Automodular Corporation

Interim Consolidated Financial Statements

For the six months ended June 30, 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 June 30, 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.

August 7, 2014

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(thousands of Canadian dollars)	**Notes**		**June 30, 2014**		**December 31, 2013**
ASSETS					
Cash and cash equivalents	7	$	40,445	$	35,902
Trade and other receivables	3 and 7		18,791		15,032
Income taxes recoverable	12		-		789
Prepaid expenses			1,256		930
Current assets			60,492		52,653
Deferred income taxes	12		1,583		1,088
Plant and equipment	5		2,304		4,426
Other assets	6		224		198
Total assets		**$**	**64,603**	**$**	**58,365**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Trade payables and accrued liabilities	7 and 14	$	6,123	$	5,738
Provisions	8 and 14		12,343		8,942
Income taxes payable	12		532		-
Current liabilities			18,998		14,680
Provisions	8 and 14		-		534
Total liabilities		**$**	**18,998**	**$**	**15,214**
Total shareholders' equity		**$**	**45,605**	**$**	**43,151**
Total liabilities and shareholders' equity		**$**	**64,603**	**$**	**58,365**

The accompanying notes are an integral part of these interim consolidated financial statements

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		-	-	-	4,731	**4,731**
Foreign currency translation		-	-	28	-	**28**
Stated capital reduction	9	(19,379)	19,379	-	-	**-**
Other comprehensive loss recycled to net earnings	11	-	-	21	-	**21**
Comprehensive income		-	-	49	4,731	**4,780**
Dividends	9	-	-	-	(2,326)	**(2,326)**
Balance, June 30, 2014		**$ 22,969**	**$ 20,084**	**$ 28**	**$ 2,524**	**$ 45,605**

(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		-	-	-	4,410	4,410
Comprehensive income		-	-	-	4,410	**4,410**
Award of treasury shares	9	250	(250)	-	-	**-**
Shares repurchased for cancellation	9	(903)	-	-	232	**(671)**
Dividends	9	-	-	-	(2,420)	**(2,420)**
Balance, June 30, 2013		**$ 43,271**	**$ 705**	**$ (21)**	**$ (1,857)**	**$ 42,098**

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

The accompanying notes are an integral part of these interim consolidated financial statements

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(thousands of Canadian dollars, except share and per share amounts)	Notes	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Sales		$ 18,772	$ 21,939	$ 38,321	$ 43,746
Cost of sales	15	14,342	15,860	28,056	31,673
Exit costs	8 & 15	1,132	4,000	1,279	4,000
Gross margin		3,298	2,079	8,986	8,073
General and administrative expense	13 & 15	1,262	1,101	2,756	2,323
Interest (income)	10	(95)	(52)	(179)	(99)
Other expense (income)	11	9	(29)	20	(151)
Earnings before income taxes:		2,122	1,059	6,389	6,000
Current income taxes	12	1,046	475	2,153	1,879
Deferred income taxes	12	(495)	(190)	(495)	(289)
Net earnings attributable to the shareholders		**$ 1,571**	**$ 774**	**$ 4,731**	**$ 4,410**
Earnings per shares:					
Basic	**9**	**$ 0.08**	**$ 0.04**	**$ 0.24**	**$ 0.22**
Diluted	**9**	**$ 0.08**	**$ 0.04**	**$ 0.24**	**$ 0.22**
Weighted average common shares outstanding					
Basic	**9**	**19,378,903**	**20,048,293**	**19,378,903**	**20,130,858**
Diluted	**9**	**19,378,903**	**20,048,293**	**19,378,903**	**20,130,858**

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(thousands of Canadian dollars)	Notes	For the three months ended June 30, 2014	2013	For the six months ended June 30, 2014	2013
Net earnings		$ 1,571	$ 774	$ 4,731	$ 4,410
Items recycled to net earnings:					
Other comprehensive loss recycled to net earnings	11	$ -	$ -	$ 21	$ -
Foreign currency translation		28	-	28	-
Total comprehensive income attributable to the shareholders		**$ 1,599**	**$ 774**	**$ 4,780**	**$ 4,410**

The accompanying notes are an integral part of these interim consolidated financial statements

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

(thousands of Canadian dollars)	Notes	For the six months ended June 30, 2014	2013
CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net earnings		$ 4,731	$ 4,410
Income taxes (paid)	12	(832)	(2,900)
Pension contribution	6	(53)	(54)
Items not involving current cash flows:			
Depreciation	5	2,146	3,519
Deferred income taxes	12	(495)	(289)
Interest (income)	10	(179)	(99)
(Gain) on disposal of investments	11	-	(110)
Other comprehensive loss recycled to net earnings	11	21	-
(Gain) on foreign exchange	11	(1)	(41)
Pension expense	6	27	35
Provisions	8 and 14	4,018	4,000
		9,383	8,471
Net change in non-cash working capital:			
Trade and other receivables	3 and 7	(3,759)	315
Income taxes	12	2,153	1,879
Prepaid expenses		(326)	(415)
Trade payables and accrued liabilities	7 and 14	385	(747)
Provisions	8 and 14	(1,151)	181
Net cash provided by operating activities		6,685	9,684
INVESTING ACTIVITIES			
Proceeds on disposal of investments	11	-	168
Interest received on cash and cash equivalents	10	179	99
Purchase of plant and equipment	5	(24)	(431)
Net cash provided (used) by investing activities		155	(164)
FINANCING ACTIVITIES			
Dividends	9	(2,326)	(2,420)
Repurchase of shares in Normal Course issuer bid	9	-	(671)
Net cash used by financing activities		(2,326)	(3,091)
Effect of exchange rate changes on cash		29	42
CHANGE IN CASH AND CASH EQUIVALENTS		**$ 4,543**	**$ 6,471**
Cash and cash equivalents, beginning of period		**$ 35,902**	**$ 24,961**
Cash and cash equivalents, end of period		**$ 40,445**	**$ 31,432**

The accompanying notes are an integral part of these interim consolidated financial statements

(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. The general framework of the agreement is in keeping with Automodular's existing multi-year agreement. Automodular expects to close its Oakville operating facilities at the end of the extension. 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 and 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:

International Financial Reporting Standard 9, *Financial Instruments*
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 June 30, 2014, was $nil (December 31, 2013: $nil).

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

	June 30, 2014	**December 31, 2013**
	$	**$**
Current	18,770	15,012
Past due zero to thirty days	8	20
Over thirty days past due	13	-
Total	**18,791**	**15,032**

Included in the current amount above is $6,876 (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.

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 loss items recycled to net earnings.

Sales and net earnings

				Six months ended June 30, 2014
	Sales **$**	**Depreciation** **$**	**Income tax expense (recovery)** **$**	**Net earnings** **$**
Sub-assembly	38,321	2,123	1,730	4,928
All other segments	-	23	(72)	(197)
Total	**38,321**	**2,146**	**1,658**	**4,731**

				Six months ended June 30, 2013
	Sales **$**	**Depreciation** **$**	**Income tax expense** **$**	**Net earnings** **$**
Sub-assembly	43,746	3,481	1,619	4,433
All other segments	-	38	(29)	(23)
Total	**43,746**	**3,519**	**1,590**	**4,410**

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, Ford, with sales of $38,321 for the six-month period ended June 30, 2014 (2013: $43,746).

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

Assets

	June 30, 2014	December 31, 2013
	$	$
Sub-assembly	62,158	52,303
All other segments	638	3,987
Total segment assets	**62,796**	**56,290**
Other:		
Income taxes recoverable	-	789
Deferred income taxes	1,583	1,088
Other assets	224	198
Total assets per statement of financial position	**64,603**	**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

	June 30, 2014	December 31, 2013
	$	$
Sub-assembly	17,832	14,136
All other segments	634	1,078
Total segment liabilities	**18,466**	**15,214**
Other:		
Income taxes payable	532	-
Total liabilities per statement of financial position	**18,998**	**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
June 30, 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	161	1,443	19	523	-	2,146
June 30, 2014	**1,904**	**28,668**	**242**	**4,820**	**-**	**35,634**
Carrying amount:						
December 31, 2013	**322**	**2,927**	**39**	**1,138**	**-**	**4,426**
June 30, 2014	**161**	**1,484**	**20**	**639**	**-**	**2,304**

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 and six-month periods ended June 30, 2014 was $13 and $27, respectively (2013: $18 and $35, respectively).

(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 June 30, 2014:

	Loans and receivables
	$
Assets	
Cash and cash equivalents	40,445
Trade and other receivables	18,791
Total	**59,236**

	Financial liabilities at amortized cost
	$
Liabilities	
Trade payables and accrued liabilities	6,123
Total	**6,123**

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 half of 2014, the Company recorded net exit costs of $1,132 and $1,279 for the three and six-month periods (2013: $4,000).

Most of the 2013 net exit costs related to 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.

Net exit costs recorded in 2014 predominately relate to additional severance costs related to salaried employees and lease termination payments made to the Company's Oakville landlords. Salaried employees were provided with formal termination notification during the current quarter. The Company also advised its Oakville-area landlords of its intention to exercise the early termination clause in each of the facility leases to align the lease termination date with the Company's anticipated final occupancy date of each location. Also included in the costs booked during the first six months of the year were additional facility and other employee-related costs.

The Company also expects to record additional facility and other closure-related costs at the time they are incurred or at the time the facility is closed, depending on their nature.

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 June 30, 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	3,429	73	516	4,018
Less: amounts paid	(1,151)	-	-	(1,151)
Balance, June 30, 2014	**10,620**	**607**	**1,116**	**12,343**

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

	June 30, 2014		December 31, 2013	
	Outstanding #	Amount $	Outstanding #	Amount $
Issued and outstanding common shares	19,378,904	22,969	19,378,904	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 six month periods ended June 30, 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 Company's notice of intention to renew its Normal Course issuer bid. Under the terms of the renewed 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 renewed 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.

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

In the three and six-month periods ended June 30, 2014, no shares were repurchased for cancellation. During the second quarter of 2013, 412,545 shares, with a carrying value of $903, were repurchased for cancellation at a total cost of $671.

Stated capital reduction

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 increased the contributed surplus account maintained for its common shares, being an amount equivalent to the reduction of stated capital.

Included in the Company's contributed surplus balance are the income tax effects of certain inter-corporate capital transactions, compensation expense previously recorded on stock options granted and the impact of the reduction of stated capital.

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 and six-month periods ended June 30, 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. No additional contributions under this Plan are being contemplated at this time. All compensation expense related to this plan has been recognized in prior periods.

Dividends

In the three and six-month periods ended June 30, 2014, dividends totalling $1,163 and $2,326, respectively (2013: $1,213 and $2,426, respectively) were declared and paid. Dividends have been reflected net of internal dividends of $nil for both the three and six-month periods ended June 30, 2014 (2013: $2 and $6, respectively).

On August 7, 2014 the Company declared a regular quarterly dividend of $0.06 per common share payable on September 4, 2014 to shareholders of record as at August 21, 2014.

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

Weighted average common shares outstanding

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	#	**#**	**#**	**#**
Weighted average issued common shares	19,378,903	20,212,849	19,378,903	20,212,849
Less: weighted average shares cancelled under NCIB	-	(106,962)	-	(53,776)
Less: weighted average LTIP treasury shares	-	(57,594)	-	(28,215)
Weighted average common shares outstanding – basic and fully diluted	**19,378,903**	**20,048,293**	**19,378,903**	**20,130,858**

10. INTEREST (INCOME)

Interest (income) includes interest income earned as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Interest (income) on cash and cash equivalents	**(95)**	**(52)**	**(179)**	**(99)**

11. OTHER EXPENSE (INCOME)

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

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
(Gain) on disposal of investments	-	-	-	(110)
Other comprehensive loss recycled to net earnings	21	-	21	-
(Gain) on foreign exchange	(12)	(29)	(1)	(41)
Total	**9**	**(29)**	**20**	**(151)**

12. TAXATION

The consolidated effective tax rate in respect of the operations for the three and six-month periods ended June 30, 2014 was 26% and 26%, respectively (2013: 26% and 27%, respectively) and is based on management's best estimate of the annual income tax rate expected for the full financial year.

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

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 June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Salaries, fees and short-term employee benefits	468	443	935	886
Post-employment benefits	-	-	-	15
Total	**468**	**443**	**935**	**901**

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.

Trade payables and accrued liabilities and provisions

The following are the undiscounted contractual maturities of trade payables and accrued liabilities and provisions as at June 30, 2014:

	Total	**Less than 1 year**
	$	**$**
Trade payables and accrued liabilities	6,123	6,123
Provisions	12,343	12,343
Total	**18,466**	**18,466**

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	1,450
2015 to 2017	448
Total	**1,898**

Payments on current operating leases over the next 12 months total $1,898.

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

During the second quarter, the Company made lease termination payments to amend the lease termination date to February, 2015.

15. EXPENSES BY NATURE

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Wages and employee benefits	10,532	11,143	20,219	22,239
Transportation and facility-related costs	2,257	2,315	4,493	4,719
Other	1,741	1,746	3,954	3,519
Depreciation	1,074	1,757	2,146	3,519
Exit costs	1,132	4,000	1,279	4,000
Total cost of sales, exit costs and general and administrative expenses	**16,736**	**20,961**	**32,091**	**37,996**