COLABOR

# Interim Consolidated Financial Statements
# As at June 13, 2015 and June 14, 2014
# (2nd Quarter)
(Unaudited)

Consolidated Financial Statements

## Colabor Group Inc.
## Consolidated Statements of Earnings
(Unaudited, in thousands of Canadian dollars, except data per share)

| | Notes | 2015-06-13 (84 days) | 2014-06-14 (84 days) | 2015-06-13 (168 days) | 2014-06-14 (165 days) |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Sales of goods** | | 366,635 | 347,200 | 671,297 | 626,518 |
| Operating expenses, excluding costs not relating to current operations, depreciation and amortization | | 358,123 | 337,696 | 662,321 | 616,866 |
| **Operating earnings before costs not relating to current operations, depreciation and amortization** | | 8,512 | 9,504 | 8,976 | 9,652 |
| Costs not relating to current operations | 6 | 507 | | 1,345 | |
| Impairment loss on equity investment | | | | 1,731 | |
| Depreciation of property, plant and equipment | | 892 | 1,013 | 1,851 | 1,988 |
| Amortization of intangible assets | | 2,513 | 3,466 | 4,970 | 6,745 |
| | | 3,912 | 4,479 | 9,897 | 8,733 |
| **Operating earnings (loss)** | | 4,600 | 5,025 | (921) | 919 |
| Finance costs | 7 | 3,046 | 2,823 | 6,145 | 6,214 |
| **Earnings (loss) before income taxes** | | 1,554 | 2,202 | (7,066) | (5,295) |
| Income taxes | | | | | |
| Current | | 262 | | 262 | |
| Deferred | | 290 | 572 | (2,015) | (1,359) |
| | | 552 | 572 | (1,753) | (1,359) |
| **Earnings (loss)** | | 1,002 | 1,630 | (5,313) | (3,936) |
| **Basic and diluted earnings (loss) per share** | 8 | $ 0.04 | $ 0.06 | $ (0.19) | $ (0.15) |

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

## Colabor Group Inc.
## Consolidated Statements of Comprehensive Income (loss)
(Unaudited, in thousands of Canadian dollars)

| | 2015-06-13 (84 days) | 2014-06-14 (84 days) | 2015-06-13 (168 days) | 2014-06-14 (165 days) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Earnings (loss) | 1,002 | 1,630 | (5,313) | (3,936) |
| Other comprehensive income that will be subsequently reclassified to earnings | | | | |
| Available-for-sale financial asset | | | | |
| Loss for the period | (32) | (424) | (1,763) | (789) |
| Reclassification to earnings | | | 1,731 | |
| Cash flow hedges | | | | |
| Loss for the period | | | | (190) |
| Reclassification to earnings | | | | 268 |
| Taxes on other comprehensive income that will be subsequently reclassified to earnings | 4 | 56 | 4 | 82 |
| | (28) | (368) | (28) | (629) |
| Other comprehensive income that will not be reclassified to earnings | | | | |
| Remeasurement of pension obligation | 256 | (354) | (220) | (904) |
| Taxes on other comprehensive income that will not be reclassified to earnings | (65) | 92 | 59 | 235 |
| | 191 | (262) | (161) | (669) |
| Total other comprehensive income (loss) | 163 | (630) | (189) | (1,298) |
| **Total comprehensive income (loss)** | 1,165 | 1,000 | (5,502) | (5,234) |

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

**Colabor Group Inc.**
**Consolidated Statements of Changes in Equity**
(Unaudited, in thousands of Canadian dollars)

| | Share capital | Convertible debenture conversion options | Contributed surplus | Shares held under stock-based compensation plans | Available-for-sale financial asset | Cash flow hedges | Deficit | Total equity |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| ***Balance as at December 28, 2014*** | **209,972** | **1,742** | **1,563** | **(381)** | **–** | **–** | **(112,074)** | **100,822** |
| Loss for the period | | | | | | | (5,313) | (5,313) |
| Other comprehensive income (loss) | | | | | | | | |
| Loss on available-for-sale financial asset | | | | | (1,763) | | | (1,763) |
| Reclassification to earnings | | | | | 1,731 | | | 1,731 |
| Remeasurement of pension obligation | | | | | | | (220) | (220) |
| Taxes on other comprehensive income | | | | | 4 | | 59 | 63 |
| Total comprehensive income (loss) | – | – | – | – | (28) | – | (5,474) | (5,502) |
| Stock-based compensation plan expenses | | | 105 | | | | | 105 |
| Transactions with owners | – | – | 105 | – | – | – | – | 105 |
| ***Balance as at June 13, 2015*** | **209,972** | **1,742** | **1,668** | **(381)** | **(28)** | **–** | **(117,548)** | **95,425** |
| ***Balance as at January 1, 2014*** | **208,622** | **1,742** | **1,326** | **(381)** | **–** | **(57)** | **(37,439)** | **173,813** |
| Loss for the period | | | | | | | (3,936) | (3,936) |
| Other comprehensive income | | | | | | | | |
| Loss on available-for-sale financial asset | | | | | (789) | | | (789) |
| Reclassification to earnings | | | | | | 268 | | 268 |
| Gain on cash flow hedge | | | | | | (190) | | (190) |
| Remeasurement of pension obligation | | | | | | | (904) | (904) |
| Taxes on other comprehensive income | | | | | 103 | (21) | 235 | 317 |
| Total comprehensive income (loss) | – | – | – | – | (686) | 57 | (4,605) | (5,234) |
| Dividends declared | | | | | | | (3,251) | (3,251) |
| Stock-based compensation plan expenses | | | 65 | | | | | 65 |
| Transactions with owners | – | – | 65 | – | – | – | (3,251) | (3,186) |
| ***Balance as at June 14, 2014*** | **208,622** | **1,742** | **1,391** | **(381)** | **(686)** | **–** | **(45,295)** | **165,393** |

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

## Colabor Group Inc.
## Consolidated Statements of Cash Flows
(Unaudited, in thousands of Canadian dollars)

| | Notes | 2015-06-13 (84 days) | 2014-06-14 (84 days) | 2015-06-13 (168 days) | 2014-06-14 (165 days) |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Operating activities** | | | | | |
| Earnings (loss) before income taxes | | 1,554 | 2,202 | (7,066) | (5,295) |
| Depreciation of property, plant and equipment | | 892 | 1,013 | 1,851 | 1,988 |
| Amortization of intangible assets | | 2,513 | 3,466 | 4,970 | 6,745 |
| Gain on disposal of property, plant and equipment | | | (93) | (209) | (93) |
| Change in provisions | | (362) | (335) | (743) | (695) |
| Impairment of equity investment in Colabor Investments Inc. | | | | 1,731 | |
| Finance costs | 7 | 3,046 | 2,823 | 6,145 | 6,214 |
| Stock-based compensation plan expenses | | 60 | 40 | 105 | 65 |
| | | 7,703 | 9,116 | 6,784 | 8,929 |
| Income tax withholdings | | (107) | (92) | (422) | (199) |
| Net changes in working capital | 9 | (3,987) | (7,424) | 5,102 | 4,817 |
| **Cash flows from operating activities** | | 3,609 | 1,600 | 11,464 | 13,547 |
| **Investing activities** | | | | | |
| Business acquisitions, net of cash acquired | 4 | | | 100 | |
| Purchase of property, plant and equipment | | (422) | (499) | (941) | (772) |
| Disposal of property, plant and equipment | | 6 | 125 | 286 | 133 |
| Purchase of intangible assets | | (2,367) | (858) | (2,674) | (1,777) |
| **Cash flows from investing activities** | | (2,783) | (1,232) | (3,229) | (2,416) |
| **Financing activities** | | | | | |
| Bank borrowing | 10 | 6,200 | 4,075 | 3,317 | (17,380) |
| Lease payments | | (139) | (54) | (282) | (62) |
| Dividends paid | | | (3,251) | | (3,251) |
| Payment of balances of purchase price | | | | | (10,735) |
| Repayment of long-term debt | | | | | (15,000) |
| Issuance of long-term debt, net of related expenses | | | | | 42,087 |
| Finance costs paid | 7 | (2,632) | (2,412) | (5,314) | (5,147) |
| **Cash flows from financing activities** | | 3,429 | (1,642) | (2,279) | (9,488) |
| **Net change in bank overdraft** | | 4,255 | (1,274) | 5,956 | 1,643 |
| Bank overdraft, beginning of period | | (7,081) | (3,911) | (8,782) | (6,828) |
| **Bank overdraft, end of period** | | (2,826) | (5,185) | (2,826) | (5,185) |

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

# Colabor Group Inc.
# Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian dollars)

| | | 2015-06-13 | 2014-12-27 |
|---|---|---|---|
| | | $ | $ |
| ***ASSETS*** | | | |
| **Current** | | | |
| Trade and other receivables | | 118,514 | 124,729 |
| Recoverable tax assets | | 1,660 | 1,500 |
| Inventory | | 93,250 | 92,693 |
| Prepaid expenses | | 6,491 | 3,069 |
| Loans receivable | | 135 | |
| *Current assets* | | 220,050 | 221,991 |
| **Non-current** | | | |
| Equity investment in Colabor Investments Inc. | | 1,040 | 2,803 |
| Loans receivable | | 616 | |
| Property, plant and equipment | | 15,214 | 16,419 |
| Intangible assets | | 91,697 | 93,675 |
| Goodwill | | 94,945 | 94,569 |
| *Non-current assets* | | 203,512 | 207,466 |
| **Total assets** | | 423,562 | 429,457 |
| ***LIABILITIES AND EQUITY*** | | | |
| ***LIABILITIES*** | | | |
| **Current** | | | |
| Bank overdraft | | 2,826 | 8,782 |
| Trade and other payables | | 114,023 | 110,193 |
| Rebates payable | | 10,659 | 10,481 |
| Balances of purchase price payable | | 945 | 869 |
| Bank borrowing | 10 | 4,000 | 6,000 |
| Obligations under leases | | 295 | 445 |
| Deferred revenue | | 284 | 14 |
| Provisions | | 1,534 | 1,655 |
| *Current liabilities* | | 134,566 | 138,439 |
| **Non-current** | | | |
| Bank borrowing | 10 | 93,626 | 88,076 |
| Long-term debt | 11 | 42,234 | 42,181 |
| Convertible debentures | | 48,442 | 48,086 |
| Obligations under leases | | 732 | 864 |
| Pension obligation | | 1,541 | 1,406 |
| Provisions | | 2,991 | 3,500 |
| Deferred income tax liabilities | | 4,005 | 6,083 |
| *Non-current liabilities* | | 193,571 | 190,196 |
| **Total liabilities** | | 328,137 | 328,635 |
| ***EQUITY*** | | | |
| Share capital | | 209,972 | 209,972 |
| Deficit | | (117,548) | (112,074) |
| Other components of equity | | 3,001 | 2,924 |
| *Total equity* | | 95,425 | 100,822 |
| **Total liabilities and equity** | | 423,562 | 429,457 |

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

The Board of Directors approved and authorized the publication of the interim consolidated financial statements on July 15, 2015.

On behalf of the Board,

/s/ Richard Lord
Director

/s/ Robert Panet-Raymond
Director

## 1. *NATURE OF OPERATIONS*

Colabor Group Inc. (hereafter the "Colabor") and its wholly-owned subsidiaries (hereafter the "subsidiaries", together Colabor and the subsidiaries are referred to as the "Company") distribute and market food and food-related products in Canada.

Sales of goods and operating profits are proportionately at their lowest in the first quarter and at their highest in the fourth quarter. Indeed, the fourth quarter has 33% more operating days than other quarters. In addition, the sales of the Company are seasonal. Thus, sales for the first quarter are lower compared to other quarters. However, costs incurred are distributed more evenly than sales throughout the year given the Company's fixed cost structure. The Company's operating margins generally increase as the year progresses. Accordingly, it would be more meaningful to compare earnings for an entire year or with the prior year's corresponding quarter than to compare two consecutive quarters.

Colabor, the parent company, is incorporated under the Canada Business Corporations Act. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The shares and convertible debentures of Colabor Group Inc. are listed on the Toronto Stock Exchange (TSX: GCL and TSX: GCL.DB.A).

## 2. *GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS*

These interim consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and prepared in accordance with IAS 34 Interim Financial Reporting, taking into account the accounting policies that the Company adopted for its consolidated financial statements for the year ended December 27, 2014. The accounting policies have been similarly applied throughout all periods presented in the financial statements. They do not include all the information and disclosures required by IFRS applicable for annual financial statements and, therefore, they should be read in conjunction with the annual audited consolidated financial statements for the year ended December 27, 2014

## 3. *SIGNIFICANT ACCOUNTING POLICIES*

***Current standards, amendments and interpretations that are not yet effective***

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company. Management anticipates that the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but management does not expect them to have a material impact on the Company's consolidated financial statements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking "expected loss" impairment model based on expected credit losses, and a substantially reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

### 3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB published IFRS 15, which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for reporting periods beginning on or after January 1, 2017; early adoption is permitted. The Company has not yet determined the effect of the adoption of this standard on its consolidated financial statements.

### 4. *BUSINESS COMBINATION*

**Acquisition of La Poissonnerie Marcotte (1980) Inc. assets**

During the first quarter of 2015, the Company remeasured the allocation of the purchase price of La Poissonnerie Marcotte (1980) Inc. (hereafter ("Marcotte"), acquired on September 10, 2014. The preliminary allocation of the purchase price as at December 27, 2014 was changed as follows:

| | Change in balances |
|---|---|
| | $ |
| Working capital | (226) |
| Property, plant and equipment | (250) |
| Goodwill | 376 |
| Change in acquisition cost and fair value of the consideration received | (100) |
| Net cash flows on acquisition and fair value of portion received in cash | (100) |

### 5. *SEGMENT REPORTING*

The Company has two reportable segments: distribution to food service enterprises (Distribution Segment) and distribution to food distributors (Wholesale Segment). These operating segments are monitored and strategic decisions are made on the basis of segment operating results. Management does not take assets and liabilities into account in the analysis of the various segments.

Segment information can be analyzed as follows:

| | 2015-06-13 (84 days) | | |
|---|---|---|---|
| | Distribution Segment | Wholesale Segment | Total |
| | $ | $ | $ |
| Segment sales of goods | 253,522 | 175,353 | 428,875 |
| Segment operating expenses | | | |
| Cost of goods sold | 221,238 | 165,615 | 386,853 |
| Employee remuneration | 18,452 | 2,615 | 21,067 |
| Other expenses | 9,418 | 1,525 | 10,943 |
| | 249,108 | 169,755 | 418,863 |
| Segment earnings | 4,414 | 5,598 | 10,012 |

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

**5. *SEGMENT REPORTING (Continued)***

| | 2014-06-14 (84 days) | | |
|---|---|---|---|
| | Distribution Segment | Wholesale Segment | Total |
| | $ | $ | $ |
| Segment sales of goods | 233,101 | 162,685 | 395,786 |
| Segment operating expenses | | | |
| Cost of goods sold | 201,934 | 153,183 | 355,117 |
| Employee remuneration | 17,288 | 2,408 | 19,696 |
| Other expenses | 8,488 | 1,365 | 9,853 |
| | 227,710 | 156,956 | 384,666 |
| Segment earnings | 5,391 | 5,729 | 11,120 |

| | 2015-06-13 (168 days) | | |
|---|---|---|---|
| | Distribution Segment | Wholesale Segment | Total |
| | $ | $ | $ |
| Segment sales of goods | 463,772 | 313,603 | 777,375 |
| Segment operating expenses | | | |
| Cost of goods sold | 405,102 | 296,840 | 701,942 |
| Employee remuneration | 36,087 | 4,968 | 41,055 |
| Other expenses | 19,459 | 2,854 | 22,313 |
| | 460,648 | 304,662 | 765,310 |
| Segment earnings | 3,124 | 8,941 | 12,065 |

| | 2014-06-14 (165 days) | | |
|---|---|---|---|
| | Distribution Segment | Wholesale Segment | Total |
| | $ | $ | $ |
| Segment sales of goods | 426,390 | 286,327 | 712,717 |
| Segment operating expenses | | | |
| Cost of goods sold | 370,571 | 270,617 | 641,188 |
| Employee remuneration | 33,068 | 4,771 | 37,839 |
| Other expenses | 18,085 | 2,814 | 20,899 |
| | 421,724 | 278,202 | 699,926 |
| Segment earnings | 4,666 | 8,125 | 12,791 |

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

**5. *SEGMENT REPORTING (Continued)***

The following table presents a reconciliation of the Company's total operating segment earnings and key financial data as presented in its interim consolidated financial statements:

| | 2015-06-13 (84 days) | 2014-06-14 (84 days) | 2015-06-13 (168 days) | 2014-06-14 (165 days) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Sales of goods | | | | |
| Total segment earnings | 428,875 | 395,786 | 777,375 | 712,717 |
| Elimination of intersegment earnings | (62,240) | (48,586) | (106,078) | (86,199) |
| Company sales of goods | 366,635 | 347,200 | 671,297 | 626,518 |
| Earnings | | | | |
| Total segment earnings | 10,012 | 11,120 | 12,065 | 12,791 |
| Employee remuneration not allocated | (1,244) | (1,232) | (2,499) | (2,350) |
| Other expenses not allocated | (256) | (384) | (590) | (789) |
| Costs not relating to current operations | (507) | | (1,345) | |
| Impairment loss on equity investment | | | (1,731) | |
| Depreciation of property, plant and equipment | (892) | (1,013) | (1,851) | (1,988) |
| Amortization of intangible assets | (2,513) | (3,466) | (4,970) | (6,745) |
| Company operating earnings | 4,600 | 5,025 | (921) | 919 |
| Finance costs | (3,046) | (2,823) | (6,145) | (6,214) |
| Company earnings (loss) before taxes | 1,554 | 2,202 | (7,066) | (5,295) |

**6. *COSTS NOT RELATING TO CURRENT OPERATIONS***

| | 2015-06-13 (84 days) | 2014-06-14 (84 days) | 2015-06-13 (168 days) | 2014-06-14 (165 days) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Costs of internal restructuring of operations | | | | |
| Disbursed costs | 487 | | 1,317 | |
| Direct costs relating to realized, unrealized and potential business acquisitions | | | 8 | |
| Others | 20 | | 20 | |
| | 507 | – | 1,345 | – |

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

## 7. *FINANCE COSTS AND FINANCE COSTS PAID*

| | 2015-06-13 (84 days) | 2014-06-14 (84 days) | 2015-06-13 (168 days) | 2014-06-14 (165 days) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Interest on bank borrowings | 994 | 934 | 2,015 | 2,582 |
| Interest on long-term debt | 985 | 913 | 1,971 | 1,848 |
| Effective interest on debentures | 834 | 822 | 1,668 | 1,614 |
| Accretion expense on onerous contracts provision | 56 | 118 | 113 | 118 |
| Accretion expense on balance of purchase price | 38 | | 76 | |
| Other | 139 | 36 | 302 | 52 |
| Finance costs | 3,046 | 2,823 | 6,145 | 6,214 |
| Non-cash portion of effective interest on long-term debt and debentures included in finance costs | (204) | (190) | (409) | (627) |
| Credit facility renewal costs or change in credit facilities | | 15 | | 31 |
| Amortization of prepaid finance costs included in finance costs | (116) | (118) | (233) | (353) |
| Accretion expense on onerous contracts provision | (56) | (118) | (113) | (118) |
| Accretion expense on balance of purchase price | (38) | | (76) | |
| Finance costs paid | 2,632 | 2,412 | 5,314 | 5,147 |

## 8. *DATA PER SHARE*

### Earnings (loss) per share

The following table presents the basic and earnings (loss) diluted loss per share:

| | 2015-06-13 (84 days) | 2014-06-14 (84 days) | 2015-06-13 (168 days) | 2014-06-14 (165 days) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| *Earnings (loss)* | 1,002 | 1,630 | (5,313) | (3,936) |
| Weighted average number of outstanding shares used to calculate basic and diluted loss per share | 27,453,960 | 27,062,315 | 27,453,960 | 27,062,315 |
| *Basic and diluted earnings (loss) per share* | $ 0.04 | $ 0.06 | $ (0.19) | $ (0.15) |

Shares that were hypothetically issued after the conversion of convertible debentures, the exercise of stock options and the release of the shares regarding the PSU plan were not included in the calculation of diluted net earnings (loss) per share because they had an antidilutive effect.

### Dividends

During the period ended June 14, 2014, the Company declared dividends of $0.06 per share on March 13, 2014 and on May 1st, 2014 for a total amount of $3,251,000.

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

### 9. *NET CHANGE IN WORKING CAPITAL*

Net change in working capital between the two period-ends taking into account the working capital assumed on the business combinations and disposal of a wholly-owned subsidiary:

| | 2015-06-13 (84 days) | 2014-06-14 (84 days) | 2015-06-13 (168 days) | 2014-06-14 (165 days) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Trade and other receivables | (13,079) | (16,328) | 5,126 | (2,320) |
| Inventory | (4,157) | (6,441) | (593) | 381 |
| Prepaid expenses | (2,405) | (2,103) | (3,444) | (2,487) |
| Loans receivable | (5) | | (5) | |
| Trade and other payables | 15,475 | 16,383 | 3,655 | 9,130 |
| Rebates payable | 223 | 1,299 | 178 | 45 |
| Deferred revenue | 4 | (168) | 270 | 200 |
| Pension obligation | (43) | (66) | (85) | (132) |
| | (3,987) | (7,424) | 5,102 | 4,817 |

### 10. *BANK BORROWING*

**Average bank borrowing**

The Company, based on the nature of its business agreements, is subject to significant fluctuations on its daily bank borrowing. The daily average bank borrowing was a measure used in the past to respect certain ratios and conditions. For the periods ended June 13, 2015 and June 14, 2014, the average bank borrowing was respectively $101,128,000 and $89,647,000 for the quarter and $99,103,000 and $92,870,000 for the year to date.

### 11. *LONG-TERM DEBT*

Under the terms of the agreement, the average rate of long-term debt was increased in January 2015 for the remaining duration of the debt, from 9.1% in January 2014 to 9.8% in January 2015.

| | 2015-06-13 | |
|---|---|---|
| | Par value | Book value |
| **Debt, 9.8%, maturing on February 1, 2018, issued on January 31, 2014** | $ | $ |
| Balance, beginning of period | 42,500 | 42,181 |
| Non-cash portion of effective interest on long-term debt | | 53 |
| Balance, end of period | 42,500 | 42,234 |

| | 2014-12-27 | |
|---|---|---|
| | Par value | Book value |
| **Debt, 9.1%, maturing on February 1, 2018, issued on January 31, 2014** | $ | $ |
| Balance, beginning of period | 42,500 | 42,087 |
| Non-cash portion of effective interest on long-term debt | | 94 |
| Balance, end of period | 42,500 | 42,181 |

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

## 12. *EMPLOYEE REMUNERATION*

**Stock option plan**

On June 2, 2015, the Company issued 955,000 stock options for common shares of the Group. The weighted average fair value of the options granted in 2015 of $0.40 per option has been estimated at the grant date using a binomial option pricing model on the basis of the weighted averages of the following assumptions for options granted during the period:

| | |
|---|---|
| Risk-free interest rate | 0.92 % |
| Expected volatility of share | 50 % |
| Expected annual dividend | $ 0.00 |
| Expected life | 5.5 years |
| Share price on grant date | $ 1.06 |
| Exercise price on grant date | $ 1.04 |

The underlying expected volatility has been determined on the basis of historical data relating to the Group's common shares since 2011.