

Consolidated Interim Financial Statements of

TUCKAMORE CAPITAL MANAGEMENT INC.

Three and Six Months Ended June 30, 2016 and 2015
(Unaudited)

TUCKAMORE CAPITAL MANAGEMENT INC.

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(unaudited)

	June 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,639	\$ 24,409
Cash and short-term investments held in trust	980	4,380
Accounts receivable	48,688	76,089
Inventories	3,453	3,114
Prepaid expenses	2,339	2,357
Other current assets	1,945	114
Current assets of discontinued operations and assets held for sale (note 2)	-	54,310
Total current assets	\$ 65,044	\$ 164,773
Property, plant and equipment (note 3)	28,316	30,873
Long-term investments	2,299	8,000
Goodwill (note 4)	22,288	30,988
Intangible assets	17,127	18,904
Other assets (notes 2 and 5)	6,162	-
Total assets	\$ 141,236	\$ 253,538
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	21,456	32,132
Current portion of obligations under finance leases	4,574	4,685
Senior credit facility (note 5)	-	58,482
Secured Debentures (note 5)	-	174,311
Current liabilities of discontinued operations and assets held for sale (note 2)	-	42,637
Total current liabilities	\$ 26,030	\$ 312,247
Obligations under finance leases	4,866	6,347
Senior secured debentures (note 5)	171,485	-
Convertible secured debentures (note 5)	24,172	-
Shareholders' deficit	(85,317)	(65,056)
Total liabilities & shareholders' deficit	\$ 141,236	\$ 253,538

The accompanying notes are an integral part of these 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 June 30,		Six months ended June 30,	
	2016	2015 Restated ¹	2016	2015 Restated ¹
Revenues	\$ 61,335	\$ 118,536	\$ 129,975	\$ 210,504
Cost of revenues	(55,870)	(103,608)	(119,194)	(183,846)
Gross profit	5,465	14,928	10,781	26,658
Selling, general and administrative expenses (note 5)	(3,725)	(4,030)	(8,623)	(9,597)
Amortization of intangible assets	(901)	(1,408)	(1,802)	(2,818)
Depreciation	(1,586)	(2,029)	(3,134)	(4,019)
Income (loss) from long-term investments	80	653	(155)	708
Interest expense, net	(4,704)	(5,793)	(10,945)	(11,745)
Gain on sale from assets held for sale (note 2)	-	-	1,114	-
Restructuring costs	-	(2,607)	-	(2,607)
Write-down of goodwill (note 4)	-	-	(8,700)	-
Loss from continuing operations	\$ (5,371)	\$ (286)	\$ (21,464)	\$ (3,420)
Income tax expense - current	(20)	(20)	(19)	(20)
Income tax recovery - deferred (note 7)	-	1,816	-	3,370
(Loss) income from continuing operations	\$ (5,391)	\$ 1,510	\$ (21,483)	\$ (70)
Loss from discontinued operations (net of income taxes) (note 2)	\$ (1,325)	\$ (7,784)	\$ (6,050)	\$ (10,620)
Net loss and comprehensive loss	\$ (6,716)	\$ (6,274)	\$ (27,533)	\$ (10,690)
(Loss) income per share (note 8)	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Basic:				
Continuing operations	\$ (0.05)	\$ 0.01	\$ (0.20)	\$ (0.00)
Net loss	\$ (0.06)	\$ (0.06)	\$ (0.25)	\$ (0.10)
Diluted:				
Continuing operations	\$ (0.05)	\$ 0.01	\$ (0.20)	\$ (0.00)
Net loss	\$ (0.06)	\$ (0.06)	\$ (0.25)	\$ (0.10)

The accompanying notes are an integral part of these financial statements.

¹Certain amounts shown here do not correspond to the interim consolidated financial statements previously published for the three and six months ended June 30, 2015. Please refer to note 12 for more details.

TUCKAMORE CAPITAL MANAGEMENT INC.

Consolidated Interim Statements of Shareholders' Equity and Deficit
(In thousands of Canadian dollars, except per share amounts)
(unaudited)

	Number of shares	Shareholders' Capital	Deficit	Contributed Surplus	Total Shareholders' Equity
Balance - December 31, 2015	109,941,241	\$ 461,758	\$ (529,241)	\$ 2,427	\$ (65,056)
Net loss for the period	-	-	(27,533)	-	(27,533)
Equity component of the convertible secured debentures (note 5)	-	7,272	-	-	7,272
Balance - June 30, 2016	109,941,241	\$ 469,030	\$ (556,774)	\$ 2,427	\$ (85,317)

	Number of shares	Shareholders' Capital	Deficit	Contributed Surplus	Total Shareholders' Equity
Balance - December 31, 2014	109,941,241	\$ 461,758	\$ (404,354)	\$ 2,427	\$ 59,831
Net income for the period	-	-	(10,690)	-	(10,690)
Balance - June 30, 2015	109,941,241	\$ 461,758	\$ (415,044)	\$ 2,427	\$ 49,141

The accompanying notes are an integral part of these financial statements.

TUCKAMORE CAPITAL MANAGEMENT INC.

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

	Six months ended June 30, 2016	Six months ended June 30, 2015 Restated ¹
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the period	\$ (27,533)	\$ (10,690)
(Income) loss from discontinued operations (net of income tax) (note 2)	6,050	10,620
Items not affecting cash:		
Amortization of intangible assets	1,802	2,818
Depreciation	3,134	4,019
Deferred income tax recovery (note 7)	-	(3,370)
Income from equity investments, net of cash received	(155)	(67)
Non-cash interest expense	2,112	3,692
Amortization of deferred financing costs	-	208
Write down of goodwill (note 4)	8,700	-
Gain on sale of assets held for sale (note 2)	(1,114)	-
Changes in non-cash working capital	14,639	9,907
Advances to discontinued operations	(5,961)	(21,350)
Cash provided by (used in) discontinued operations (note 2)	-	1,961
Total cash provided by (used in) operating activities	\$ 1,674	\$ (2,252)
Investing activities:		
Purchase of property, plant and equipment (note 3)	(795)	(1,377)
Net proceeds on disposal of property, plant and equipment	455	980
Purchase of software	(25)	-
Proceeds on the disposition of business (note 2)	14,800	300
Cash used in discontinued operations (note 2)	-	(1,111)
Total cash provided by (used in) investing activities	\$ 14,435	\$ (1,208)
Financing activities:		
Decrease in cash held in trust	3,400	-
Proceeds from the issuance of the senior secured debentures (note 5)	176,228	-
Proceeds from the issuance of the convertible secured debentures (note 5)	35,000	-
Repayment of the senior credit facility (note 5)	(58,735)	(4,184)
Repayment of the 8.00% secured debentures (note 5)	(176,228)	-
Refinancing fees (ABL Facility, senior and convertible secured debentures) (note 5)	(9,925)	-
Repayment of obligations under finance leases	(2,619)	(2,869)
Cash used in discontinued operations (note 2)	-	(579)
Total cash used in financing activities	\$ (32,879)	\$ (7,632)
Decrease in cash	(16,770)	(11,092)
Cash, beginning of the year - continuing operations	24,409	23,669
Cash, beginning of the year - discontinued operations	-	(1,088)
Cash, end of period	\$ 7,639	\$ 11,489
Cash, end of period - continuing operations	7,639	12,306
Cash, end of period - discontinued operations	-	(817)
Supplemental cash flow information:		
Interest paid	9,140	8,459
Supplemental disclosure of non-cash financing and investing activities:		
Acquisition of property, plant and equipment through finance leases	379	407

The accompanying notes are an integral part of these financial statements.

¹Certain amounts shown here do not correspond to the interim consolidated financial statements previously published for the quarter ended June 30, 2015. Please refer to note 12 for more details.

TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Interim Financial Statements

(In thousands of Canadian dollars)

Three months ended June 30, 2016 and 2015

(unaudited)

Tuckamore Capital Management Inc. ("Tuckamore" or the "Company"), 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 August 3, 2016.

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, 2015.

b) Going Concern Uncertainty

The Company's results have been temporarily affected by the forest fires which have had a devastating impact on the Fort McMurray area. ClearStream Energy Services ("ClearStream"), Tuckamore's principal operating subsidiary has had a presence in Fort McMurray for close to 30 years.

As a result of the fires, and the interim closure of many customers' facilities, ClearStream's business operations in the region were significantly impacted. We have discussed the disruptive events of the fires with our lenders and have agreed amendments with them to continue covenant compliance as a result of this one-time event. It is possible, however, that the resumption of our customers' operations will take longer than first expected. As a result of the forest fires and the impact of the continuing volatility in oil prices on ClearStream's business, the Company's forecast for the balance of the year indicates that there may be periods in which its fixed charge coverage ratio covenant in the ABL Facility is not met. Tuckamore is carefully monitoring its results and has some options to mitigate the risk of a covenant breach, including asset sales and further reductions to operating and capital expenditures. The Company believes it has a good relationship with its lenders and that, in the event that it concluded that a financial covenant would not be met, it could seek and receive further amendment to its covenants. While it cannot be guaranteed that such amendment will be required or requested, similarly there can be no guarantee that such amendment would be received from the Company's lenders or that the conditions of such an amendment could be fulfilled by the Company. In the event that an amendment was not received, the cross-default provisions in the senior secured debenture and convertible secured debenture would be triggered, requiring

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payment on demand. The possibility that a financial covenant may not be met results in a material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

c) New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the Company's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of the new standards and interpretations effective as of January 1, 2016.

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

(i) International Accounting Standards 1, Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The amendments require that subtotals be comprised only of amounts recognized and measured in accordance with IFRS, that they be presented and labelled clearly, be consistent between periods, and that they are not displayed with more prominence than the required subtotals and totals.

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. The company has reviewed the amendments to IAS 1 and noted that the interim consolidated financial statements are consistent with the clarifications / amendments made to IAS 1.

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d) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations were not yet effective as at January 1, 2016 and have not been applied in preparing these interim financial statements. Tuckamore's intention is to adopt the standards when they become effective.

The following is a brief summary of the new standards:

(ii) International Financial Reporting Standard 9, Financial Instruments

IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its interim consolidated financial statements.

(iii) International Financial Reporting Standard 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18 Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and Standard Interpretations Committee ("SIC") – 31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 was originally required for annual periods beginning on or after January 1, 2017. On September 11, 2015, the IASB issued an amendment to IFRS 15 to defer the effective date of the revenue standard to January 1, 2018. Earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its interim consolidated financial statements.

(iv) International Financial Reporting Standard 16, Leases

In January 2016, the IASB issued IFRS 16 - Leases, which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases.

The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided the new revenue standard, IFRS 15 - Revenue from Contracts with

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Customers, has been applied, or is applied at the same date. The Company is currently assessing the impact of adopting this interpretation on its consolidated financial statements.

2. Discontinued Operations and Assets Held for Sale

On March 23, 2016, Tuckamore sold a majority of the net assets of Quantum Murray LP and Titan Supply LP for cash proceeds of \$4,000 and assumption of debt of approximately \$3,000, with an additional \$4,800 which was received in April 2016. In addition to these amounts, an earn-out of \$6,200 will be paid if certain pre-determined cash flow targets are achieved in future years. The present value of this earn-out, which is approximately \$3,220, is recorded in Other assets and \$1,020 is recorded in Other current assets on the balance sheet as at June 30, 2016. The sale of Titan's assets resulted in an accounting gain of approximately \$574, recorded in gain from assets held for sale. The sale of Quantum Murray's assets resulted in an accounting loss of approximately \$3,740, recorded in income/loss from discontinued operations.

On March 7, 2016, Tuckamore sold its 80% interest in Gusgo as well as certain other related subsidiaries for cash proceeds of \$4,000, with an additional \$2,000 which was received on May 31, 2016. In addition to these amounts, an earn-out of \$2,000 will be paid if certain contracts are renewed in future years. The present value of this earn-out, which is approximately \$1,340, is recorded in Other assets on the balance sheet as at June 30, 2016. The sale of Gusgo resulted in an accounting gain of approximately \$540, recorded in gain from assets held for sale.

Subsequent to the transactions identified above, Tuckamore reassessed its organizational structure and determined that previous operating segments were no longer relevant, since the only remaining asset was the Company's interest in ClearStream. Any assets held for sale in continuing operations for the first half of 2016 and for the comparative period have been recorded in the Corporate segment in the Segmented Information note (Note 10).

The following table shows the revenue and net income (loss) from discontinued operations for the three months ended June 30, 2016 and June 30, 2015:

	Industrial Services		Marketing		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	-	32,982	-	3,243	-	36,225
Expenses	-	(40,219)	-	(4,046)	-	(44,265)
Loss before taxes	-	(7,237)	-	(803)	-	(8,040)
Remeasurement of impairment loss previously recognized on the remeasurement of the Waste business net assets to FVLCS	-	-	-	-	-	-
Loss on sale of discontinued operations	(450)	-	(875)	-	(1,325)	-
Loss from equity investments	-	-	-	256	-	256
Net loss from discontinued operations	\$ (450)	\$ (7,237)	\$ (875)	\$ (547)	\$ (1,325)	\$ (7,784)
Net loss per share - basic	\$ (0.00)	\$ (0.07)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.07)
Net loss per share - diluted	\$ (0.00)	\$ (0.07)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.07)

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The following table shows the revenue and net income (loss) from discontinued operations for the six months ended June 30, 2016 and June 30, 2015:

	Industrial Services		Marketing		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	29,179	69,168	-	6,674	29,179	75,842
Expenses	(30,700)	(78,568)	-	(7,959)	(30,700)	(86,527)
Loss before taxes	(1,521)	(9,400)	-	(1,285)	(1,521)	(10,685)
Remeasurement of impairment loss previously recognized on the remeasurement of the Waste business net assets to FVLCS	-	2,645	-	-	-	2,645
Loss on sale of discontinued operations	(3,740)	(2,510)	(789)	-	(4,529)	(2,510)
Loss from equity investments	-	-	-	(70)	-	(70)
Net loss from discontinued operations	\$ (5,261)	\$ (9,265)	\$ (789)	\$ (1,355)	\$ (6,050)	\$ (10,620)
Net loss per share - basic	\$ (0.05)	\$ (0.08)	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.10)
Net loss per share - diluted	\$ (0.05)	\$ (0.08)	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.10)

The major classes of assets and liabilities of Quantum Murray, classified as discontinued operations, for the year ended December 31, 2015 are as follows:

For the period ending,	December 31, 2015
Assets	
Accounts receivable	34,448
Inventory	13,777
Prepays & Other Assets	2,302
Long-term investments	3,783
	54,310
Liabilities	
Accounts payable & accrued liabilities	32,119
Deferred Revenue	4,645
Capital lease obligation	2,872
Other liabilities	3,001
	42,637
Net assets directly associated with the disposal group	11,673

The net cash flows incurred by discontinued operations, as follows:

For the period ending,	June 30, 2015
Operating	1,961
Investing	(1,111)
Financing	(579)
Net cash (outflow) / inflow	271

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(In thousands of Canadian dollars)

Three months ended June 30, 2016 and 2015

(unaudited)

3. Property, plant and equipment

During the six months ended June 30, 2016, the Company acquired assets with a cost of \$1,174, including equipment under finance leases of \$379 (June 30, 2015 - \$1,784, including equipment under finance leases of \$407).

a) Collateral:

As at June 30, 2016, property, plant and equipment of consolidated entities and joint ventures with a carrying amount of \$18,499 and \$nil, respectively are subject to a general security agreement under the senior credit facility (December 31, 2015 - \$18,866 and \$1,119).

b) Capital Commitments:

As at June 30, 2016, Tuckamore had \$225 of capital commitments for the acquisition of new equipment (December 31, 2015 - \$12).

4. Write-down of Goodwill

The increased impact of the decrease in oil prices on ClearStream's business was identified as an indicator of impairment during the first quarter of 2016. As such the Company performed an impairment test for the potential impairment of goodwill, intangibles and long-lived assets. This test was performed in accordance with the policy described in Note 1, *Significant Accounting Policies* of the audited consolidated financial statements for the year ended December 31, 2015.

Tuckamore has five CGUs, two of which include intangible assets with an indefinite life. The carrying value of goodwill and indefinite life intangible assets by significant CGUs are identified separately in the table below. As a result of the realignment of the Company's reportable segments (refer to note 11 – segmented information), Tuckamore reallocated goodwill using the relative fair value approach for the revised reportable segments.

Operating Partner	Indefinite life intangibles	Goodwill
ClearStream		
Wear	1,574	-
Transportation	-	-
Fabrication	-	-
Wear, Fabrication and Transportation	1,574	9,539
Oilsands	1,178	-
Conventional	-	-
Maintenance and Construction Services	1,178	12,747
Total ClearStream	2,752	22,286

The valuation techniques, significant assumptions and sensitivities applied in the goodwill and indefinite life intangible asset impairment test are described below:

Valuation technique

The recoverable value is based on the higher of VIU using the discounted cash flow ("DCF") approach, or the FVLCS using the income, market or cost approach. The income approach is predicated upon the value

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of the future cash flows that a business will generate. The DCF method was used for the VIU approach, 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, working capital and discount rates.

Projected EBITDA, Capital Expenditures and Change in Working Capital

Projected EBITDA, net of capital expenditures and adjustments for change in working capital are used by the Company to determine anticipated future cash flows. Projected EBITDA and capital expenditures are based on the Company's internal budget for the following year and take into consideration past experience, economic trends and market/industry trends at the time at which the budget is developed. The budget is developed during the fourth quarter and approved by senior management. Management may reforecast the budget in subsequent quarters if the business is experiencing a significant shift from the original budget. The anticipated future cash flows are updated to reflect any subsequent changes in demand for products and services.

Growth rate and terminal value

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 Gross Domestic Product growth and inflation as well as industry and market trends.

Discount rate

Tuckamore assumed a pre-tax discount rate of 20%-23% 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.

The most significant change in assumptions from the goodwill testing performed for the year-ended December 31, 2015 and the six months ended June 30, 2016 was a decrease to the Projected EBITDA and Capital Expenditure figures to adjust for the increased impact of the decline in oil prices on ClearStream's business. More specifically, customers have increased their deferral of capital spend and further delayed non-critical maintenance. The decrease in Projected EBITDA and Capital Expenditures resulted in a further \$8,700 impairment of goodwill at ClearStream during the first quarter of 2016. After this impairment, there remains \$22,288 in goodwill at ClearStream. The recoverable amount of ClearStream is \$121,223.

All impairment losses are non-cash in nature and do not affect the Company's liquidity, cash flows from operating activities, or debt covenants and do not have an impact on the future operations of the Company. Management has considered reasonably possible changes in assumptions for the discounted cash flows. In all of these scenarios, with the exception of those discussed above, the recoverable amount was greater than the carrying value, providing evidence that there is no further impairment.

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5. Senior credit facility and debentures

a) Senior credit facility

On March 9, 2012 Tuckamore completed an assignment to Bank of Montreal ("BMO") of its then existing senior secured credit agreement (as assigned, the "Senior Credit Agreement"). The Senior Credit Agreement had an interest rate, which ranged from prime plus 1.5% to prime plus 1.75%, and contained customary covenants which included financial covenants in respect of Tuckamore's interest coverage ratio, priority senior debt ratio and minimum EBITDA amount. At January 1, 2015 there was \$67,669 outstanding on the facility which had been amended to mature at December 31, 2015.

During the second quarter of 2015, Tuckamore repaid a total of \$4,184 of indebtedness under the Senior Credit Agreement. This was comprised of a payment on May 22, 2015 of \$2,184 on account of 75% of the excess cash flow from the first quarter of 2015 as well as a second payment of \$2,000 made on June 26, 2015, which was a voluntary repayment.

On June 26, 2015 Tuckamore reached an agreement with the lenders under the Senior Credit Agreement to amend certain financial covenants. The amended covenants included those relating to interest coverage ratio, priority senior debt ratio and the minimum EBITDA amount, and were in effect for all quarters, commencing with the quarter ended September 30, 2015 through to December 31, 2015. The total cost of the amendment was \$148.

During the third quarter of 2015 Tuckamore repaid a total of \$4,750 of indebtedness under the Senior Credit Agreement using aggregate net proceeds from the dispositions of IC Group and Gemma.

Advances outstanding under the Senior Credit Agreement as at December 31, 2015 totaled \$58,735. At that time, the entire balance of the Senior Credit Agreement was a revolving facility and was fully drawn at December 31, 2015.

On March 7, 2016, Tuckamore repaid a total of \$4,000 of indebtedness under the Senior Credit Agreement using the aggregate net proceeds received on the closing date for the sale of Gusgo. In addition to this, on March 16, 2016, Tuckamore made a voluntary permanent repayment on the Senior Credit Facility of \$2,250.

On March 23, 2016, the Company completely and permanently repaid all indebtedness outstanding under the Senior Credit Agreement through a combination of proceeds from asset sales, proceeds from the issuance of convertible debentures and cash on hand.

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Senior credit facility at January 1, 2015	\$ 67,669
Repayments	(8,934)
Total senior credit facility at December 31, 2015	\$ 58,735
Repayments - Sale of Gusgo & Voluntary Repayment	(6,250)
Repayments - Maturity	(52,485)
Senior credit facility at June 30, 2016	\$ -
Deferred finance costs at January 1, 2015	(416)
Additional deferred financing costs incurred on the senior credit facility	(395)
Amortization of deferred financing costs	558
Deferred finance costs at December 31, 2015	(253)
Transfer of deferred financing costs to the ABL facility	253
Deferred finance costs at June 30, 2016	-
Net Balance of senior credit facility at June 30, 2016	\$ -

b) ABL Facility

On March 23, 2016 ClearStream Energy Holdings LP entered into an ABL Facility agreement with Bank of Montreal. The ABL Facility is a revolving facility providing for maximum borrowings of up to \$60,000 and carries a term of three years. An arrangement fee of \$510 was paid in connection with entering into the ABL Facility. The amount available to be drawn under the ABL Facility will vary from time to time, based upon a borrowing base determined with reference to the accounts receivable and inventory levels of ClearStream. The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The ABL Facility contains and provides for certain covenants, such as the maintenance of fixed charge coverage ratios, financial reporting and events of default as are customary in transactions of this nature. The interest rate on the ABL Facility is prime plus 2.5%, increasing to prime plus 4% if the ABL Facility is more than 50% drawn. As at June 30, 2016, there were no amounts drawn on the ABL Facility. The Company incurred \$1,582 in deferred financing fees associated with the ABL Facility. These costs are recorded in Other assets on the balance sheet and will be amortized over the term of the facility.

On June 24, 2016 Tuckamore reached an agreement with the lenders under the ABL Facility to amend a financial covenant. The amendment was required in response to the short-term impact of the Fort McMurray wildfires on Tuckamore's financial results. The amended covenant is the Fixed Charge Coverage Ratio ("FCCR") and is in effect from July 1, 2016 to June 30, 2017. The total cost of the amendment was \$15. Tuckamore was in compliance with its financial covenants at June 30, 2016.

c) 8.00% Secured Debentures

The Company issued debentures designated as "8.00% Secured Debentures due 2016" (the "8.00% Secured Debentures") in an aggregate principal amount of \$176,228 pursuant to a secured trust indenture dated as of March 23, 2011 (as supplemented). The 8.00% Secured Debentures were listed on the Toronto Stock Exchange ("TSX") on the date of closing of March 23, 2011.

The maturity date of the 8.00% Secured Debentures was March 23, 2016. Subsequent to the financial year ended December 31, 2015, the Company called for redemption on March 21, 2016 of all outstanding

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8.00% Secured Debentures which were to be redeemed together with the completion of the refinancing transactions and asset sales on the same date, however the completion of these transactions and the repayment in full of all outstanding principal and accrued interest on the 8.00% Secured Debentures was completed on March 23, 2016.

The 8.00% Secured Debentures accrued interest at the rate of 8.0% per annum, payable semi-annually in arrears on June 30 and December 31 in each year. Under the terms of the 8.00% Secured Debentures, Tuckamore had the option to repurchase any or all of the 8.00% Secured Debentures outstanding at any time and also the right to redeem in cash any or all 8.00% Secured Debentures outstanding at any time, in its sole discretion, and without bonus or penalty, provided all accrued interest is paid at redemption, and subject to any restrictions in the Senior Credit Agreement. The terms of the 8.00% Secured Debentures also required Tuckamore to redeem a portion of the 8.00% Secured Debentures in certain circumstances prior to the maturity thereof using proceeds from specified dispositions, issuances of equity instruments or from excess operating cash flow, as defined. The Company's obligations under the 8.00% Secured Debentures were secured with a security interest in substantially all of Tuckamore's assets, which was subordinated to similar security interests granted in connection with the Company's obligations under the Senior Credit Agreement or certain other debt incurred in the future by Tuckamore's subsidiaries.

d) Senior Secured Debentures

On March 23, 2016 the Company issued an aggregate of \$176,228 principal amount of Senior Secured Debentures to Canso on a private placement basis. The net proceeds of this issuance was used to completely repay the principal amount outstanding under the 8.00% Secured Debentures which were repaid together with accrued interest, on the same date.

The Senior Secured Debentures bear interest at an annual rate of 8.00% payable semi-annually in arrears on June 30 and December 31 in each year. The maturity date of the Senior Secured Debentures is March 23, 2026. The Senior Secured Debentures are redeemable at the option of the Company and, in certain circumstances, are mandatorily redeemable. The Senior Secured Debentures are secured by first-ranking liens over all of the property of the Company and its guarantor subsidiaries, other than certain limited classes of collateral over which the Company has granted a prior-ranking lien in favour of the ABL Agent which secure the Company's obligations under the ABL Facility. The Senior Secured Debentures provide for certain events of default and covenants of the Company which are customary for transactions of this nature, including financial and reporting covenants and restrictive covenants limiting the ability of the Company and its subsidiaries to make certain distributions and dispositions, incur indebtedness, grant liens and limitations with respect to acquisitions, mergers, investments, non-arm's length transactions, reorganizations and hedging arrangements (subject to certain exceptions). The Company incurred \$4,821 in deferred financing fees associated with the Senior Secured Debentures. The principal balance is recorded net of these costs and will be accreted over the term of Senior Secured Debentures.

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e) *Convertible Secured Debentures*

Subsequent to the year ended December 31, 2015, on March 23, 2016 the Company issued an aggregate of \$25,000 principal amount of Convertible Secured Debentures to Canso on a private placement basis and an additional \$10,000 principal amount of Convertible Secured Debentures pursuant to the Rights Offering (described below). The net proceeds of this issuance, together with the proceeds of the Asset Sales, were used to completely repay the Company's indebtedness under the Senior Credit Agreement.

The Convertible Secured Debentures bear interest at an annual rate of 10.00% payable semi-annually in arrears on June 30 and December 31 in each year. The Company may elect to satisfy any interest payment obligation by issuing additional Convertible Secured Debentures which will be subject to the same terms and conditions as previously issued Convertible Secured Debentures. The maturity date of the Convertible Secured Debentures is March 23, 2026. The Company may redeem the Convertible Secured Debentures, in whole or in part from time to time, after March 23, 2021. The Convertible Secured Debentures are convertible into common shares of the Company at an initial conversion price of \$0.35 per common share (subject to adjustment in certain circumstances). The Convertible Secured Debentures are secured by liens over all of the property of the Company and its guarantor subsidiaries, other than property over which security has been granted in favour of the ABL Agent in respect of the ABL Facility. The security granted in connection with the Convertible Secured Debentures is subordinate to the security granted in connection with the Senior Secured Debentures. The Convertible Secured Debentures provide for events of default and covenants of the Company which are customary for transactions of this nature substantially similar to the events of default and covenants provided in respect of the Senior Secured Debentures. The Company incurred \$3,708 in deferred financing fees associated with the Convertible Secured Debentures. The principal balance is recorded net of these costs and will be accreted over the term of Convertible Secured Debentures.

The Company uses the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. Under this method, the value of the equity component of \$7,272 was determined by deducting the fair value of the liability component from the principal amount of the Convertible Secured Debenture. The fair value of the liability component of \$24,024 was computed as the present value of future principal and interest payments discounted at a rate of 15% per annum. Debenture issue costs of \$861 were allocated to the equity component.

f) *Rights Offering*

Pursuant to the Rights Offering, the Company offered to its shareholders of record as of February 18, 2016 transferable rights to purchase up to \$10,000 aggregate principal amount of Convertible Secured Debentures for the same amount in gross proceeds. Each such shareholder was entitled to one right for each common share held. Every 1,099.41241 rights entitled an eligible rights holder to purchase \$100 aggregate principal amount of Secured Convertible Debentures at a subscription price of \$100. The rights expired on March 17, 2016 and the Rights Offering, which was over-subscribed, closed on March 23, 2016, resulting in the issuance of:

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- \$1,969,000 aggregate principal amount of Convertible Secured Debentures upon the exercise of the basic subscription privilege; and
- \$8,030,400 aggregate principal amount of Convertible Secured Debentures issued to over-subscribing purchasers on a pro-rata basis, pursuant to the additional subscription privilege.

6. Selling, General & Administrative Expenses

	Three months ended June 30,		Six months ended June 30,	
	2016	2015 Restated (note 12)	2016	2015 Restated (note 12)
Salaries & Benefits	\$ 1,669	\$ 1,147	\$ 4,399	\$ 3,742
Occupancy Costs	234	333	603	793
Travel	235	449	474	731
Repairs & Maintenance	115	244	300	544
Office Expenses	207	319	593	716
Audit & Accounting	219	474	420	766
Other	1,046	1,064	1,834	2,305
	\$ 3,725	\$ 4,030	\$ 8,623	\$ 9,597

7. Income taxes

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Total current income tax recovery (expense)	\$ 20	\$ 20	\$ 19	\$ 20
Deferred income tax recovery:				
Origination and reversal of temporary differences	-	1,816	-	3,370
Total deferred income tax (expense) recovery	\$ -	\$ 1,816	\$ -	\$ 3,370

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8. Loss per share

The shares issuable under the stock options and convertible secured debentures are the only potentially dilutive units.

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

Three months ended June 30,	2016	2015
Numerator:		
Net loss	\$ (6,716)	\$ (6,274)
Denominator:		
Weighted average number of shares outstanding (basic)	109,941	109,941
Weighted average number of shares outstanding (diluted)	109,941	109,941
Six months ended June 30,		
2016		
2015		
Numerator:		
Net loss	\$ (27,533)	\$ (10,690)
Denominator:		
Weighted average number of shares outstanding (basic)	109,941	109,941
Weighted average number of shares outstanding (diluted)	109,941	109,941

The effect of Convertible Secured Debentures at June 30, 2016 and vested stock options at June 30, 2015 were anti-dilutive.

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9. Contingencies

Tuckamore and its Operating Partnerships are subject to claims and litigation proceedings arising in the normal course of operations. These contingencies are provided for when they are likely to occur and can be reasonably estimated. Management believes that these claims are without merit and as such they are being rigorously defended.

A statement of claim has been filed by a seller of a minority position in a subsidiary of Tuckamore in connection with the calculation of income as related to a promissory note forming part of the transaction. The claim is being defended and management feels the claim is without merit. The Company has also made a counterclaim.

In March 2015, the Company was advised by Brompton Corp. ("Brompton") that Brompton has received notices of reassessment from the Canada Revenue Agency (the "CRA") in which the CRA has denied the deduction to Brompton of certain non-capital losses and other tax attributes in computing Brompton's income for the 2010 to 2014 taxation years. Brompton is seeking indemnification in the amount of \$4,099 (which includes interest) from Tuckamore Holdings LP, representing approximately 40% of its taxes, losses or costs, pursuant to certain agreements entered into by Tuckamore Holdings LP prior to the sale of its interest in Brompton.

Tuckamore previously announced, in September 2014, that it had been notified by Brompton that in the event that Brompton is subject to taxes assessed by CRA or incurs losses or costs associated with the CRA's review, it would be seeking indemnification for approximately 40% of these taxes, losses or costs pursuant to agreements entered into by Tuckamore Holdings LP. Tuckamore Holdings LP, a wholly-owned subsidiary of Tuckamore, previously held approximately 40% of the outstanding equity of Brompton. Tuckamore Holdings LP sold its Class A shares in Brompton in September 2011.

On June 12, 2015, Brompton served Tuckamore and certain of its affiliates with a Statement of Claim seeking among other things, indemnification in the amount of 40% of the CRA's notices of reassessment for the 2010-2012 taxation years. On July 13, 2015, Tuckamore and its affiliates served their Statement of Defence denying Brompton's allegations and relying on, among other things, a corresponding warranty and indemnity provided by Brompton to Tuckamore. Brompton has brought a motion for summary judgement, which will be heard in the summer of 2016. The Company has not provided for any amount with respect to this matter in its consolidated audited financial statements for the period ending June 30, 2016.

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10. Related party disclosures

a) Other related party transactions

Income from long-term investments includes \$nil and \$191 of rent expense paid to a company owned by the minority shareholder of Gusgo for the three and six months ended June 30, 2016 (2015 - \$209 and \$418). Interest charged to joint venture Operating Partners on advances was \$nil and \$59 for the three and six month periods ended June 30, 2016 (June 30, 2015 - \$64 and \$129). Two operating leases for property, with quarterly rents of \$78 and \$75 are with a landlord in which an executive of Tuckamore holds an indirect minority interest (2015 - \$78 and \$75). These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

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11. Segmented information

During the quarter ended March 31, 2016, Tuckamore completed the sale of its interest in Gusgo, as well as substantially all of the net assets of Quantum Murray and Titan. As at June 30, 2016, Tuckamore's only remaining investment was its interest in ClearStream. Given the significant change in organizational structure, the Company considered and concluded that there was a change in its reportable segments. The reportable segments discussed below, represent the reportable segments that the chief operating decision makers consider when reviewing the performance of ClearStream and deciding where to allocate resources. Tuckamore has three reportable operating segments, each of which has separate operational management and management reporting information. All or substantially all of Tuckamore's operations, assets and employees are located in Canada. The Maintenance and Construction division is a fully integrated provider of maintenance and construction services to the energy industry. This division is capable of providing maintenance services, welding, fabrication, machining, construction, turnaround services and a resource/labour supply to companies in the conventional oil and gas and oilsands markets. The Wear, Fabrication and Transportation division specializes in the supply, fabrication and transportation of overlay pipe spools, pipe bends, wear plate, welding services, custom fabrication, pipe management and storage services. The Corporate division is a standard head office function which deals with strategic planning, corporate communications, taxes, legal, marketing, finance, financing (including interest expense), human resources and information technology for the entire organization. This division includes the head office costs for both Tuckamore and ClearStream. The eliminations column represent adjustments required to reconcile Tuckamore's segmented reporting, to the income(loss) from continuing operations. This column represents interdivisional eliminations and adjustments required to account for joint ventures under IFRS 11.

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Three months ended June 30, 2016	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	50,971	11,450	-	(1,086)	61,335
Cost of revenues	(46,866)	(9,945)	-	941	(55,870)
Gross profit	4,105	1,505	-	(145)	5,465
Selling, general and administrative	(229)	(66)	(3,464)	34	(3,725)
Amortization of intangible assets	(78)	(72)	(751)	-	(901)
Depreciation	(683)	(726)	(144)	(33)	(1,586)
Income from long-term investments	-	-	-	80	80
Interest expense	(94)	(82)	(4,528)	-	(4,704)
Income (loss) before income taxes	3,021	559	(8,887)	(64)	(5,371)
Income tax (expense) recovery - current	(32)	-	51	(39)	(20)
Net income (loss) from continuing operations	2,989	559	(8,836)	(103)	(5,391)
Add back:					
Interest expense	94	82	4,528	-	4,704
Amortization	78	72	751	-	901
Depreciation	683	726	144	33	1,586
Income tax (recovery) expense - current	32	-	(51)	39	20
EBITDA from continuing operations	3,876	1,439	(3,464)	(31)	1,820

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Six months ended June 30, 2016	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	106,034	26,120	-	(2,179)	129,975
Cost of revenues	(98,852)	(22,291)	-	1,949	(119,194)
Gross profit	7,182	3,829	-	(230)	10,781
Selling, general and administrative	(665)	(256)	(7,748)	46	(8,623)
Amortization of intangible assets	(124)	(144)	(1,532)	(2)	(1,802)
Depreciation	(1,410)	(1,435)	(289)	-	(3,134)
Income from long-term investments	-	-	-	(155)	(155)
Interest expense	(188)	(191)	(10,566)	-	(10,945)
Gain from assets held for sale	-	-	1,114	-	1,114
Write-down of goodwill	-	-	(8,700)	-	(8,700)
Gain on sale of investment	-	-	-	-	-
Income (loss) before income taxes	4,795	1,803	(27,721)	(341)	(21,464)
Income tax expense - current	(46)	-	(19)	46	(19)
Income tax (expense) recovery - deferred	-	-	-	-	-
Net income (loss) from continuing operations	4,749	1,803	(27,740)	(295)	(21,483)
Add back:					-
Interest expense	188	191	10,566	-	10,945
Amortization	124	144	1,532	2	1,802
Depreciation	1,410	1,435	289	-	3,134
Income tax expense - current	46	-	19	(46)	19
Income tax expense (recovery) - deferred	-	-	-	-	-
EBITDA from continuing operations	6,517	3,573	(15,334)	(339)	(5,583)

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Three months ended June 30, 2015	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Elimination s	Total
Revenues	\$ 96,080	\$ 24,291	\$ -	\$ (1,835)	\$118,536
Cost of revenues	(85,241)	(20,005)	-	1,638	(103,608)
Gross profit	10,839	4,286	-	(197)	14,928
Selling, general and administrative	(887)	(198)	(2,964)	19	(4,030)
Amortization of intangible assets	(46)	(7)	(1,274)	(81)	(1,408)
Depreciation	(1,041)	(838)	(150)	-	(2,029)
Income from equity investment	-	-	-	653	653
Interest expense	(101)	(101)	(5,654)	63	(5,793)
Restructuring costs	-	-	(2,607)	-	(2,607)
Income (loss) before income taxes	\$ 8,764	\$ 3,142	\$ (12,649)	\$ 457	\$ (286)
Income tax expense - current	(37)	-	(20)	37	(20)
Income tax recovery (expense) - deferred	-	-	1,795	21	1,816
Net income (loss) from continuing operations	\$ 8,727	\$ 3,142	\$ (10,874)	\$ 515	\$ 1,510
Add back:					
Interest expense	101	101	5,654	(63)	5,793
Amortization	46	7	1,274	81	1,408
Depreciation	1,041	838	150	-	2,029
Income tax expense - current	37	-	20	(37)	20
Income tax (recovery) expense - deferred	-	-	(1,795)	(21)	(1,816)
EBITDA from continuing operations	\$ 9,952	\$ 4,088	\$ (5,571)	\$ 475	\$ 8,944

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Six months ended June 30, 2015	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Elimination s	Total
Revenues	\$ 166,193	\$ 47,502	\$ -	\$ (3,191)	\$210,504
Cost of revenues	(149,163)	(37,504)	-	2,821	(183,846)
Gross profit	17,030	9,998	-	(370)	26,658
Selling, general and administrative	(1,390)	(454)	(7,794)	41	(9,597)
Amortization of intangible assets	(93)	(175)	(2,551)	1	(2,818)
Depreciation	(2,035)	(1,649)	(308)	(27)	(4,019)
Income from equity investment	-	-	-	708	708
Interest expense	(255)	(218)	(10,935)	(337)	(11,745)
Transaction costs	-	-	(2,607)	-	(2,607)
Income (loss) before income taxes	\$ 13,257	\$ 7,502	\$ (24,195)	\$ 16	\$ (3,420)
Income tax expense - current	(7)	-	18	(31)	(20)
Income tax (expense) recovery - deferred	-	-	3,360	10	3,370
Net income (loss) from continuing operations	\$ 13,250	\$ 7,502	\$ (20,817)	\$ (5)	\$ (70)
Add back:					
Interest expense	255	218	10,935	337	11,745
Amortization	93	175	2,551	(1)	2,818
Depreciation	2,035	1,649	308	27	4,019
Income tax expense - current	7	-	(18)	31	20
Income tax expense (recovery) - deferred	-	-	(3,360)	(10)	(3,370)
EBITDA from continuing operations	\$ 15,640	\$ 9,544	\$ (10,401)	\$ 379	\$ 15,162

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12. Comparative figures

As a result of discontinued operations, the comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation in the June 30, 2016 interim consolidated financial statements. In addition to this, certain expenses previously classified as selling, general and administrative have been reclassified to cost of revenues. For the three and six months ended June 30, 2015, \$7,782 and \$16,088 of costs previously in selling, general and administrative expenses, were reclassified to cost of revenues, respectively. This change enhances the comparability of the Company's financial results with that of its competitors and more accurately reflects the function of the relevant expenses. The comparative consolidated financial statements have been reclassified to reflect this change.