseCoopers, LLP, have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

May 8, 2014

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(thousands of Canadian dollars)	**Notes**	**March 31, 2014**	**December 31, 2013**
ASSETS			
Cash and cash equivalents	7	$ 39,754	$ 35,902
Trade and other receivables	3 and 7	14,573	15,032
Income taxes recoverable	12	-	789
Prepaid expenses		890	930
Current assets		55,217	52,653
Deferred income taxes	12	1,088	1,088
Plant and equipment	5	3,378	4,426
Other assets	6	237	198
Total assets		**$ 59,920**	**$ 58,365**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Trade payables and accrued liabilities	7 and 14	$ 4,745	$ 5,738
Provisions	8 and 14	9,665	8,942
Income taxes payable	12	318	-
Current liabilities		14,728	14,680
Provisions	8 and 14	-	534
Total liabilities		**$ 14,728**	**$ 15,214**
Total shareholders' equity		**$ 45,192**	**$ 43,151**
Total liabilities and shareholders' equity		**$ 59,920**	**$ 58,365**

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

(thousands of Canadian dollars)	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)[1]	Retained earnings	Total
Balance, December 31, 2013		**$ 42,348**	**$ 705**	**$ (21)**	**$ 119**	**$ 43,151**
Net earnings		-	-		3,160	**3,160**
Foreign currency translation		-	-	-	23	**23**
Other comprehensive loss recycled to net earnings	11	-	-	21	-	**21**
Comprehensive income				21	3,183	**3,204**
Dividends	9	-	-	-	(1,163)	**(1,163)**
Balance, March 31, 2014		**$ 42,348**	**$ 705**	**$ -**	**$ 2,139**	**$ 45,192**

(thousands of Canadian dollars)	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)[1]	Deficit	Total
Balance, December 31, 2012		**$ 43,924**	**$ 955**	**$ (21)**	**$ (4,079)**	**$ 40,779**
Net earnings		-	-	-	3,637	**3,637**
Comprehensive income				-	3,637	**3,637**
Award of treasury shares	9	250	(250)	-	-	**-**
Dividends	9	-	-	-	(1,209)	**(1,209)**
Balance, March 31, 2013		**$ 44,174**	**$ 705**	**$ (21)**	**$ (1,651)**	**$ 43,207**

[1]All items included in accumulated other comprehensive income (loss), except the actuarial remeasurement, may be subsequently recycled to net earnings.

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(thousands of Canadian dollars, except share and per share amounts)	Notes	For the three months ended March 31, 2014	2013
Sales		$ 19,549	$ 21,808
Cost of sales	15	13,714	15,813
Exit costs	8 and 15	147	-
Gross margin		5,688	5,995
General and administrative expense	15	1,494	1,222
Interest (income)	10	(84)	(47)
Other expense (income)	11	11	(122)
Earnings before income taxes:		4,267	4,942
Current income taxes	12	1,107	1,404
Deferred income taxes	12	-	(99)
Net earnings attributable to the shareholders		**$ 3,160**	**$ 3,637**
Earnings per share:			
Basic	**9**	**$ 0.16**	**$ 0.18**
Diluted	**9**	**$ 0.16**	**$ 0.18**
Weighted average common shares outstanding:			
Basic	9	19,378,903	20,135,203
Diluted	9	19,378,903	20,135,203

AUTOMODULAR CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(thousands of Canadian dollars)	Notes	For the three months ended March 31, 2014	2013
Net earnings		$ 3,160	$ 3,637
Items recycled to net earnings:			
Other comprehensive loss recycled to net earnings	11	21	-
Foreign currency translation		23	-
Total comprehensive income attributable to the shareholders		**$ 3,204**	**$ 3,637**

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

		For the three months ended March 31,	
(thousands of Canadian dollars)	**Notes**	**2014**	**2013**
CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net earnings		$ 3,160	$ 3,637
Income taxes (paid)	12	-	(2,000)
Pension contribution	6	(53)	(54)
Items not involving current cash flows:			
Depreciation	5	1,072	1,762
Deferred income taxes	12	-	(99)
Interest (income)	10	(84)	(47)
(Gain) on disposal of investments	11	-	(110)
Other comprehensive loss recycled to net earnings	11	21	-
(Gain) on foreign exchange	11	(10)	(12)
Pension expense	6	14	17
Provisions	8 and 14	248	43
		4,368	3,137
Net change in non-cash working capital:			
Trade and other receivables	3 and 7	459	518
Income taxes	12	1,107	1,404
Prepaid expenses		40	(158)
Trade payables and accrued liabilities	7 and 14	(993)	(963)
Provisions	8 and 14	(59)	-
Net cash provided by operating activities		4,922	3,938
INVESTING ACTIVITIES			
Proceeds on disposal of investments	11	-	169
Interest received on cash and cash equivalents	10	81	47
Purchase of plant and equipment	5	(24)	(227)
Net cash provided (used) by investing activities		57	(11)
FINANCING ACTIVITIES			
Dividends	9	(1,163)	(1,209)
Net cash used by financing activities		(1,163)	(1,209)
Effect of exchange rate changes on cash		36	11
CHANGE IN CASH AND CASH EQUIVALENTS		**$ 3,852**	**$ 2,729**
Cash and cash equivalents, beginning of period		**$ 35,902**	**$ 24,961**
Cash and cash equivalents, end of period		**$ 39,754**	**$ 27,690**

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

1. SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

General business description and current operations

Automodular Corporation is a Canadian company which is listed on the Toronto Stock Exchange (the "TSX") under the symbol "AM". References to "Automodular" or "the Company" refer to Automodular Corporation and its direct and indirect subsidiaries unless the content indicates otherwise. Automodular was incorporated under the laws of the Province of Ontario and its registered address is 235 Salem Road South, Unit 6, Ajax, Ontario. Automodular is domiciled in Canada.

Automodular is a sequencer and sub-assembler of modules that are installed in equipment assembled by North American Original Equipment Manufacturers ("OEMs") at plants in Canada. Automodular is currently providing these services to the Ford Motor Company ("Ford"). By sequencing, we mean that the Company delivers the sub-assembled modules, such as an instrument panel or a powerpack, to the final assembly plant in precisely the sequence of their final installation in the vehicle and at precisely the time they are to be installed.

On May 14, 2013, Ford advised the Company that it intends to insource the sub-assembly and sequencing services currently performed by Automodular for its new program scheduled to commence in 2015. On October 18, 2013, Automodular signed an extension agreement with Ford that extends its existing multi-year agreement with Ford to December 23, 2014. Before the extension, the agreement was set to end on June 30, 2014. Automodular expects to close its two remaining operating facilities located in Oakville, Ontario at the end of the extension. The general framework of the agreement is in keeping with Automodular's existing multi-year agreement. As part of the extension agreement, Ford has provided certain production and price-related assurances and will fund Automodular's incremental closure costs related to this extension. In conjunction with the signing of the agreement with Ford, Automodular finalized a one-year labour extension agreement for its Oakville-area workers with Unifor (formerly the National Automobile, Aerospace, Transportation & General Workers Union of Canada ("CAW")). The existing labour agreement was set to expire on June 30, 2014. This extension provides for a signing bonus and improvements in severance entitlements.

If Automodular is not able to secure new business, either organically or through acquisition, the Company will cease to have active operations when it closes its Oakville facilities.

Basis of preparation

The accounting policies followed in these interim consolidated financial statements are consistent with those of the previous financial year. The interim financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), has been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2013. Key assumptions and estimates concerning exit costs, have been further outlined in Note 8 of these interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013, which are included in the Company's 2013 annual report.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

The accompanying interim consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or the full year.

These interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. References to "$" are to Canadian dollars.

2. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies followed in these interim consolidated financial statements are consistent with those of the previous financial year.

New standards and interpretations not yet adopted
New standards and amendments to standards and interpretations that are effective for annual periods beginning after January 1, 2015 have not been applied in preparing these interim consolidated financial statements. Not all new standards are applicable to the Company. The anticipated impact of the new and amended standard which is applicable to the Company is discussed below:

<u>International Financial Reporting Standard 9, *Financial Instruments*</u>
IFRS 9, *Financial Instruments,* will replace the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, and will be completed and implemented in three separate phases, which include classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Accounting for macro hedging will be issued as a separate standard. On November 19, 2013, IFRS 9 was formally amended to remove the January 1, 2015 effective date. The IASB also tentatively decided at its November 2013 meeting that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after January 1, 2017. The Company continues to monitor all of these developments and assess the impact.

3. TRADE AND OTHER RECEIVABLES

The Company adjusts receivable balances, through an allowance for doubtful accounts, to expected realizable value. The allowance for doubtful accounts, as at March 31, 2014, was $nil (December 31, 2013: $nil).

The aging of trade and other receivables (net of allowance for doubtful accounts) was as follows:

	March 31, 2014 **$**	**December 31, 2013** **$**
Current	14,551	15,012
Past due zero to thirty days	15	20
Over thirty days past due	7	-
Total	**14,573**	**15,032**

Included in the current amount above is $4,523 (December 31, 2013: $4,718) related to expected recoveries for certain incremental exit costs. See Note 8 for additional information on this balance.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

4. SEGMENT INFORMATION

The Chief Executive Officer ("CEO") is the Company's chief operating decision-maker. The Company has determined the operating segments based on the information reviewed by the CEO for the purposes of allocating resources and assessing performance. Two identified operating segments have been aggregated into one reportable segment.

The CEO considers the business from a products serviced perspective to include all sub-assembly services and other services. A geographic perspective is not considered as currently all operations reside in southern Ontario.

The CEO assesses the performance of the operating segments based on net earnings and non-GAAP measures such as EBITDA. The measure of EBITDA has been defined as earnings from operations before interest, tax expense and depreciation. The measure also excludes the effects of gains, losses or impairments on investments, foreign exchange and plant and equipment and other comprehensive income (loss) items recycled to net earnings.

Sales and net earnings

				Three months ended March 31, 2014
	Sales **$**	**Depreciation** **$**	**Income tax expense (recovery)** **$**	**Net earnings** **$**
Sub-assembly	19,549	1,060	1,185	3,371
All other segments	-	12	(78)	(211)
Total	**19,549**	**1,072**	**1,107**	**3,160**

				Three months ended March 31, 2013
	Sales **$**	**Depreciation** **$**	**Income tax expense** **$**	**Net earnings** **$**
Sub-assembly	21,808	1,740	1,340	3,624
All other segments	-	22	(35)	13
Total	**21,808**	**1,762**	**1,305**	**3,637**

There are no sales between segments. All sales disclosed are generated by services performed for external parties and are reported to the CEO in a manner consistent with that in the statement of operations.

Major customers

The sub-assembly segment above includes one customer with sales of $19,549 for the three-month period ended March 31, 2014 (2013: $21,807).

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

Assets

	March 31, 2014	December 31, 2013
	$	$
Sub-assembly	56,471	52,303
All other segments	2,124	3,987
Total segment assets	**58,595**	**56,290**
Other:		
Income taxes recoverable	-	789
Deferred income taxes	1,088	1,088
Other assets	237	198
Total assets per statement of financial position	**59,920**	**58,365**

The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Liabilities

	March 31, 2014	December 31, 2013
	$	$
Sub-assembly	13,799	14,136
All other segments	611	1,078
Total segment liabilities	**14,410**	**15,214**
Other:		
Income taxes payable	318	-
Total liabilities per statement of financial position	**14,728**	**15,214**

The amounts provided to the CEO with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

5. PLANT AND EQUIPMENT

Plant and equipment consists of the following:

	Leasehold improvements $	Manufacturing equipment $	Automotive equipment $	Other equipment and furniture $	Open capital projects $	Total $
Cost:						
January 1, 2013	**2,056**	**29,944**	**262**	**5,050**	**122**	**37,434**
Additions	9	251	-	385	(122)	523
Disposals	-	(43)	-	-	-	(43)
December 31, 2013	**2,065**	**30,152**	**262**	**5,435**	**-**	**37,914**
Additions	-	-	-	24	-	24
Disposals	-	-	-	-	-	-
March 31, 2014	**2,065**	**30,152**	**262**	**5,459**	**-**	**37,938**
Accumulated depreciation:						
January 1, 2013	**1,539**	**21,981**	**193**	**3,399**	**-**	**27,112**
Depreciation	204	5,244	30	898	-	6,376
December 31, 2013	**1,743**	**27,225**	**223**	**4,297**	**-**	**33,488**
Depreciation	80	722	9	261	-	1,072
March 31, 2014	**1,823**	**27,947**	**232**	**4,558**	**-**	**34,560**
Carrying amount:						
December 31, 2013	**322**	**2,927**	**39**	**1,138**	**-**	**4,426**
March 31, 2014	**242**	**2,205**	**30**	**901**	**-**	**3,378**

Proceeds from disposals are netted against the related asset’s cost and accumulated depreciation and included in other expense (income) on the statement of operations.

6. OTHER ASSETS

The Company has a defined benefit pension plan for a former Chief Executive Officer. The expense for the three-month period ended March 31, 2014 was $14 (2013: $17).

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

7. FINANCIAL INSTRUMENTS BY CATEGORY

The following table summarizes the Company's recurring measurement for financial instruments by category:

At March 31, 2014:

	Loans and receivables **$**
Assets	
Cash and cash equivalents	39,754
Trade and other receivables	14,573
Total	**54,327**

	Financial liabilities at amortized cost **$**
Liabilities	
Trade payables and accrued liabilities	4,745
Total	**4,745**

At December 31, 2013:

	Loans and receivables **$**
Assets	
Cash and cash equivalents	35,902
Trade and other receivables	15,032
Total	**50,934**

	Financial liabilities at amortized cost **$**
Liabilities	
Trade payables and accrued liabilities	5,738
Total	**5,738**

The carrying value of cash and cash equivalents, trade and other receivables and trade payables and accrued liabilities approximates their fair values due to the short-term nature of their maturities.

8. PROVISIONS AND EXIT COSTS

Contract update and exit costs

On May 14, 2013, the Company was advised by Ford that it intends to insource the sub-assembly and sequencing services currently performed by Automodular for its new program scheduled to commence in 2015. On October 18, 2013, Automodular signed an extension agreement with Ford that extends its existing multi-year agreement with Ford to December 23, 2014. Before the extension, the agreement was set to end on June 30, 2014.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

Automodular expects to close its two remaining operating facilities located in Oakville, Ontario at the end of the extension. The general framework of the agreement is in keeping with Automodular's existing multi-year agreement. As part of the extension agreement, Ford has provided certain production and price-related assurances and will fund Automodular's incremental closure costs related to this extension.

During the fourth quarter of 2013, in conjunction with the Ford commercial extension, Automodular also finalized an agreement on a one-year labour extension agreement for its Oakville-area workers with Unifor. The existing labour agreement was set to expire on June 30, 2014. The extension provides for certain signing bonuses and improvements in severance entitlements to the hourly workforce.

Exit costs

During the first quarter of 2014, net exit costs of $147 were recognized (2013: nil). Throughout the remainder of 2013, Automodular recorded net exit costs of $4,272 related to the anticipated end of the Ford extension. The majority of this amount reflected the Company's severance obligation to its hourly workforce as outlined in its Collective Agreement as well as the Company's statutory severance obligation to its salaried workforce. Also included in this amount were smaller amounts for certain facility and other employee-related costs.

Automodular expects to record additional severance costs relating to the closure when it determines and presents its formal communication plan to the affected salaried employees, which is currently expected to occur later in 2014.

The Company also expects to record facility and other related closure costs at the time they are incurred or at the time the facility is closed depending on their nature. It is expected that the majority of these costs will be recorded later in 2014.

Automodular will continue to re-examine estimates on a quarterly basis and revise as necessary.

Reimbursement of costs

Due to the signing of the contract extension with Ford, Automodular expects to be reimbursed for certain incremental closure costs as defined in the agreement. Accordingly, certain exit costs have been included in the interim consolidated statements of operations net of the anticipated recoveries from Ford.

Plant and equipment impairment

During the quarter, Automodular reviewed the carrying value of its equipment taking into account expected future cash flows and expected proceeds on sale or alternate use upon contract termination. The Company concluded that no impairment existed, and accordingly, no impairment needed to be recorded as at March 31, 2014.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

Provisions

	Severance and Facility $	Decommissioning $	Other $	Total $
Balance, January 1, 2014	**8,342**	**534**	**600**	**9,476**
Plus: additions to the provision	(30)	36	242	248
Less: amounts paid	(59)	-	-	(59)
Balance, March 31, 2014	**8,253**	**570**	**842**	**9,665**

Severance and facility provisions

Included in severance and facility provisions above are severance and facility costs related to the anticipated closure of the Company's Oakville facilities upon the expiration of the contract extension with Ford.

Decommissioning provisions

Decommissioning provisions are accrued in recognition of the Company's obligations to restore its facilities as required under existing lease agreements.

Other provisions

Included in other provisions are certain other closure costs which Automodular expects to incur with respect to its salaried employees. These costs are integral to serving out the remaining term of the Ford contract.

9. CAPITAL STOCK

	Outstanding #	Amount $
Issued and outstanding common shares		
December 31, 2013 and March 31, 2014	**19,378,903**	**42,348**

The above figures represent the net shares outstanding exclusive of the one treasury share held in the long-term incentive plan.

There were no new common shares issued in the periods ended March 31, 2014 and 2013.

Normal course issuer bid

In July 2012**,** Automodular's Board of Directors approved a Normal Course issuer bid (the "Bid" or "NCIB"). Under the terms of the Bid, Automodular could acquire up to 1,317,000 common shares, which represented 10% of the public float of Automodular's common shares issued and outstanding as of August 1, 2012, as defined by the policies of the TSX. The Bid period ran from August 8, 2012 until August 7, 2013.

On August 15, 2013, Automodular announced that the TSX had accepted the Corporation's notice of intention to renew its Normal Course issuer bid. Under the terms of the Normal Course issuer bid, Automodular may acquire up to 1,552,790 common shares, representing 10% of the public float of Automodular's common shares issued and outstanding as of August 12, 2013, as defined by the policies of the TSX. The normal course issuer bid commenced on August 19, 2013 and will terminate on August 18, 2014, or on such earlier date as Automodular completes its purchases.

In the three-month periods ended March 31, 2014 and 2013, no shares were repurchased for cancellation.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

Options

Under the Company's stock purchase plan, the Board of Directors is entitled to grant to designated directors, officers and employees of the Company or any subsidiary thereof, the right to purchase unissued common shares of the Company. The options are to be granted at a price not less than the fair value of the shares on the date of the grant. No options were granted or outstanding during the three-month periods ended March 31, 2014 and 2013.

Long-term incentive plan

The Company has a long-term incentive plan (the "Plan" or "LTIP") for designated participants of Automodular. The Plan currently holds one share. All compensation expense related to this plan has been recognized in prior periods.

Dividends

In the three-month periods ended March 31, 2014 and 2013, dividends totalling $1,163 and $1,213, respectively were declared and paid. Dividends have been reflected net of internal dividends of $nil and $4, respectively.

On May 8, 2014 the Company declared a regular quarterly dividend of $0.06 per common share payable on June 5, 2014 to shareholders of record as at May 22, 2014.

Weighted average common shares outstanding

	Three months ended March 31	
	2014	**2013**
	#	**#**
Weighted average issued common shares	19,378,903	20,212,849
Less: weighted average LTIP treasury shares	-	(77,646)
Weighted average common shares outstanding – basic and fully diluted	**19,378,903**	**20,135,203**

10. INTEREST (INCOME)

Interest (income) includes interest income earned as follows:

	Three months ended March 31,	
	2014	**2013**
	$	**$**
Interest (income) on cash and cash equivalents	**(84)**	**(47)**

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

11. OTHER EXPENSE (INCOME)

The components of other expense (income) include the following:

	Three months ended March 31,	
	2014	**2013**
	$	**$**
(Gain) on disposal of investments	-	(110)
Other comprehensive loss recycled to net earnings	21	-
(Gain) on foreign exchange	(10)	(12)
Total	**11**	**(122)**

12. TAXATION

The consolidated effective tax rate in respect of the operations for the three-month period ended March 31, 2014 was 26% (2013: 26%) and is based on management's best estimate of the annual income tax rate expected for the full financial year.

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel compensation and benefits, including the Company's directors and members of its executive management team, is as follows:

	Three months ended March 31,	
	2014	**2013**
	$	**$**
Salaries, fees and short-term employee benefits	467	443
Post-employment benefits	-	15
Total	**467**	**458**

14. CONTINGENCIES AND COMMITMENTS

General

In the ordinary course of business activities, the Company is a party to certain claims. Management believes that the resolution of such claims will not have a material adverse effect on the consolidated financial position of the Company.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

Trade payables and accrued liabilities and provisions

The following are the undiscounted contractual maturities of trade payables and accrued liabilities and provisions as at March 31, 2014:

	Total	Less than 1 year	1 to 2 years	After 2 years
	$	$	$	$
Trade payables and accrued liabilities	4,745	4,745	-	-
Provisions	9,665	9,665	-	-
Total	**14,410**	**14,410**	**-**	**-**

Operating leases

All of the Company's facilities are subject to operating leases and the Company also has certain operating lease commitments for equipment. Future operating lease commitments are shown below. Substantially all of the operating lease commitments relate to facility rentals. Commitments include US and CDN amounts and are denominated in the table below in Canadian dollars.

	$
Balance of 2014	2,234
2015 to 2017	4,524
Total	**6,758**

Payments on current operating leases over the next 12 months total $2,902.

15. EXPENSES BY NATURE

	Three months ended March 31,	
	2014	2013
	$	$
Wages and employee benefits	9,687	11,096
Transportation and facility-related costs	2,236	2,404
Other	2,213	1,773
Depreciation	1,072	1,762
Exit costs	147	-
Total cost of sales, exit costs and general and administrative expenses	**15,355**	**17,035**

16. SUBSEQUENT EVENTS

At the Annual and Special Meeting of Shareholders held on May 8, 2014, the shareholders approved the special resolution reducing the stated capital account maintained for the Company's common shares by the sum of $19,379. The Company will add the sum of $19,379 to the contributed surplus account maintained for its common shares, being an amount equivalent to the reduction of stated capital.