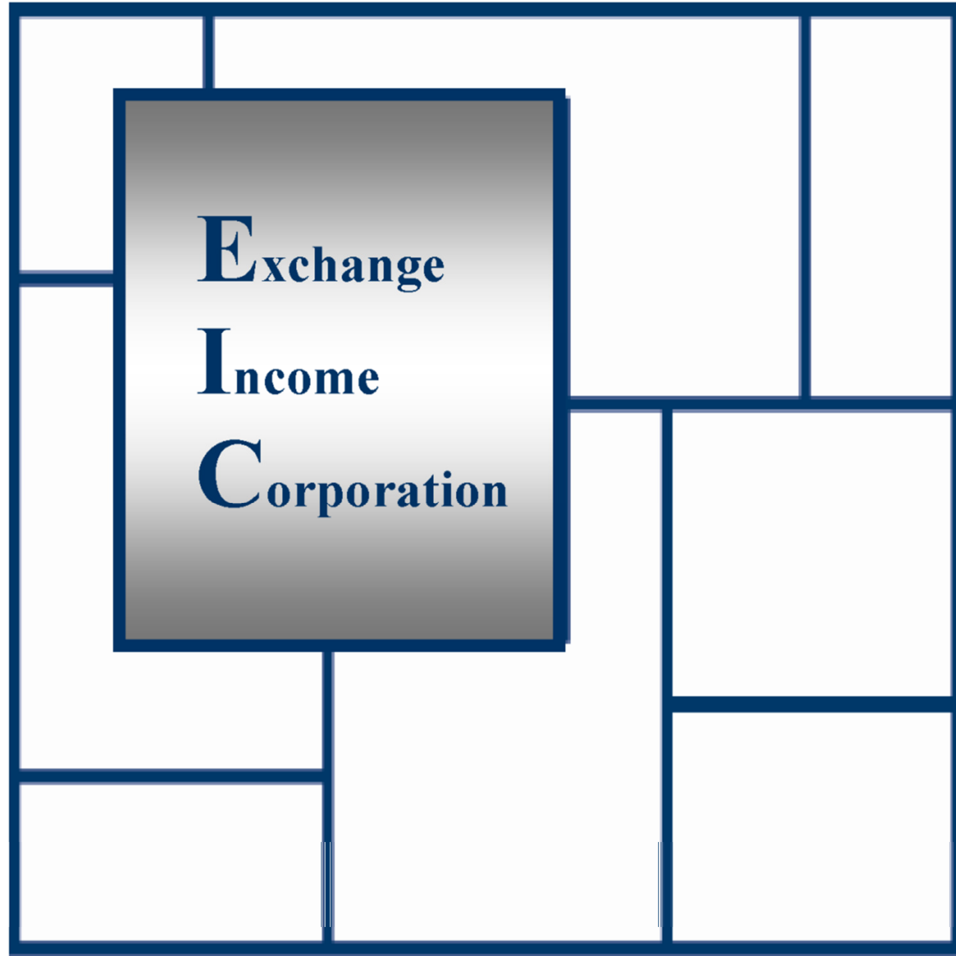


Second Quarter Report

For the three and six months ended June 30, 2015

CEO's Message

When we reported our first quarter results back in May, we were encouraged about the record performance that Exchange had achieved. I am pleased to tell you that our performance in the second quarter has not only maintained our established pace in the first quarter but has significantly surpassed it. New quarterly records have been established in EBITDA, Free Cash Flow and Free Cash Flow less maintenance capital expenditures. The strong and accelerating operating performance of our aviation and aerospace companies combined with the recent acquisitions of Ben Machine and First Air's Kivalliq operations make the outlook bright for Exchange for the balance of the year. This enhanced level of performance is not just a very strong quarter but rather continuing the trend of growing profitability. A trend we expect to carry on into the future that has provided us the financial capacity to reward our shareholders with an unprecedented second dividend increase in just nine months to $0.16 per month or an annualized rate of $1.92. The 10% or $0.015 per month dividend increase is the largest in the last ten years. Even with the dividend increase, our dividend payout ratio has significantly strengthened and is now at the lower end of our target range even with this increase.

The performance of our two most recent acquisitions, Provincial and Regional One, combined with significantly improved results at our Legacy airlines, more than offset weak demand in our manufacturing sector and enabled Exchange to have the best quarter in its 11 year history. The current quarter's results do not include our recently announced acquisition of Ben Machine.

Second Quarter Highlights:

- Revenue increased by 46% to $196.2 million.
- EBITDA increased by 116% to $48.1 million
- Basic net earnings per share increased to $0.58 from $0.06
- Adjusted Net Earnings increased by 452% to $16.5 million
- Free Cash Flow increased by 99% to $37.6 million
- Free Cash Flow less Maintenance Capital Expenditures on a basic per share basis grew by 115% to $0.86
- Our second quarter payout ratio improved from 105% to 51%
- The largest dividend increase in the last ten years and the second increase in the last nine months.
- "Same store" increase in EBITDA of $12.1 million or 54% after removing Provincial with no comparative.

The three main drivers of the strong second quarter performance are consistent with the first quarter. Provincial generated approximately 30% of EBITDA and, as it was acquired at the start of 2015, there is no comparable in the 2014 period. Regional One continued to perform exceptionally well. Our ongoing investments in additional aircraft, engines and parts facilitated Regional One in delivering a new all-time high contribution. We made additional investments in Regional One during the second quarter, and these investments will drive further growth in the future. Results at our Legacy Airlines were also strong with EBITDA growing $7.7 million or 59% to $20.7 million.

The drivers of the improved performance at our Legacy Airlines were also similar to that of the first quarter: 1) improved operating efficiency resulting from investments in the fleet and ground assets in previous quarters; 2) lower fuel prices; 3) cost control and efficiency initiatives; and 4) a return to more normal weather patterns resulting in additional demand for fire suppression and evacuation services.

The outlook for the third quarter in our Legacy airlines is promising and has been further improved with the recent acquisition of the Kivalliq operations of First Air. This acquisition will enable Calm Air to provide our customers improved service through an enhanced schedule while at the same time increasing load factors and yield on these flights. Fuel prices in the second quarter, while higher than the first quarter were lower than in previous years further enhancing margin performance. Fuel prices early in the third quarter have fallen to first quarter levels further strengthening our outlook. Ongoing initiatives to strengthen the efficiencies between our various airlines and to identify and implement quantifiable synergies that reduce costs and improve returns are gaining momentum.

The performance of the Manufacturing segment companies continued to be impacted by the external challenges we identified in the first quarter. Despite consistent performance and strong demand, WesTower's growth during the second quarter was hampered by third party equipment shortages that resulted in project delays. Conversely, the balance of the Manufacturing segment companies remained primarily focused on managing through the current period's flat or, in the case of the Alberta Operations, weakening demand that has been impacted by the decline in the oil and gas industry in that region.

The outlook for the future of Exchange is promising for many reasons. Our Legacy airlines are performing well and previous investments are driving enhanced returns. Regional One consistently demonstrates its ability to source accretive investment opportunities and grow profitably. The recent acquisition of CRJ700 aircraft from Lufthansa has increased our available equipment but has had minimal impact on the Company's results up to the end of the second quarter and will drive further growth in coming periods as those assets are sold or leased. Provincial continues to pursue opportunities to provide customers with equipment along

with full service monitoring, search and rescue solutions. While the purchase cycle for this type of product is long we are actively pursuing a wide variety of opportunities in Canada and around the globe.

We announced the acquisition of Ben Machine in the first week of July. Ben Machine is a high precision machining company which provides component parts and assemblies to OEMs primarily servicing the aerospace and defense sector. It has a long track record of profitability and will be managed by the original management team. As well as occupying a unique market niche, Ben Machine deals with many of the same companies as Provincial. We believe that there will be opportunities for these two companies to work together in the future. The purchase will be immediately accretive and will further diversify our earnings streams. We are active in the acquisition marketplace and have demonstrated our ability to move quickly when accretive acquisition opportunities are sourced and verified.

Our profitability continues to improve quarter over quarter; strengthening our payout ratio and creating the financial capacity that allowed us to increase our dividend for a 10th time in our 11 year history to an annualized dividend of $1.92 per share. Our business model of diligently building a diversified portfolio of companies through accretive acquisition and organic growth has proven itself to be effective and resilient over the last decade. Based on our current performance levels and recent acquisitions, even with this 10% dividend increase we expect our payout ratio for the remainder of 2015 to be within our range and facilitate further dividend growth in the future. We want to thank our shareholders for their ongoing support; we would not have accomplished what we have without your unshakable confidence in our model. Our current performance is the strongest to date and we look forward to reporting our progress to you in future periods.

Mike Pyle
Chief Executive Officer

Management's Discussion and Analysis

August 12, 2015

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements other than statements of historical fact contained in this MD&A are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving the Company or the businesses in which it has invested. Persons reading this MD&A can identify many of these statements by looking for words such as "believe", "expects", "will", "may", "intends", "projects", "anticipates", "plans", "estimates", "continues" and similar words or the negative thereof. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

By their nature, forward-looking statements require assumptions and are subject to inherent risks and uncertainties including those discussed in this report. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this report are cautioned to not place undue reliance on forward-looking statements made or incorporated by reference herein because a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to those risk factors set out in this report described in Section 11 – *Risk Factors* of the MD&A. We caution that the list of risk factors set out herein is not exhaustive and that when relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this report are made as of the date of this report or such other date specified in such statement.

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") supplements the unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2015 ("Consolidated Financial Statements") of Exchange Income Corporation ("EIC" or "the Company"). All amounts are stated in thousands of Canadian dollars, except per share information and share data, unless otherwise stated.

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. This MD&A should be read in conjunction with the Condensed Consolidated Financial Statements of the Company for the three and six months ended June 30, 2015, its annual financial statements for the year ended December 31, 2014 and its annual MD&A for the year ended December 31, 2014.

1. FINANCIAL HIGHLIGHTS

The financial highlights for the Company for the periods indicated are as follows.

FINANCIAL PERFORMANCE	2015	per share basic	per share fully diluted	2014	per share basic	per share fully diluted
For the three months ended June 30						
Revenue	**$ 196,214**			$ 134,219		
EBITDA	**48,053**			22,262		
Net earnings from continuing operations	**13,394**	**$ 0.58**	**$ 0.54**	1,282	$ 0.06	$ 0.06
Adjusted net earnings from continuing operations	**16,516**	**0.71**	**0.64**	2,990	0.14	0.14
Net earnings	**13,394**	**0.58**	**0.54**	4,122	0.19	0.19
Free Cash Flow	**37,626**	**1.63**	**1.33**	18,884	0.86	0.73
Free Cash Flow less maintenance capital expenditures	**19,870**	**0.86**	**0.75**	8,802	0.40	0.40
Dividends declared	**10,064**	**0.435**		9,277	0.42	
For the six months ended June 30						
Revenue	**$ 370,149**			$ 260,278		
EBITDA	**79,133**			40,255		
Net earnings from continuing operations	**14,328**	**$ 0.62**	**$ 0.61**	932	$ 0.05	$ 0.05
Adjusted net earnings from continuing operations	**20,167**	**0.87**	**0.86**	2,821	0.13	0.13
Net earnings	**14,328**	**0.62**	**0.61**	4,289	0.20	0.19
Free Cash Flow	**61,552**	**2.67**	**2.20**	31,681	1.45	1.27
Free Cash Flow less maintenance capital expenditures	**28,979**	**1.25**	**1.16**	10,257	0.47	0.47
Dividends declared	**20,102**	**0.87**		18,413	0.84	
FINANCIAL POSITION	**June 30, 2015**			December 31, 2014		
Working capital	**$ 119,258**			$ 95,784		
Capital assets	**512,102**			364,914		
Total assets	**1,123,035**			715,103		
Senior debt	**341,072**			17,743		
Equity	**322,946**			299,593		
SHARE INFORMATION	**June 30, 2015**			December 31, 2014		
Common shares outstanding	**23,155,122**			22,507,341		

2. OVERVIEW

EXCHANGE INCOME CORPORATION

The Company is a diversified, acquisition-oriented corporation focused on opportunities in two sectors: aviation services and equipment, and manufacturing. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The objectives of the Company are:

(i) to provide shareholders with stable and growing dividends;

(ii) to maximize share value through on-going active monitoring of its operating subsidiaries; and

(iii) to continue to acquire additional companies or businesses or interests therein in order to expand and diversify the Company's investments.

Acquisition – Provincial Aerospace Ltd

On January 2, 2015, the Company completed the acquisition of Provincial Aerospace Ltd. ("Provincial") through a stock purchase agreement to acquire 100% of the shares of Provincial, a Canadian owned corporation based out of St. John's, Newfoundland and Labrador. Provincial was founded in 1972 and operates three distinct business units, a scheduled airline, fixed base operations and aerospace.

Provincial operates its scheduled airline service using fixed wing aircraft in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia providing approximately 210 scheduled flights weekly as well as charter services across the territory. The fixed base operations are located Newfoundland and Labrador and Nova Scotia. The aerospace business designs, modifies, maintains and operates custom sensor equipped aircraft. It has maritime surveillance and support operations in Canada, the Caribbean and the Middle East. Provincial operates a total of 29 aircraft. The scheduled operations business has a fleet primarily comprised of Dash 8's and Twin Otters and the aerospace business operates various aircraft types for multiple customers.

The purchase price was $244.4 million, subject to customary post-closing adjustments. The Company paid $225.0 million of the purchase price with cash on closing being funded from the Company's credit facility and the Company issued 523,188 common shares with a value of $12.1 million to the vendors. The post-closing adjustments are estimated at a $7.3 million liability owing to the vendors, which was created mainly from excess working capital of the acquired balance sheet of Provincial over the $5.0 million target in the stock purchase agreement. Included in the acquired balance sheet was $23.2 million of cash and is available to be used to settle the liability with the vendors and is expected to be finalized during the third quarter of 2015. The Company's results include the financial results of Provincial's operations from the date of closing and are included in the Company's Aviation segment.

The acquisition is immediately accretive to the Company's key financial metrics, including EBITDA, cash flows, earnings per share and Free Cash Flow. The acquisition allowed the Company to further diversify its revenue streams and cash flow by entering new product and geographical markets. Provincial's maritime surveillance and support operations, which constitute the largest segment of Provincial's operations, are a new niche market that the Company's existing Aviation segment entities do not operate in and the revenue streams come from several different geographic areas around the world. As a result, the addition of Provincial further diversifies the cash flows generated by the Company.

The Company had previously made estimates in its first quarter interim condensed consolidated financial statements regarding the purchase price allocation of the net assets acquired, but this included no recognition of intangible assets and other certain items. During the second quarter the Company revised these estimates and resulted in $52.6 million of intangible assets being recognized. This resulted in $2.2 million of intangible asset amortization being expensed in the second quarter pertaining to the six month period since being acquired at the beginning of fiscal 2015.

The current allocations included in the Company's interim consolidated financial statements for the current period are provisional and adjustments will be finalized during the third quarter of 2015 primarily with the settlement of working capital.

CRA Settlement

The Company entered into an agreement during the first quarter of 2015 with the CRA regarding the CRA's objection to the tax consequences of the conversion of EIC's income trust structure into a business corporation in July 2009. The agreement did not give rise to any cash outlay by the Corporation for prior taxation years. The Company recorded a non-cash charge in the Company's consolidated net earnings in the 2014 year related to the write-off of certain of the Company's deferred tax assets. The Company has been proactive with the CRA in order to resolve this issue, and the agreement gives EIC a highly satisfactory ending to an important chapter.

Series I Convertible Debentures Early Redemption

The Company announced on February 19, 2015 that it was exercising its right to call the Series I convertible debentures. These convertible debentures were repaid on March 31, 2015 using funds from the Company's credit facility.

Subsequent Event – Acquisition of Ben Machine

On July 2, 2015, the Company closed the acquisition of Ben Machine Products Company Inc. ("Ben Machine"), a Canadian owned corporation based in Vaughan, Ontario. Ben Machine is a leading manufacturer that provides complex precision-machined components and assemblies primarily for the aerospace and defence sector. Ben Machine is focused on providing a complete solution for their customers and offers a full range of services, including CNC machining and turning, brazing, casting, welding, complex assembly, sheet metal fabrication, and all necessary finishing services. Ben Machine's services are compliant with many

military, aerospace, nuclear and commercial standards that have the highest acceptance rate standards and strict measurement guidelines.

The acquisition price is approximately $46.0 million and was funded through a combination of debt financing and the issuance of the Company's common shares ("Shares") to the vendors. The purchase price is subject to customary adjustments, including working capital. Approximately 85% of the purchase price was funded with cash and the remaining 15% was funded with the issuance of 329,552 common shares of EIC to the vendors. The Company's results for the second quarter of 2015 do not include any financial results of Ben Machine.

The acquisition is expected to be immediately accretive to the Company's key financial metrics, including EBITDA, Free Cash Flow less maintenance capital expenditures and Adjusted Net Earnings per share. The acquisition allows the Company to further diversify our revenue streams and cash flow by entering new product markets. Ben Machine's products are in new niche markets that the Company's existing manufacturing segment entities do not operate in, however they deal with many of the same companies as Provincial, providing opportunities for Provincial and Ben Machine to work together in the future.

Subsequent Event – Acquisition of First Air's Kivalliq Operations

On July 3, 2015 the Company acquired all of the non-aircraft assets of First Air in the Kivalliq Region and assumed responsibility for all scheduled, freight and charter operations in the region. The acquisition price was approximately $3.5 million and was funded by cash available through the Company's credit facility. The acquisition of First Air's Kivalliq Operations will improve the service to the region by offering a better schedule, faster freight delivery and competitive pricing, while resolving the chronic airline overcapacity that has been endemic in the region. The Company has contracted First Air to fly the Winnipeg to Rankin Inlet route on the Company's behalf.

Subsequent Event – Series H Convertible Debentures Early Redemption

The Company announced on June 8, 2015 that it was exercising its right to call the Series H convertible debentures. The majority of the convertible debentures outstanding were converted into Shares at the option of the debentureholders. Subsequent to the end of the second quarter, the Company repaid the remaining $2.2 million of convertible debentures outstanding on July 15, 2015 using funds from the Company's credit facility. During the subsequent period up to the early redemption date, a total of $19.6 million of convertible debenture principal was converted into 979,700 Shares of the Company.

Divestiture – WesTower Communications Inc

On October 20, 2014, the Company sold the US operations of WesTower. This is the first divestiture that the Company has completed in its history. The Company acquired WesTower US along with WesTower CDA in April 2011. At that time, WesTower US had operational revenues of approximately US$100 million. At the end of 2011, WesTower US entered into a turfing contract with AT&T and the US operations of WesTower grew approximately 400% since the start of the contract. With the rapid growth of WesTower US and a significant proportion of operations tied to one customer, the Company was no longer effectively diversified. The sale to MasTec Network Solutions, LLC ("MasTec") for approximately US$200 million enabled the Company to rebalance the portfolio of subsidiary operations, while providing access to capital to fund other acquisition opportunities.

As a result of this transaction, the Company's results are presented with discontinued operations, which include the operational results of WesTower US, the allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US and the net gain on disposition. The results of the Company from continuing operations are reflective of the operations of the Company without WesTower US. The Company recorded a gain on the sale of the Discontinued Operations of $0.74 per share from the transaction in the Company's consolidated net earnings for the 2014 year. It will be finalized with the settlement of the transaction's customary purchase price adjustments. The Company expects to have the purchase price adjustments settled in 2015.

Segment Summary

The Company's operating segments are strategic business units that offer different products and services. The Company has two operating segments: Aviation and Manufacturing:

(a) **Aviation** – includes a variety of operations within the aviation industry. It includes providing scheduled airline and charter service and emergency medical services to communities located in Manitoba, Ontario, Nunavut and Alberta. These services are provided by: **Calm Air**, **Perimeter**, **Keewatin**, **Bearskin**, **Custom Helicopters**, and other aviation supporting businesses ("the **Legacy airlines**"). **Regional One** is focused on supplying regional airline operators around the world with various after-market aircraft, engines, and component parts. **Provincial** provides scheduled airline and charter service in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia and also includes its aerospace business that designs, modifies, maintains and operates custom sensor equipped aircraft. Provincial has maritime surveillance and support operations in Canada, the Caribbean and the Middle East. Together all of these operations make up the Aviation segment, but to assist in further explaining the results of the segment, the Company may refer to the Legacy airlines, Regional One and Provincial; and

(b) **Manufacturing** – providing a variety of manufactured goods and related services in a variety of industries and geographic markets throughout North America. The Canadian operations of **WesTower CDA** are focused on the engineering, design, manufacturing and construction of communication towers. **Stainless** manufactures specialized stainless steel tanks, vessels and processing equipment. The **Alberta Operations** specializes in the manufacturing of specialized heavy duty pressure washing and steam systems as well as manufactures custom tanks for the transportation of various products, primarily oil, gasoline and water. The Alberta Operations are also the exclusive distributor in Alberta, British Columbia, the Northwest Territories, south-eastern Saskatchewan, and North Dakota for Hotsy pressure washing cleaning equipment, which is used for a variety of light commercial and industrial applications. **Overlanders** manufacture precision sheet metal and tubular products. **Ben Machine** is an Ontario based manufacturer of precision parts and components primarily used in the aerospace and defense sector, which was acquired subsequent to quarter end.

The operating subsidiaries of the Company ("Subsidiary" or "Subsidiaries") operate autonomously and maintain their individual business identities. Management of the Company continuously monitors the operating subsidiaries, and will undertake future acquisitions as deemed beneficial to the Company.

3. KEY PERFORMANCE INDICATORS

The following section will quantify and analyze the key performance indicators of the Company. The Company continually monitors and evaluates its metrics and updates these metrics as required to ensure they provide information considered most useful in any decision-making based on the Company's performance.

The dividends declared by the Company to its shareholders are dependent on its cash flow from operating activities with consideration for changes in working capital requirements, investing activities and financing activities of the Company. The EBITDA, Free Cash Flow, and Free Cash Flow less maintenance capital expenditures generated from operations are important performance measures that are used by management to evaluate the performance of the Company.

This discussion is directed at the continuing operations of the Company, which excludes WesTower US as a result of the sale of those operations in October 2014 (see Section 2 – *Overview*). As a result of that event, the results of WesTower US in the comparative period are presented within Discontinued Operations, which include the operational results of WesTower US and an allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US. The net gain on the disposition was recognized in the fourth quarter of 2014 and is therefore excluded from any comparative amounts discussed below until that time. The Company allocated interest expense to Discontinued Operations representing the portion of interest expense related to the Company's senior credit facility that was repaid as a result of the transaction. For the comparative three and six month periods ending June 30, 2014, the Company allocated cash interest expense of $1.6 million and $2.9 million, respectively. The results of the Company aside from the Discontinued Operations are reflective of the operations of the Company without WesTower US ("Continuing Operations"). The current period results do not include any Discontinued Operations.

EBITDA from Continuing Operations

The following reconciles net earnings before income tax to EBITDA from continuing operations. Further discussion and analysis on the EBITDA results for the periods can be found in Section 4 – *Analysis of Operations*.

EBITDA from continuing operations	**Three Months Ended**		**Six Months Ended**	
periods ending June 30	**2015**	2014	**2015**	2014
Earnings from continuing operations before income taxes	$ **19,325**	$ 3,163	$ **21,298**	$ 4,377
Depreciation and amortization	**20,615**	12,719	**39,130**	24,756
Finance costs - interest	**7,119**	5,317	**15,517**	10,414
Acquisition costs	**994**	19	**3,188**	59
Consideration liability fair value adjustment	**-**	(256)	**-**	(651)
Impairment and restructuring	**-**	1,300	**-**	1,300
	$ **48,053**	$ 22,262	$ **79,133**	$ 40,255

Three Month EBITDA

The EBITDA generated by the Company's continuing operations during the second quarter of 2015 was $48.1 million, an increase $25.8 million or 116% over the comparative period. The increase is the result of a 151% increase in the EBITDA of the Aviation segment, a decline of 22% by the Manufacturing segment and higher head-office costs. The improvement in the Aviation segment was driven by three factors, the largest being the acquisition of Provincial at the beginning of fiscal 2015. The second factor was the strong performance of the Legacy airlines, increasing their collective EBITDA by 59% over the comparative period. This improvement

was attributable to a culmination of factors including: the benefits of previously made growth capital expenditures reduced fuel costs; 'normal' weather in central Canada; and targeted restructuring initiatives. The third factor was Regional One's continued growth of its portfolio and the additional EBITDA it was able generate as a result.

Six Month EBITDA

The EBITDA generated by the Company's continuing operations during the six months ended June 30, 2015 was $79.1 million, an increase of $38.9 million or 97% over the comparative period. Consistent with the second quarter discussion, the increase in EBITDA is a result of improved performance in the Aviation segment (132% increase), partially offset by lower EBITDA generated by the Manufacturing segment (33% decrease) and higher head-office costs. The acquisition of Provincial early in 2015, with no comparatives in the prior period, was the largest factor in the improvement for the Aviation segment. The strong performance of the Legacy airlines was also a significant driver of the improvement. Throughout the first half of 2015 the Legacy airlines reaped the benefits of previous growth capital expenditures; reduced fuel costs; improved weather in central Canada from the comparative period; and targeted restructuring initiatives. Regional One also contributed strong growth in its EBITDA as additional investments in portfolio of equipment yielded strong results.

FREE CASH FLOW from Continuing Operations

FREE CASH FLOW from continuing operations	**Three Months Ended**				**Six Months Ended**			
periods ending June 30		**2015**		2014		**2015**		2014
Cash flows from operations	**$**	**3,841**	$	15,832	**$**	**24,080**	$	19,379
Change in non-cash working capital items		**32,791**		4,379		**34,284**		15,054
Acquisition costs		**994**		19		**3,188**		59
Impairment and restructuring		**-**		1,300		**-**		1,300
Discontinued operations		**-**		(2,646)		**-**		(4,111)
	$	**37,626**	$	18,884	**$**	**61,552**	$	31,681
per share - Basic	**$**	**1.63**	$	0.86	**$**	**2.67**	$	1.45
per share - Fully Diluted	**$**	**1.33**	$	0.73	**$**	**2.20**	$	1.27

Three Month Free Cash Flow from Continuing Operations

The Free Cash Flow generated by the Company's continuing operations for the second quarter of 2015 was $37.6 million, an increase of $18.7 million or 99% over the comparative period. The change in Free Cash Flow is the result of a number of factors but primarily as a result of the addition of Provincial generating a high level of EBITDA in the current period with no comparative and the improvements in performance at the Legacy airlines and growth at Regional One.

Offsetting the additional EBITDA generated by the Company in the current period is additional cash interest incurred on the Company's credit facility. The comparative period had minimal cash interest as a result of the allocation of the Company's credit facility costs to Discontinued Operations. The current period's cash interest includes the cash interest incurred on its outstanding credit facility balance coming mainly from funding the cash portion of the purchase price of the Provincial acquisition and certain other growth capital expenditures. Partially offsetting the higher cash interest cost coming from the Company's credit facility is reduced cash interest costs on the Company's outstanding convertible debentures coming mainly from the early redemption of the Series I convertible debentures at the end of the first quarter 2015. As a result of these factors, the Company incurred net additional cash interest of $1.9 million in the current period.

The Company's cash taxes from continuing operations increased by $4.8 million in the current period and as a result decreased the Free Cash Flow of the Company. The higher cash taxes are a result of the higher EBITDA generated in the current period and the settlement with the CRA described in Section 2 – *Overview*.

Included in the current period's EBITDA are net gains on disposal of capital items totaling $0.6 million, in particular coming from the sale of redundant aircraft within the Legacy Airlines. On the Statement of Cash Flow, the net gain is treated outside of cash flows from operating activities and is part of the disposal proceeds of capital assets. There was only $0.2 million of net gains for the Company in the comparative period.

On a basic per share basis, the increase in absolute Free Cash Flow contributed to the increase in per share amounts and was partially offset by the higher number of Shares outstanding in the current period. The combined impact resulted in Free Cash Flow of $1.63 per share for the current period, an increase of $0.77 per share or 90% over the comparative period. Details around the increase in Shares outstanding can be found in Section 6 – *Liquidity and Capital Resources*. For similar reasons, the Company's fully diluted Free Cash Flow per share was $1.33 for the current period, an increase of $0.60 per share or 82% over the comparative

period. The dilution impact coming from the Series I convertible debentures that were early redeemed at the end of the first quarter 2015 was removed in the current period as a result.

Six Month Free Cash Flow from Continuing Operations

The Free Cash Flow generated by the Company's continuing operations for the six month period ended June 30, 2015 was $61.6 million, an increase of $29.9 million or 94% over the comparative period. Consistent with the second quarter discussion, the change in Free Cash Flow is the result of a number of factors but primarily as a result of the increase in EBITDA generated in the current period. The higher EBITDA comes from the addition of Provincial with no comparative, the improvements in performance at the Legacy airlines and growth at Regional One.

Offsetting the additional EBITDA generated by the Company in the current period is additional cash interest incurred on the Company's credit facility. The comparative period had minimal cash interest as a result of the allocation of the Company's credit facility costs to Discontinued Operations. The current period's cash interest includes the cash interest incurred on its outstanding credit facility balance coming mainly from funding the cash portion of the purchase price of the Provincial acquisition and certain other growth capital expenditures. The cash interest on the Company's convertible debentures was down in the current period as a result of the early redemption of the Series I convertible debentures but impacted by the March 2014 convertible debentures offering being outstanding for only a portion of the comparative period. As a result of these factors, the Company incurred net additional cash interest of $4.3 million in the current period.

The Company's cash taxes from continuing operations increased by $5.7 million in the current period and as a result decreased the Free Cash Flow of the Company. The higher cash taxes are a result of the higher EBITDA generated in the current period and the settlement with the CRA described in Section 2 – *Overview*.

Included in the current period's EBITDA are net gains on disposal of capital items totaling $0.6 million, in particular coming from the sale of redundant aircraft within the Legacy Airlines in the second quarter. On the Statement of Cash Flow, the net gain is treated outside of cash flows from operating activities and is part of the disposal proceeds of capital assets. There was $1.5 million of similar net gains for the Company in the comparative period.

The Company also incurred higher levels of non-cash equity based compensation in the current period associated with the deferred share plan. These costs are included in EBITDA but from a statement of cash flows perspective are non-cash and therefore excluded from cash flows from operating activities. There was an increase of $0.4 million in the current period for non-cash equity based compensation.

On a basic per share basis, the increase in absolute Free Cash Flow contributed to the increase in per share amounts and was partially offset by the higher number of Shares outstanding in the current period. The combined impact resulted in Free Cash Flow of $2.67 per share for the current period, an increase of $1.22 per share or 84% over the comparative period. Details around the increase in Shares outstanding can be found in Section 6 – *Liquidity and Capital Resources*. For similar reasons, the Company's fully diluted Free Cash Flow per share was $2.20 for the current period, an increase of $0.93 per share or 73% over the comparative period. The impact from the March 2014 convertible debentures being outstanding for only a portion of the comparative period and the early redemption of the Series I convertible debentures half way through the current period had some offsetting impact on the Free Cash Flow.

FREE CASH FLOW LESS MAINTENANCE CAPITAL EXPENDITURES from Continuing Operations

FREE CASH FLOW LESS MAINTENANCE CAPITAL EXPENDITURES	Three Months Ended		Six Months Ended	
periods ending June 30	**2015**	2014	**2015**	2014
Free Cash Flow	**$ 37,626**	$ 18,884	**$ 61,552**	$ 31,681
Maintenance Capital Expenditures	**17,756**	10,082	**32,573**	21,424
	$ 19,870	$ 8,802	**$ 28,979**	$ 10,257
per share - Basic	**$ 0.86**	$ 0.40	**$ 1.25**	$ 0.47
per share - Fully Diluted	**$ 0.75**	$ 0.40	**$ 1.16**	$ 0.47

Three Month Free Cash Flow Less Maintenance Capital Expenditures from Continuing Operations

The Free Cash Flow less maintenance capital expenditures generated by the Company's continuing operations for the second quarter of 2015 was $19.9 million, an increase of $11.1 million or 126% over the comparative period. The increase is due to the increase in Free Cash Flow as described above, partially offset by the $7.7 million or 76% increase in maintenance capital expenditures, which is described in detail in the Capital Expenditures section.

It is important to understand that as a result of reporting under IFRS, maintenance capital expenditures fluctuate from period to period with variability as described further in the Capital Expenditures section. As a result of the variability in the maintenance capital expenditures under IFRS, Free Cash Flow is a better metric than Free Cash Flow less maintenance capital expenditures as a measure of ongoing operating performance. Maintenance capital expenditures are variable under IFRS because overhaul maintenance for aircraft engines and airframe heavy checks that were previously accrued in advance are treated as capital expenditures when the event takes place under IFRS. Free Cash Flow less maintenance capital expenditures is still an important operating metric; however, it will be subject to lumpy quarterly and annual variability as a result of the maintenance capital expenditures and therefore needs to be evaluated over longer operating periods.

On a basic per share basis, the increase in absolute Free Cash Flow less maintenance capital expenditures contributed to the increase in per share amounts and was partially offset by the higher base of the Company's Shares outstanding in the current period. The combined impact resulted in Free Cash Flow less maintenance capital expenditures of $0.86 per share for the current period, an increase of $0.46 per share or 115% over the comparative period (fully diluted $0.75, increase of $0.35 or 88%). Details around the increase in Shares outstanding can be found in Section 6 – *Liquidity and Capital Resources*.

Six Month Free Cash Flow Less Maintenance Capital Expenditures from Continuing Operations

The Free Cash Flow less maintenance capital expenditures generated by the Company's continuing operations for the six month period ended June 30, 2015 was $29.0 million, an increase of $18.7 million or 183% over the comparative period. The increase is due to the increase in Free Cash Flow as described above, partially offset by the $11.1 million or 52% increase in maintenance capital expenditures, which is described in detail in the Capital Expenditures section.

On a basic per share basis, the increase in absolute Free Cash Flow less maintenance capital expenditures contributed to the increase in per share amounts and was partially offset by the higher base of the Company's Shares outstanding in the current period. The combined impact resulted in Free Cash Flow less maintenance capital expenditures of $1.25 per share for the current period, an increase of $0.78 per share or 166% over the comparative period (fully diluted $1.16, increase of $0.69 or 147%). Details around the increase in Shares outstanding can be found in Section 6 – *Liquidity and Capital Resources*.

CAPITAL EXPENDITURES from Continuing Operations

CAPITAL EXPENDITURES for continuing operations	**Three Months Ended**		**Six Months Ended**	
periods ending June 30	**2015**	2014	**2015**	2014
Cash maintenance capital expenditures	**$ 17,542**	$ 9,793	**$ 32,102**	$ 21,090
add: finance lease principal payments	**214**	382	**471**	772
less: discontinued operations maintenance capital expenditures	**-**	(93)	**-**	(438)
Maintenance capital expenditures for continuing operations	**17,756**	10,082	**32,573**	21,424
Growth capital expenditures	**20,285**	10,479	**42,499**	12,893
less: discontinued operations growth capital expenditures	**-**	(289)	**-**	(493)
Capital expenditures for continuing operations	**$ 38,041**	$ 20,272	**$ 75,072**	$ 33,824
Maintenance capital expenditures per share - Basic	**$ 0.77**	$ 0.46	**$ 1.42**	$ 0.98
Growth capital expenditures per share - Basic	**0.88**	0.46	**1.84**	0.57
Total capital expenditures per share - Basic	**$ 1.65**	$ 0.92	**$ 3.26**	$ 1.55

Maintenance Capital Expenditures from Continuing Operations

Maintenance capital expenditures in the second quarter of 2015 totalled $17.8 million, an increase of $7.7 million or 76% from the comparative period. The majority of the expenditures occurred in the Aviation segment, as it spent $17.1 million versus the $0.6 million spent in the Manufacturing segment and $0.1 million spent at head-office.

The maintenance capital expenditure invested in the Aviation segment was $7.5 million or 78% higher than the comparative period. The addition of Provincial caused the majority of the increase as it invested $5.7 million of maintenance capital expenditures in the current period with no comparative. The remaining increase came from Regional One's maintenance capital expenditures which were $3.4 million, $1.6 million higher than the comparable period and consisted of the investment required in order to maintain the lease portfolio at an optimal operating level. The Legacy airlines invested $8.1 million in maintenance capital expenditure, essentially unchanged from the comparative period. The majority of this investment is related to engine overhauls, heavy checks and rotable additions and may vary significantly from period to period causing quarter over quarter comparisons to be lumpy.

A large portion of the Aviation segment's maintenance capital expenditures are denominated in US dollars, as the US dollar is the common currency of the aircraft industry. The changing value of the Canadian dollar also contributes to the volatility in the maintenance events costs that constitute a significant portion of the segment's maintenance capital expenditures.

The Manufacturing segment and head-office's maintenance capital expenditures were essentially unchanged from the comparative period.

Total maintenance capital expenditures for the six month period ended June 30, 2015 totaled $32.6 million, an increase of $11.1 million or 52% over the comparative period. The Aviation segment spent $31.1 million, the Manufacturing segment spent $1.3 million and head office spent $0.2 million. The majority of the increase is associated with Provincial, which has had maintenance capital expenditures of $7.7 million with no comparative and Regional One, which increased by $3.2 million, consistent with their growing lease portfolio.

Growth Capital Expenditures from Continuing Operations

The Company invested $20.3 million in the second quarter of 2015, an increase of $10.1 million or 99% over the comparable period. The majority of the growth capital expenditures were in the Aviation segment, which accounted for $20.0 million or 99% of the growth capital expenditures.

The Aviation segment's growth capital expenditures in the second quarter were focused in three areas. First, the Company made $28.7 million of additional net investment in Regional One by growing its asset portfolio through a combination of parts in inventory and assets available for lease or sale. For those items that are classified as parts inventory, they are included in working capital that is discussed in Section 6 – *Liquidity and Capital Resources*. During the quarter Regional One took delivery of an additional three CRJ700 aircraft (US$17.1 million) as a part of the ongoing investment in a total of 12 CRJ700 aircraft from Lufthansa CityLine. As of June 30, 2015 Regional One had taken delivery of a total of eight of the 12 aircraft; three of the Aircraft are now leased, two with leases pending, and three are being parted out. The aircraft being parted out are included in inventory and are not reflected as growth capital expenditures. The monetization of the Lufthansa CRJ700 aircraft, and its positive impact on revenue and profitability, remains in its early stages and will grow throughout the remainder of this year and into 2016. These are expected to generate consistent or improved returns when monetization takes place. In addition to the investment in the Lufthansa CRJ700's, Regional One invested in an additional six aircraft in the quarter (US$12.4 million), two of which were sold during July 2015 and one that is contracted to be sold by the end of 2015. During the quarter, two aircraft and one engine from investments made in previous quarters were sold and netted against the growth capital expenditures. Since being acquired in April 2013, Regional One has consistently generated positive returns of approximately 19% on the invested capital. Regional One continues to look for further opportunities for growth in addition to the CRJ700 aircraft that are yet to be delivered.

The second area of focus during the quarter was the purchase of a Dash 8-100 for $3.8 million to replace a leased Saab aircraft operated by Provincial. A second Dash 8-100 was purchased for US$4.3 million early in the third quarter to replace another leased Saab aircraft. The investment in the newly purchase aircraft will generate a return on invested capital that exceeds the Company's target threshold and is consistent with the Company's longstanding practice of owning aircraft versus leasing. This completes the fleet change for Provincial from Saab 340's to the Dash 8 platform.

The last area of focus was the ongoing investment in avionics upgrades to the Legacy airlines aircraft. The avionics upgrades totaling $1.3 million improve aircraft safety and greatly expand the flight capabilities of the aircraft, allowing these aircraft to operate safely in an expanded range of weather conditions. This enhanced operational capability increases the number of flights the aircraft can complete, expanding the aircraft's revenue potential. During the quarter the investment in the avionics was offset by the sale proceeds from the divestment of two Beech 1900 aircraft, an aircraft type that is no longer operated by the legacy airlines, for proceeds of $3.0 million. As a result, the Legacy airlines had negative growth capital expenditures in the current period after netting the cash received on the sale of the aircraft. This is consistent with the notion that, outside of the avionics upgrades, the Company has made its major capital expenditures associated with the management of the Legacy airlines fleet in prior years.

The Manufacturing segment's growth capital expenditures were $0.3 million.

Growth capital expenditures for the six month period ended June 30, 2015 totaled $42.5 million, an increase of $30.1 million or 243% over the comparable period. The majority of the growth capital expenditures were in the Aviation segment totaling $41.8 million versus the $0.7 million spent in the Manufacturing segment.

A total of $3.6 million or 9% of the growth capital expenditure in the Aviation segment was invested in the ongoing avionics upgrades of aircraft in the Legacy airlines. These upgrades result in fewer cancelled or diverted flights, improved aircraft utilization and enhanced on time performance and safety. This investment was largely offset by the proceeds from the sale of Beech 1900 aircraft described above. During the period Provincial purchased a Dash 8-100 replacing an aircraft that had previously been operated under lease. The growth capital expenditures at Regional One consisted primarily of ongoing purchases of five CRJ700's from Lufthansa CityLine that are currently leased or available for lease. The remaining three CRJ700's purchased from Lufthansa during the period

have been or are being parted-out and are included in inventory. In addition to the Lufthansa CRJ700 investments Regional One purchased several additional aircraft and components to expand its assets available for lease or resale. Netting against the growth capital expenditures for the period was the sale of three aircraft and one engine. Early in the third quarter an additional two aircraft were sold, and there is currently one aircraft under contract to be sold by the end of 2015.

DIVIDENDS & PAYOUT RATIO from Continuing Operations

The amounts and record dates of the dividends declared during the six months ended June 30, 2015 and the comparative period in 2014 were as follows:

					2015 Dividends					2014 Dividends
Month	**Record date**	**Per Share**			**Amount**	Record date	Per Share			Amount
January	January 30, 2015	**$**	**0.145**	**$**	**3,342**	January 31, 2014	$	0.14	$	3,039
February	February 27, 2015		**0.145**		**3,347**	February 28, 2014		0.14		3,043
March	March 31, 2015		**0.145**		**3,349**	March 31, 2014		0.14		3,054
April	April 30, 2015		**0.145**		**3,352**	April 30, 2014		0.14		3,080
May	May 31, 2015		**0.145**		**3,354**	May 30, 2014		0.14		3,097
June	June 30, 2015		**0.145**		**3,358**	June 30, 2014		0.14		3,100
Total		**$**	**0.87**	**$**	**20,102**		$	0.84	$	18,413

Dividends declared for both the three and six month periods ended June 30, 2015 have increased over the comparative period and the reasons for the increase are a result of the dividend rate per share per month increasing in the current period and the higher number of Shares outstanding in 2015. The Company increased the monthly dividend rate per share by $0.005 (4% increase) in the fourth quarter of 2014. Each of the 2015 monthly dividends was at a dividend rate of $0.145 per share per month and the comparative period was at a dividend rate of $0.14 per share. Dividends declared for the second quarter of 2015 totaled $10.1 million, an increase of $0.8 million or 8% from the comparative period. Dividends declared for the six month period ended June 30, 2015 totaled $20.1 million, an increase of $1.7 million or 9% from the comparative period.

The Company compares the dividends declared in the period to the amount of cash flows generated by the Company in that period to determine a payout ratio. The dividends declared by the Company are presented as financing activities within the Company's Statement of Cash Flows whereas Free Cash Flow and Free Cash Flow less maintenance capital expenditures, as defined, are driven from the Company's operating activities and exclude dividends. The payout ratio provides an indication of the Company's ability to generate sufficient funds from its operations to pay its dividends to shareholders. Normal seasonality factors can negatively impact these payout ratios during the beginning of each year as the Company's Legacy Airlines are impacted by winter roads and the majority of operations are impacted by generally poorer weather conditions. Throughout the rest of the year, the payout ratios traditionally get stronger beyond the seasonally weak first quarter as seasonality factors normally improve financial results of the Company.

The following compares the Company's continuing operations Free Cash Flow and Free Cash Flow less maintenance capital expenditures on a per share basis as a percentage of the Company's dividends declared on a per share basis during the current periods and the comparatives.

Payout Ratios		**Per share**	**Per share**		Per share	Per share
- for the Company's continuing operations	**2015**	**basic**	**fully diluted**	2014	basic	fully diluted
For the three months ended June 30						
Free Cash Flow		***27%***	***33%***		*49%*	*58%*
Free Cash Flow less maintenance capital expenditures		***51%***	***58%***		*105%*	*105%*
For the six months ended June 30						
Free Cash Flow		***33%***	***40%***		*58%*	*66%*
Free Cash Flow less maintenance capital expenditures		***70%***	***75%***		*179%*	*179%*

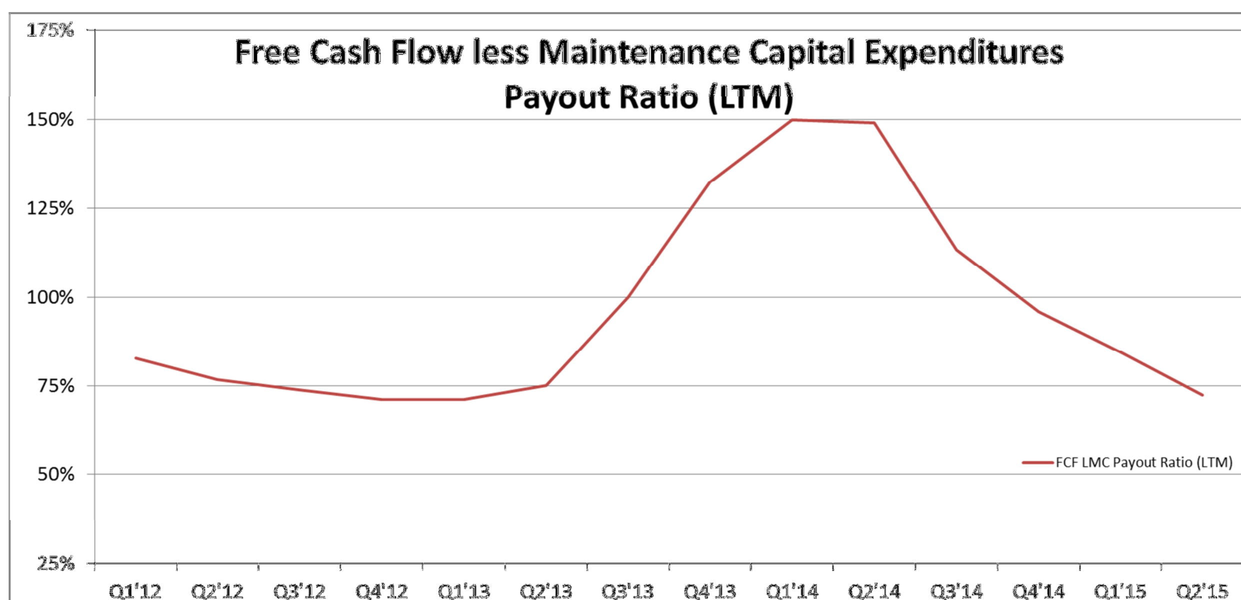
All of the Company's payout ratios from continuing operations for the current periods improved significantly over the comparative period. All of them exclude the Discontinued Operations of WesTower US in the comparative periods. The improvement is mainly the result of the addition of Provincial with no amounts in the comparative periods, growth at Regional One and the additional EBITDA generated by the Legacy airlines. In addition, the payout ratios improved even though the Company paid out a dividend rate in the current period that is 4% higher than in the comparative.

The basic per share payout ratio for Free Cash Flow for the second quarter of 2015 is 27% (2014 – 49%) and for the six month period ended June 30, 2015 is 33% (2014 – 58%).

The basic per share payout ratio of Free Cash Flow less maintenance capital expenditures from the Company's continuing operations for the second quarter of 2015 is 51% (2014 – 105%) and for the six month period ended June 30, 2015 is 70% (2014 – 179%).

Traditionally the first quarter is the weakest for the Company, in particular as a result of reduced demand in the Legacy airline companies and harsh weather. Then as the calendar year continues, the Company traditionally sees improvement so that the fiscal period payout ratio is at an acceptable level. From 2011 to 2014, the average second quarter payout ratio for Free Cash Flow less maintenance capital expenditures was 78% (consolidated including the Discontinued Operations of WesTower US) and the current period is 51%. For the six month period ended June 30, the average payout ratio for Free Cash Flow less maintenance capital expenditures from 2011 to 2014 was 112% (consolidated including the Discontinued Operations of WesTower US) and the current period is 70%. Therefore, both current period payout ratios show a dramatic improvement over prior years. When combined with the expectation that the normal seasonality impacts will occur, the payout ratios for the remaining periods in 2015 are expected to further improve. It is worth noting that the improvement to date in 2015 only includes a nominal impact of Regional One's CRJ700 program and no impact from the acquisitions of Ben Machine or First Air's Killaviq operations, all of which are anticipated to have near term positive impacts.

The following graph shows the Company's historical Free Cash Flow less maintenance capital expenditures trailing 12 months payout ratio, including the poor performance of the Discontinued Operations up to the sale of WesTower US in the fourth quarter of 2014. As can be seen in the graph, the payout ratio is returning to more normal levels and note that this includes only six months of operations of Provincial since being acquired in the current year and doesn't yet include any impact coming from the addition of Ben Machine or the First Air transaction that occurred in the third quarter of 2015.



The Company's Board of Directors regularly examines the dividends paid to shareholders. The strong and accelerating operating performance of our aviation companies combined with the recent acquisitions of Ben Machine and First Air's Kivalliq operations make the outlook bright for the Company for the balance of the year. This enhanced level of performance is not just a very strong quarter but rather maintaining the trend of growing profitability. A trend that is expected to continue into the future and has resulted in the Company's Board of Directors announcing a dividend increase to $0.16 per month per share (an annualized rate of $1.92). The 10% or $0.015 per month dividend increase is the largest in the last ten years. Even with the dividend increase, the Company's dividend payout ratio is expected to be at the lower end of the Company's target range. The increase in the dividend rate will become effective for the August 2015 dividend declaration, which will be paid to shareholders mid-September.

4. ANALYSIS OF OPERATIONS

Three Month Results

The following section analyzes the financial results of the Company's operations for the three months ended June 30, 2015 and the comparative 2014 period.

				Three Months Ended June 30, 2015
	Aviation	Manufacturing	Head Office[2]	Consolidated
Revenue	$ 149,837	$ 46,377	$ -	$ 196,214
Expenses[1]	102,635	41,316	4,210	148,161
EBITDA	47,202	5,061	(4,210)	48,053
Depreciation and amortization				20,615
Finance costs - interest				7,119
Acquisition costs				994
Earnings before tax				19,325
Current income tax expense				4,283
Deferred income tax expense				1,648
Net earnings for the period from continuing operations				13,394
Net earnings from discontinued operations				-
Net earnings				$ 13,394

				Three Months Ended June 30, 2014
	Aviation	Manufacturing	Head Office[2]	Consolidated
Revenue	$ 83,317	$ 50,902	$ -	$ 134,219
Expenses[1]	64,487	44,390	3,080	111,957
EBITDA	18,830	6,512	(3,080)	22,262
Depreciation and amortization				12,719
Finance costs - interest				5,317
Acquisition costs				19
Consideration liability fair value adjustment				(256)
Impairment and restructuring				1,300
Earnings before tax				3,163
Current income tax recovery				(537)
Deferred income tax expense				2,418
Net earnings for the period from discontinued operations				1,282
Net earnings from discontinued operations				2,840
Net earnings				$ 4,122

Note 1): Expenses include aviation expenses (excluding depreciation and amortization), manufacturing expenses (excluding depreciation and amortization), and general and administrative expenses, but it excludes any unusual non-operating one-time items.

Note 2): Head-office is not a separate reportable segment. It includes expenses incurred at the head-office of the Company and is presented for reconciliation purposes.

As noted in Section 2 – *Overview*, during the fourth quarter of 2014 the Company closed the sale of WesTower US. As a result of this transaction, the Company's results are presented with the financial results of WesTower US segregated in the Company's statement

of income as Discontinued Operations, including an allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US. The net gain on disposition was recognized in the fourth quarter of 2014 and therefore is excluded from the comparative figures. There is no Discontinued Operations for the current period. The comparative results reflect this presentation. The operations of WesTower CDA are included in the Manufacturing segment. The net earnings for Discontinued Operations is discussed further below.

AVIATION SEGMENT

Aviation Segment	Three Months Ended June 30,		2015		2014		Variance	Variance %
Revenue		$	149,837	$	83,317	$	66,520	80%
Expenses			102,635		64,487		38,148	59%
EBITDA		$	47,202	$	18,830	$	28,372	151%

The revenue of the Aviation segment for the second quarter of 2015 was $149.8 million, an increase of $66.5 million or 80% over the comparative period. The acquisition of Provincial at the beginning of fiscal 2015, with no comparative for prior period, had the largest positive impact on results adding $50.2 million in revenue. The revenue contribution of the Legacy airlines also increased by $5.7 million or 8% over the comparative period. Regional One generated total revenue of $26.7 million, an increase of $10.6 million or 66% over the comparative period.

The EBITDA generated by the Aviation segment for the second quarter of 2015 was $47.2 million, an increase of $28.4 million or 151% over the comparative period. EBITDA margins were 31.5% in the current period compared to 22.6% in the comparative period. The acquisition of Provincial at the beginning of fiscal 2015, with no comparative for the prior period, accounted for $13.7 million of the overall improvement of EBITDA. The Legacy airlines generated $20.7 million of EBITDA, a $7.7 million or 59% increase over the comparative period. Regional One also grew its EBITDA to $12.8 million, an increase of $7.0 million or 120% over the comparative period.

The Legacy airlines generated remarkably strong revenue and EBITDA growth over the comparative period fueled by a number of favorable internal and external factors. The Legacy airlines revenue and EBITDA performance was enhanced by a return to “normal” weather conditions throughout their operating regions relative to the comparative period which increased the demand for both fixed wing and rotary wing services related to fire suppression and evacuations. The Legacy airlines continued to reap the operational benefits of the past investments in both fleet renewal and ground infrastructure assets. The Legacy airlines EBITDA improvement was also bolstered by ongoing management initiatives to improve efficiency and cost controls. In addition, the Legacy airlines benefited from fuel cost savings throughout the quarter.

Regional One posted yet another phenomenal quarter of both revenue and EBITDA growth. Based on these results Regional One has been able to continue to show a 19% return on invested capital since acquisition. During the period Regional One began to generate sales and leasing revenue and related EBITDA from the investments in the CRJ700 aircraft in previous quarters. Regional One’s results were also positively impacted by the sustained appreciation of the US dollar relative to the Company’s Canadian reporting currency.

Provincial delivered solid revenue and EBITDA results in the second quarter across each of its operational divisions. Provincial’s aerospace division generated strong revenue and EBITDA from its aircraft modification, heavy maintenance services and Maritime patrol services. Provincial’s airline division also had a strong quarter due to increased demand for charters that largely offset some softening in the scheduled passenger and freight services. Provincial’s fixed base operations, following an exceptionally strong first quarter, experienced a slower quarter as volumes in St. John’s were negatively impacted by reduced flights while repair work was carried out on the airport’s main runway. Aviation services were also negatively impacted by the reduction of third party charter volume as charters related to the Alberta oil industry were curtailed. Provincial’s EBITDA also benefited from fuel cost savings throughout the quarter.

MANUFACTURING SEGMENT

Manufacturing Segment	Three Months Ended June 30,		2015		2014		Variance	Variance %
Revenue		$	46,377	$	50,902	$	(4,525)	-9%
Expenses			41,316		44,390		(3,074)	-7%
EBITDA		$	5,061	$	6,512	$	(1,451)	-22%

The revenue of the Manufacturing segment for the second quarter of 2015 was $46.4 million, a decrease of $4.5 million or 9% from the comparative period.

The Alberta Operations revenue was negatively impacted by low oil and natural gas prices that have persisted since the start of the year. Economic challenges in Alberta have been further exacerbated by political uncertainty as many businesses have reduced investment while assessing the potential negative impacts of the new provincial government. These factors were the primary contributor to the Alberta operations' reduction in revenue to $7.9 million, a $2.6 million or 24% decrease from the comparative period.

WesTower CDA's revenue fell to $24.8 million, a reduction of $2.6 million or 9% from the comparative period as operations were negatively impacted by third party OEM supply chain issues to WesTower's telecommunication carrier customers that persisted through the quarter. These equipment delays resulted in the certain projects for WesTower being pushed to a later date. As expected, when weather related issues abated through the quarter, activity and revenue in eastern Canada improved.

Revenue at Stainless increased slightly to $10.4 million, an increase of $0.6 million or 6% from the comparable period. Stainless has processed a higher than normal level through its shop operations offsetting the dearth of large size field work. The weaker value of the Canadian dollar during the current period resulted in a higher converted Canadian dollar value of Stainless' US operations. The absence of all but a few field work projects has not occurred since Stainless became a part of the Company several years ago and is not viewed as long-term market characteristic.

The EBITDA generated by the Manufacturing segment for the second quarter of 2015 was $5.1 million, a reduction of $1.5 million or 22% from the comparative period. The Alberta operations experienced the greatest EBITDA shortfalls primarily driven by lower revenue. WesTower CDA's EBITDA was marginally lower as management redeployed crews to address regional disparities in demand. Stainless experienced a slight erosion of EBITDA, despite having a modest gain in revenue due to the product mix from field projects to lower margin shop operations. We remain confident that the strong operating company management and effective industry and geographic diversification within the segment has positioned the segment operating companies, aside from the Alberta Operations, for a rebound through the balance of 2015.

The addition of Ben Machine to the Manufacturing segment, starting in the third quarter, will also immediately bolster the segment's performance.

HEAD-OFFICE

Head-office Costs	Three Months Ended June 30,	2015	2014	Variance	Variance %
Expenses		$ 4,210	$ 3,080	$ 1,130	37%

The head-office costs increased in the current period by $1.1 million or 37% over the comparative period as a result of an increase in professional fees, an increase in the number of personnel at head-office, higher performance based accruals and higher participation levels in the consolidated entity's employee share purchase plans.

OTHER NON-EBITDA ITEMS

	Three Months Ended June 30,	2015	2014	Variance	Variance %
Depreciation and amortization		$ 20,615	$ 12,719	$ 7,896	62%

The Company's depreciation and amortization for the current period was $20.6 million, an increase of $7.9 million or 62% over the comparative period. The change is attributable to the increase in the Aviation segment for both capital asset depreciation and intangible asset amortization. The main factor causing the increase is the addition of Provincial with no comparative, the expansion of Regional One's lease portfolio and the capital expenditures made by the Legacy airlines. Provincial's depreciation and amortization expense in the current period is $5.7 million, including $2.2 million relating to the amortization of intangible assets that were recognized as part of the purchase price allocation. Since the purchase price allocation was not completed at the time of first quarter reporting, the Company did not record any intangible asset amortization at that time. As a result, the amount recorded in this period consists of the equivalent of six months of expense.

Three Months Ended June 30,		2015		2014		Variance	Variance %
Finance costs - interest	$	7,119	$	5,317	$	1,802	34%

The Company's interest incurred for the second quarter of 2015 was $7.1 million, an increase of $1.8 million or 34% over the comparative period. The increase is mainly a result of additional interest costs on the Company's credit facility. The Company's comparative period results included the Discontinued Operations of WesTower US and the Company's credit facility cash interest costs of $1.6 million were allocated to Discontinued Operations for that period. The current period's credit facility interest costs include the cost of having amounts outstanding for funding the Company's acquisition of Provincial and other cash outlays, including amounts drawn for investments at Regional One. This resulted in additional credit facility interest of $2.5 million in the current period. The overall effective interest rate on the Company's credit facility is 3.19% for the current period.

With the early redemption of the Company's Series I convertible debentures at the end of the first quarter, the Company did not incur any interest in the current period for that series. The Company incurred $0.7 million of interest in the comparative period.

Three Months Ended June 30,		2015		2014		Variance	Variance %
Acquisition Costs	$	994	$	19	$	975	5132%

The acquisition costs incurred by the Company for the current period were $1.0 million compared to almost nil in the comparative period. Professional fees are expensed as acquisition costs are incurred and this can fluctuate based on the acquisition activities of the Company. The Company has incurred costs for various opportunities given the acquisition activity of the Company during 2015.

Three Months Ended June 30,		2015		2014		Variance	Variance %
Consideration liability fair value adjustment	$	-	$	(256)	$	256	-100%

As a result of the structure of the consideration for the acquisition of Regional One (closed in April 2013), there were contingent consideration liability balances recorded pertaining to the planned future payment of cash and Shares of the Company. Certain liabilities were recognized that would be settled by the Company through issuing shares and according to IFRS the value of these liabilities fluctuate based on the Company's share price up to the time they are settled.

During fiscal 2014, the Company settled a portion of the liability through the issuance of Shares to the Regional One vendors. The comparative period included the change in the consideration liability up to the end of the comparative period. There was no corresponding impact on the Company's net earnings in the current period from fair value adjustments.

Three Months Ended June 30,		2015		2014		Variance	Variance %
Impairment and restructuring	$	-	$	1,300	$	(1,300)	-100%

In the comparative period, the Company restructured Bearskin's operations to eliminate certain unprofitable routes. Management accrued total restructuring costs of approximately $1.3 million, which were expensed during the second quarter. No similar expense has been incurred by the Company in the current period.

Three Months Ended June 30,		2015		2014		Variance	Variance %
Current income tax expense (recovery)	$	4,283	$	(537)	$	4,820	-898%
Deferred income tax expense		1,648		2,418		(770)	-32%
Income tax expense	$	5,931	$	1,881	$	4,050	215%

The Company's income tax expense on continuing operations for the second quarter was $5.9 million, an increase of $4.1 million or 215% over the comparative period. The effective tax rate decreased to 31% in the current period from 59% as a result of two factors. First, the effective tax rate in 2014 reflects the tax expense associated with the intercompany transactions that were eliminated in computing the Company's consolidated net earnings whereas the corresponding tax benefit of the intercompany transactions were included in the Company's Discontinued Operations. Secondly, the decrease reflects a current period increase of income generated in Canada, including the addition of Provincial, which is subject to a lower tax rate than the US.

Current tax expense increased in the current period as a result of the settlement with the CRA and the Company writing off certain deferred tax assets in fiscal 2014 relating to the Company's conversion from an income trust to a corporation in 2009. As a result of the settlement, the Company did not have the ability to offset taxable income with the tax loss pools that accompanied the conversion whereas in the comparable period certain operations of the Company had access to the non-capital losses reducing cash taxes.

Six Month Results

The following section analyzes the financial results of the Company's operations for the six months ended June 30, 2015 and the comparative 2014 period.

				Six Months Ended June 30, 2015
	Aviation	Manufacturing	Head Office[2]	Consolidated
Revenue	$ 283,295	$ 86,854	$ -	$ 370,149
Expenses[1]	204,872	78,991	7,153	291,016
EBITDA	78,423	7,863	(7,153)	79,133
Depreciation and amortization				39,130
Finance costs - interest				15,517
Acquisition costs				3,188
Earnings before income tax				21,298
Current income tax expense				5,529
Deferred income tax expense				1,441
Net earnings from continuing operations				14,328
Net earnings from discontinued operations				-
Net earnings				$ 14,328

				Six Months Ended June 30, 2014
	Aviation	Manufacturing	Head Office[2]	Consolidated
Revenue	$ 161,666	$ 98,612	$ -	$ 260,278
Expenses[1]	127,917	86,813	5,293	220,023
EBITDA	33,749	11,799	(5,293)	40,255
Depreciation and amortization				24,756
Finance costs - interest				10,414
Acquisition costs				59
Consideration liability fair value adjustment				(651)
Impairment and restructuring				1,300
Earnings before income tax				4,377
Current income tax recovery				(194)
Deferred income tax expense				3,639
Net earnings from continuing operations				932
Net earnings from discontinued operations				3,357
Net earnings				$ 4,289

Note 1): Expenses include aviation expenses (excluding depreciation and amortization), manufacturing expenses (excluding depreciation and amortization) and general and administrative expenses, but it excludes any unusual non-operating one-time items.

Note 2): Head-office is not a separate reportable segment. It includes expenses incurred at the head-office of the Company and is presented for reconciliation purposes.

As noted in Section 2 – *Overview*, during the fourth quarter of 2014 the Company closed the sale of WesTower US. As a result of this transaction, the Company's results are presented with the financial results of WesTower US segregated in the Company's statement of income as Discontinued Operations, including an allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US. The net gain on disposition was recognized in the fourth quarter of 2014 and therefore is excluded from the comparative figures. There is no Discontinued Operations for the current period. The comparative results reflect this presentation. The operations of WesTower CDA are included in the Manufacturing segment. The net earnings for Discontinued Operations is discussed further below.

AVIATION SEGMENT

Aviation Segment	Six Months Ended June 30,	2015		2014		Variance	Variance %
Revenue	$	283,295	$	161,666	$	121,629	75%
Expenses		204,872		127,917		76,955	60%
EBITDA	$	78,423	$	33,749	$	44,674	132%

The revenue of the Aviation segment for the six month period ended June 30, 2015 was $283.3 million, an increase of $121.6 million or 75% over the comparative period. The growth in revenue for the segment is primarily attributable to the acquisition of Provincial and the continued growth at Regional One. The acquisition of Provincial in January 2015, with no comparative for the prior period, had the largest positive impact on results adding $98.5 million of revenue for the current period. Regional One generated an increase of $18.9 million or 61% in revenue over the comparative period. Revenue contribution by the Legacy airlines increased by $4.2 million or 3% from the comparative period.

The EBITDA generated by the Aviation segment for six month period ended June 30, 2015 was $78.4 million, an increase of $44.7 million or 132% over the comparative period. EBITDA margins were 27.7% in the current period versus 20.9% in the comparative period. The acquisition of Provincial in January 2015, with no comparative for the prior period, accounted for $23.7 million of the overall improvement of EBITDA. The balance of the Aviation segment's operations saw Regional One grow its EBITDA to $21.5 million, an increase of $8.6 million or 67% over the comparative period and the Legacy airlines generated $33.1 million of EBITDA, a $12.3 million or 59% increase over the comparative period.

The Legacy airlines continued to reap the operational benefits of the major investments recently made in both fleet renewal and ground infrastructure assets. Ongoing management initiatives to improve efficiency and cost controls enhanced the Legacy airlines margin performance. Throughout the first half of the year the Legacy airlines benefited from a return to "normal" weather conditions in their operating regions. The improved weather conditions helped to increase revenue, through a shorter winter road season and increased demand for fire suppression and evacuation services and reduced operating costs. The current period included net gains on disposal of redundant aircraft in the Legacy airlines of $0.6 million in the current period in comparison to a net gain of approximately $1.3 million on asset disposals in the comparative period. Excluding these gains from normal operational results in each period, the Legacy airlines grew EBITDA by $13.0 million or 67% in the current period.

Regional One generated significant revenue and EBITDA growth over the comparative period as aircraft sales, part sales and leasing each experienced solid growth. The acquisition of the CRJ700 aircraft by Regional One continued throughout the period and began to generate EBITDA later in the first half of the year. The returns from aircraft sales, leasing and component sales of this portfolio of aircraft is expected to contribute positive returns for several quarters. Regional One's performance was also enhanced by gains due to the higher conversion rates on its US dollar results converted into the Company's Canadian reporting currency.

Despite Atlantic Canada experiencing one of the harshest winters on record, Provincial delivered strong revenue and EBITDA results over the first half of the year. Over the first six months of the year each of Provincial's operations: airlines, aerospace and fixed base operations, delivered solid performance.

Reduced fuel costs also had a positive impact on the margins of both the Legacy airlines and Provincial throughout the first half of the year.

MANUFACTURING SEGMENT

Manufacturing Segment	Six Months Ended June 30,	2015		2014		Variance	Variance %
Revenue	$	86,854	$	98,612	$	(11,758)	-12%
Expenses		78,991		86,813		(7,822)	-9%
EBITDA	$	7,863	$	11,799	$	(3,936)	-33%

The revenue of the Manufacturing segment for the six month period ended June 30, 2015 was $86.9 million, a decrease of $11.8 million or 12% from the comparative period.

Consistent with the three month discussion, the Alberta Operations were negatively impacted by low oil and natural gas prices that persisted over the first six months of the year, negatively impacting demand in the northern Alberta oil and gas markets for the Alberta Operations' products and services. Economic challenges, compounded by political uncertainty, were the primary contributors to the Alberta Operations' reduction in revenue to $15.7 million, a $5.2 million or 25% decrease from the comparative period.

WesTower CDA's revenue fell to $45.1 million, a reduction of $7.2 million or 14% from the comparative period. Throughout the period operations were negatively impacted by third party OEM supply issues impacting the delivery of new equipment to WesTower CDA's telecommunication customers that in turn delayed projects for WesTower CDA. As anticipated the negative impact of exceptionally harsh winter weather conditions in eastern Canada on revenue early in the year began to reverse itself during the latter part of the period. Demand is anticipated to grow through the remainder of 2015 as the telecommunication companies attempt to recover from the construction delays early in the year.

Consistent with the three month discussion, operations for Stainless were negatively impacted by the prolonged weakness in demand for all but a few field work projects, which has not occurred for Stainless since becoming a part of the Company, persisted throughout the period. Late in the period Stainless experienced an increase in bid activity and has improved its backlog of orders for the remainder of the year. Stainless' lower US dollar revenues were partially offset by the weaker value of the Canadian dollar in the current period that resulted in a higher converted Canadian dollar value of Stainless' US operations. Overall the revenue of Stainless was net higher by $0.6 million or 3%. Overlanders had steady revenue relative to the comparative period.

The EBITDA generated by the Manufacturing segment for the six month period ended June 30, 2015 was $7.9 million, a reduction of $3.9 million or 33% from the comparative period. The Alberta Operations experienced the largest EBITDA shortfall in the manufacturing segment due to weak revenue across its markets throughout the period. WesTower CDA and Stainless each experienced EBITDA shortfalls driven by lower revenue. Overlanders' EBITDA was effectively flat relative to the comparative period.

The Company remains confident that the Manufacturing segment's industry and geographic diversification and strong operating company management are positioned, with the exception of the Alberta Operations, for a rebound through the balance of 2015. The addition of Ben Machine to the Manufacturing segment, starting in the third quarter, will also immediately bolster the segment's performance.

HEAD-OFFICE

Head-office Costs	Six Months Ended June 30,	2015	2014	Variance	Variance %
Expenses		$ 7,153	$ 5,293	$ 1,860	35%

The head-office costs increased in the current period by $1.9 million or 35% over the comparative period as a result of an increase in professional fees, an increase in the number of personnel at head-office, higher performance based accruals and higher participation levels in the consolidated entity's employee share purchase plans.

OTHER NON-EBITDA ITEMS

	Six Months Ended June 30,	2015	2014	Variance	Variance %
Depreciation and amortization		$ 39,130	$ 24,756	$ 14,374	58%

The Company's depreciation and amortization for the current period was $39.1 million, an increase of $14.4 million or 58% over the comparative period. The change is attributable to the increase in the Aviation segment for both capital asset depreciation and intangible asset amortization. The main factor causing the increase is the addition of Provincial with no comparative, the expansion of Regional One's lease portfolio and the capital expenditures made by the Legacy airlines. Provincial's depreciation and amortization expense in the current period is $10.3 million, including $2.2 million relating to the amortization of intangible assets that were recognized as part of the purchase price allocation. The amount of expense at Regional One increased $3.4 million, which was translated in the current period at a higher rate with the weakening of the Canadian dollar.

	Six Months Ended June 30,	2015	2014	Variance	Variance %
Finance costs - interest		$ 15,517	$ 10,414	$ 5,103	49%

The Company's interest incurred for the six months ended June 30, 2015 was $15.5 million, an increase of $5.1 million or 49% over the comparative period. The increase is mainly a result of additional interest costs on the Company's credit facility. The Company's comparative period results included the Discontinued Operations of WesTower US and the Company's credit facility cash interest costs of $2.9 million were allocated to Discontinued Operations for that period. The current period's credit facility interest costs include the cost of having amounts outstanding for funding the Company's acquisition of Provincial and other cash outlays, including

amounts drawn for investments at Regional One. This resulted in additional credit facility interest of $4.7 million in the current period. The overall effective interest rate on the Company's credit facility is 3.40% for the current period.

With the early redemption of the Company's Series I convertible debentures at the end of the first quarter, the Company did not have to incur any interest in the second quarter for that series but did have to incur a higher non-cash interest accretion charge in the first quarter of 2015. Overall the interest on the Company's convertible debentures increased in the current period by $0.4 million mainly as a result of the March 2014 convertible debentures being issued part way through the comparative period and outstanding for all six months of the current year.

Six Months Ended June 30,		2015		2014		Variance	Variance %
Acquisition Costs	$	3,188	$	59	$	3,129	5303%

The acquisition costs incurred by the Company for the current period were $3.2 million compared to less than $0.1 million in the comparative period. Professional fees are expensed as acquisition costs are incurred and this can fluctuate based on the acquisition activities of the Company. The current period costs mainly relate to the closing of the Provincial acquisition during the year. It was the largest acquisition in the history of the Company and was close to three times larger than the next largest acquisition. The Company has incurred costs for other various opportunities given the acquisition activity of the Company during 2015.

Six Months Ended June 30,		2015		2014		Variance	Variance %
Consideration liability fair value adjustment	$	-	$	(651)	$	651	-100%

As a result of the structure of the consideration for the acquisition of Regional One (closed in April 2013), there were contingent consideration liability balances recorded pertaining to the planned future payment of cash and Shares of the Company. Certain liabilities were recognized that would be settled by the Company through issuing shares and according to IFRS the value of these liabilities fluctuate based on the Company's share price up to the time they are settled.

During fiscal 2014, the Company settled a portion of the liability through the issuance of Shares to the Regional One vendors. The comparative period included the change in the consideration liability up to the end of the comparative period. There was no corresponding impact on the Company's net earnings in the current period from fair value adjustments.

Six Months Ended June 30,		2015		2014		Variance	Variance %
Impairment and restructuring	$	-	$	1,300	$	(1,300)	-100%

In the comparative period, the Company restructured Bearskin's operations to eliminate certain unprofitable routes. Management accrued total restructuring costs of approximately $1.3 million, which were expensed during the second quarter. No similar expense has been incurred by the Company in the current period.

Six Months Ended June 30,		2015		2014		Variance	Variance %
Current income tax expense (recovery)	$	5,529	$	(194)	$	5,723	-2950%
Deferred income tax expense		1,441		3,639		(2,198)	-60%
Income tax expense	$	6,970	$	3,445	$	3,525	102%

The Company's income tax expense on continuing operations for the six month period ended June 30, 2015 was $7.0 million, an increase of $3.5 million or 102% over the comparative period. The effective tax rate decreased to 33% in the current period from 79% as a result of two factors. First, the effective tax rate in 2014 reflects the tax expense associated with the intercompany transactions that were eliminated in computing the Company's consolidated net earnings whereas the corresponding tax benefit of the intercompany transactions were included in the Company's Discontinued Operations. Secondly, the decrease reflects a current period increase of income generated in Canada, including the addition of Provincial, which is subject to a lower tax rate than the US.

Current tax expense increased in the current period as a result of the settlement with the CRA and the Company writing off certain deferred tax assets in fiscal 2014 relating to the Company's conversion from an income trust to a corporation in 2009. As a result of the settlement, the Company did not have the ability to offset taxable income with the tax loss pools that accompanied the conversion whereas in the comparable period certain operations of the Company had access to the non-capital losses reducing cash taxes.

DISCONTINUED OPERATIONS

With the sale of WesTower US in the fourth quarter of 2014, the Company presents Discontinued Operations in the consolidated financial statements. The following summarizes the results of the Discontinued Operations in the comparative periods ended June 30, 2014 (nil for the current periods).

periods ending June 30	Three Months Ended 2015	Three Months Ended 2014	Six Months Ended 2015	Six Months Ended 2014
Revenue	$ -	$ 140,281	$ -	$ 271,701
EBITDA	$ -	$ 5,550	$ -	$ 7,014
Free Cash Flow	$ -	$ 2,646	$ -	$ 4,111
Free Cash Flow less maintenance capital expenditures	$ -	$ 2,552	$ -	$ 3,672

The Discontinued Operations relate to the comparative period for 2014 as a result of the disposition of WesTower US in the fourth quarter of that year. As a result, there are no results for Discontinued Operations for the current period.

Discontinued Operations includes the operational results of WesTower US and an allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US. The Company recorded a net gain on disposal of WesTower US but that occurred in the fourth quarter of 2014 at the closing of the sale and is not included in the comparative periods.

5. SUMMARY OF QUARTERLY RESULTS

The following summary of quarterly results reflects the continuing operations of the Company. The Discontinued Operations are only included in the net earnings (loss) and related per share amounts in the bottom section of the table.

		2015				2014		2013
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	**$ 196,214**	**$ 173,935**	$ 138,726	$ 143,499	$ 134,219	$ 126,059	$ 141,370	$ 134,474
EBITDA	**48,053**	**31,080**	26,151	27,872	22,262	17,993	24,322	23,872
Net earnings (loss) - continuing operations	**13,394**	**934**	(17,729)	5,172	1,282	(350)	3,338	5,314
Basic	**0.58**	**0.04**	(0.79)	0.23	0.06	(0.01)	0.15	0.25
Diluted	**0.54**	**0.04**	(0.79)	0.23	0.06	(0.01)	0.15	0.24
Adjusted net earnings (loss) - continuing operations(1)	**16,516**	**3,651**	5,915	6,061	2,990	(169)	3,709	5,610
Basic	**0.71**	**0.16**	0.26	0.27	0.14	(0.01)	0.17	0.26
Diluted	**0.64**	**0.16**	0.26	0.27	0.14	(0.01)	0.17	0.26
Free Cash Flow (FCF)	**37,626**	**23,926**	22,480	22,819	18,884	12,797	17,830	20,038
Basic	**1.63**	**1.04**	1.00	1.03	0.86	0.59	0.82	0.92
Diluted	**1.33**	**0.88**	0.84	0.86	0.73	0.54	0.69	0.83
FCF less maintenance capital expenditures	**19,870**	**9,109**	11,718	13,143	8,802	1,455	6,511	10,129
Basic	**0.86**	**0.40**	0.52	0.59	0.40	0.07	0.30	0.47
Diluted	**0.75**	**0.39**	0.50	0.54	0.40	0.07	0.30	0.47
From continuing & discontinuing operations								
Net earnings / (loss)	**13,394**	**934**	(1,580)	5,546	4,122	167	1,871	(205)
Basic	**0.58**	**0.04**	(0.07)	0.25	0.19	0.01	0.09	(0.01)
Diluted	**0.54**	**0.04**	(0.07)	0.25	0.19	0.01	0.09	(0.01)

(1) As defined in Section 13 – Non-IFRS Financial Measures, the Company's adjusted net earnings from continuing operations for the fourth quarter of 2014 includes an add back for the non-cash deferred tax expense of $22.9 million as a result of the settlement that the Company made with the CRA on certain deferred tax assets associated with the conversion of the Company to a corporation from an income trust in 2009.

6. LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015, the Company had a net cash position of $33.2 million (December 31, 2014 of $15.0 million) and net working capital of $119.3 million (December 31, 2014 of $95.8 million), which represents a current ratio of 1.69 to 1 (December 31, 2014 of 1.93 to 1).

	June 30, 2015	December 31, 2014	Change
Cash and cash equivalents	$ 33,246	$ 14,968	$ 18,278
Accounts receivable	110,712	82,575	28,137
Costs incurred plus recognized profits in excess of billings	12,444	11,507	937
Inventory	111,511	84,020	27,491
Prepaid expenses and deposits	15,302	6,249	9,053
Income taxes receivable	9,570	-	9,570
Accounts payable and accrued expenses	(127,402)	(83,531)	(43,871)
Income taxes payable	-	(1,809)	1,809
Deferred revenue	(17,061)	(8,009)	(9,052)
Billings in excess of costs incurred plus recognized profits	(7,279)	(9,079)	1,800
Current portion of long-term debt and finance leases	(936)	(1,107)	171
Current portion of convertible debentures	(20,849)	-	(20,849)
Net working capital	$ 119,258	$ 95,784	$ 23,474

As a result of a few factors, working capital has increased by $23.5 million since the end of 2014. The majority of the increase is attributable to the acquisition of Provincial during the year that has working capital of $33.6 million as of June 30, 2015. As a result of the announced early redemption of the Company's Series H convertible debentures, the Company presented a current liability of $20.8 million in the June 30, 2015 working capital. Other factors include general seasonality increases and also the weakening of the Canadian dollar that causes the US subsidiaries to be reported with higher Canadian equivalent balances. Lastly, the Company has also purposefully made investments into Regional One's portfolio of aircraft related assets which have resulted in Regional One's inventory growing during the year for the items classified as being sold for parts.

At the beginning of the year, the Company completed its purchase of Provincial for $244.4 million, subject to customary post-closing adjustments, of which approximately 5% was paid through the issuance of 523,188 common shares of EIC. The Company paid $225.0 million to the vendors on closing and also paid cash towards the purchase of Shares in fulfilling certain obligations arising from the acquisition of Provincial. These amounts were financed through the Company's credit facility.

Also during the first six months of 2015 the Company has made additional draws on the credit facility to support capital purchases, mainly for Regional One's CRJ700 fleet purchase announced on October 21, 2014 and the early redemption of the Series I Convertible Senior Secured Debentures.

Subsequent to the end of the second quarter, the Company closed the acquisition of Ben Machine at the beginning of July for a purchase price of $46.0 million, subject to customary post-closing adjustments. Approximately 15% of the purchase price was paid through the issuance of 329,552 common shares of EIC with a value of $6.8 million. The remaining $39.2 million was paid in cash and partially financed through the Company's existing credit facility.

On February 9, 2015, the Company announced that it had entered into a new $450 million long-term debt facility with a four year term. EIC has been allocated $400 million of the available credit and EIIF Management USA Inc. has been allocated the remainder. The facility allows for borrowings to be denominated in either Canadian or US funds. Based on the amounts outstanding under the credit facility as at June 30, 2015, the Company has drawn $329.0 million, excluding the effect of foreign exchange. As of June 30, 2015 the Company had approximately $150 million of available capital (ignoring the impact of foreign exchange). As a result of the subsequent events including the acquisition of Ben Machine and First Air's Kivalliq region operations and the Series H convertible debenture early redemption, the Company had approximate $115 million of available capital as of the date of this report.

On March 31, 2015, the Company redeemed all issued and outstanding Debentures, plus accrued interest, on the 5.75% Series I Convertible Senior Secured Debentures that had a maturity of January 31, 2016. At the time of redemption, there were 34,944 debentures outstanding in the aggregate principal amount of $34.9 million.

Before the end of the second quarter, the Company announced the delivery of notice to the holders of its 6.5% Series H Convertible Senior Secured Debentures that the Company would be redeeming them on July 15, 2015, plus accrued interest. The original maturity of the Series H convertible debentures was May 31, 2017 and included a $20.00 conversion price into Shares of the

Company. As at June 30, 2015, the Company had $21.8 million of principal outstanding. Subsequent to the end of the second quarter and up to the early redemption date, all but $2.2 million of principal were converted by the debentureholders into Shares and the Company paid the outstanding principal and accrued interest using funds from its credit facility.

The Company's dividend reinvestment plan ("DRIP") continued during the first six months of 2015 and the Company received $1.9 million for 86,594 Shares being issued in accordance with the DRIP.

The Company obtained additional cash through the means described above and also generated $61.6 million of Free Cash Flow during the first six months of 2015, a 94% improvement from the same period in 2014. The Company used these funds for its capital expenditures over that period. See Section 3 – *Key Performance Indicators* for more information on the capital expenditures made by the Company.

The Company's dividends are dependent on its ability to generate cash flow from operations and Free Cash Flow. During the first six months of 2015, the Company declared dividends totaling $20.1 million in comparison to $18.4 million during the comparative period in 2014. This was a result of an increased number of Shares outstanding and the $0.005 increase in monthly dividend rate announced last November. The monthly dividend declared in any given month is paid to shareholders at the middle of the following month. As described in Section 3 – *Key Performance Indicators*, the Company's Board of Directors announced a dividend increase to $0.16 per month per share (an annualized rate of $1.92). The 10% or $0.015 per month dividend increase is the largest in the last ten years. The increase in the dividend rate will become effective for the August 2015 dividend declaration, which will be paid to shareholders mid-September.

The following summarizes the changes in the Shares outstanding of the Company during the six months ended June 30, 2015:

	Date issued	Number of shares
Shares outstanding, beginning of period		22,507,341
Issued upon conversion of convertible debentures	various	11,750
Issued under dividend reinvestment plan (DRIP)	various	86,594
Issued under First Nations community partnership agreements	various	4,500
Issued to Provincial vendors on closing	January 2, 2015	523,188
Issued under deferred share plan	February 23, 2015	21,749
Shares outstanding, end of period		23,155,122

There were significant events subsequent to the end of the second quarter but before the release of this report which resulted in the Company issuing Shares. First, the Company issued 329,552 Shares as part of the acquisition of Ben Machine at the beginning of July. Second, with the early redemption of the Series H Convertible Senior Secured Debentures the Company issued 979,700 Shares during the first half of July with the conversion of $19.6 million of principal.

The following summarizes the convertible debentures outstanding as at June 30, 2015 and the changes in the amount of convertible debentures outstanding during the six months ended June 30, 2015:

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Series H - 2010	EIF.DB.B	May 31, 2017	6.5%	$20.00
Series J - 2011	EIF.DB.D	May 31, 2018	6.25%	$30.60
Unsecured Debentures - 2012	EIF.DB.E	September 30, 2019	5.5%	$36.80
Unsecured Debentures - 2013	EIF.DB.F	March 31, 2020	5.35%	$41.60
Unsecured Debentures - 2014	EIF.DB.G	March 31, 2021	6.0%	$31.70

Par value		Balance, beginning of period		Issued		Converted		Redeemed / Matured		Balance, end of period
Series H	$	21,993	$	-	$	(235)	$	-	$	21,758
Series I		34,944		-		-		(34,944)		-
Series J		57,477		-		-		-		57,477
Unsecured Debentures - September 2012		57,500		-		-		-		57,500
Unsecured Debentures - March 2013		65,000		-		-		-		65,000
Unsecured Debentures - March 2014		39,988		-		-		-		39,988
Total	$	276,902	$	-	$	(235)	$	(34,944)	$	241,723

Subsequent to the end of the second quarter but before the release of this report, the early redemption of the Series H Convertible Senior Secured Debentures resulted in the Company settling the respective outstanding principal in the table above by July 15, 2015. During the first half of July the Company issued Shares associated with the conversion of $19.6 million of principal and the remaining $2.2 million, plus accrued interest, was paid in cash to the debentureholders on the redemption date.

As a result of the acquisitions of Provincial and Ben Machine, the contractual commitments of the Company have increased from what was disclosed in the Company's 2014 annual MD&A. Provincial has a variety of equipment, building and land leases with future minimum lease payments totaling approximately $2 million over the next several years and totaling less than $20 million overall. Ben Machine's commitments relate mainly to its facility lease that is approximately $0.5 million per year through June 2020.

Normal Course Issuers Bid

On December 24, 2014, the Company announced that it has received approval from the Toronto Stock Exchange ("TSX") with respect to a normal course issuer bid (the "NCIB") to purchase up to an aggregate of 1,124,568 Shares, representing 5% of the issued and outstanding Shares as at December 12, 2014.

Purchases of Shares pursuant to the NCIB may be made through the facilities of the TSX commencing on December 30, 2014 and ending on December 29, 2015, or an earlier date in the event that the Company purchases the maximum number of the Shares available under the NCIB. The Company will pay the market price at the time of acquisition for any Shares purchased through the facilities of the TSX. All Common Shares acquired directly by the Company under the NCIB will be cancelled with the exception of those purchased for the purpose of fulfilling certain obligations arising from the acquisition of Provincial in early 2015. The Company made several purchases of Shares during the first quarter of 2015 totalling 372,618 Shares and all related to fully fulfilling the Provincial obligations. A portion of the Shares acquired were awarded on closing the Provincial acquisition to certain Provincial executives and the remainder is held in a trust with certain Provincial executives as the beneficiaries of the trust. No Shares acquired by the Company under the NCIB were cancelled. There were no Shares acquired by the Company during the second quarter of 2015.

Under the NCIB, the maximum number of Shares that may be purchased by the Company on a daily basis is 30,214 Common Shares, other than block purchase exemptions.

The Company sought approval of the NCIB because it believes that, from time to time, the market price of the Shares may not fully reflect the value of the Shares. The Company believes that, in such circumstances, the purchase of Shares represents an attractive investment for the Company.

As of the date of this report, there are 751,950 shares available for purchase under the NCIB ending December 29, 2015.

7. RELATED PARTY TRANSACTIONS

The related party transactions that the Company entered into during the six months ended June 30, 2015 are consistent with those described in the Company's MD&A for the year ended December 31, 2014.

With the acquisition of Ben Machine on July 2, 2015, the Company will have new related party transactions going forward. Consistent with some of the Company's other subsidiaries, Ben Machine will lease buildings from the vendors from which the Company purchased the business. The vendors are considered related parties because of their involvement in the management of Ben Machine. The lease is considered to be at market terms and will be recognized in the consolidated financial statements at the exchange amount of $0.5 million per annum. The term of the lease runs through June 2020.

8. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Company's critical accounting estimates from those described in the MD&A of the Company for the year ended December 31, 2014.

9. ACCOUNTING POLICIES

The accounting policies of the Company used in the determination of the results for these interim condensed consolidated financial statements for the three and six months ended June 30, 2015 that are discussed and analyzed in this report are described in detail in Note 3 of the Company's 2014 annual consolidated financial statements and Note 3 of the Company's interim condensed consolidated financial statements for the three and six months ended June 30, 2015.

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those described in Note 3 – Significant Accounting Policies of the Company's 2014 annual consolidated financial statements, except for the changes noted below:

a) *Principles of Consolidation*

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Perimeter, Keewatin, Calm Air, Bearskin, Custom Helicopters, 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders, Water Blast, WesTower CDA, EIC Ireland, EIC Ireland Two, Regional One Canada, EIC Luxembourg, Provincial, EIIF USA and their respective subsidiaries, including Stainless, WesTower US, Water Blast Dakota and Regional One. All significant inter-company transactions have been eliminated for purposes of these interim condensed consolidated financial statements.

b) *Revenue Recognition – Aviation Revenues*

With the acquisition of Provincial, revenue from aircraft modification contracts is recognized on a percentage of completion basis. The percentage complete is calculated based upon contract costs incurred to date compared with total estimated contract costs. The percentage complete is then applied to total anticipated contract revenue to determine the period's revenue. A provision for the estimated loss is made when contract costs are expected to exceed estimated contract revenue.

c) *Accounting Standards Issued but not yet Effective*

IFRS 15 – Revenue

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Customer Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company beginning on January 1, 2018, with earlier adoption permitted. The Company is assessing the impact of adopting this standard on its financial statements.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018.

10. CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting in order to provide reasonable assurance with regards to the reliability of financial reporting and preparation of financial statements in accordance with IFRS, as

defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Consistent with the concept of reasonable assurance, the Company recognizes that all systems of internal controls, no matter how well designed, have inherent limitations. As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

An assessment of internal controls over financial reporting was conducted by the Company's management, under supervision by the Chief Executive Officer and Chief Financial Officer. Management has used the 2013 Internal Control – Integrated Framework to evaluate the Company's internal controls over financial reporting, which is recognized as a suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management has evaluated the design of the Company's internal controls over financial reporting as at June 30, 2015, including its continued review of internal controls over financial reporting for Provincial, and has concluded that the internal controls over financial reporting are effective. Management will continue to assess the internal controls at Provincial as this newly acquired company continues to integrate and enhance its processes.

On July 2, 2015, subsequent to the end of the second quarter, the Company acquired the shares of Ben Machine. As at the date of this MD&A, management has not completed its review of internal controls over financial reporting for this newly acquired company nor determined its impact, if any, on the Company's internal controls over financial reporting. This will be completed for year-end 2015.

There have been no other material changes to the Company's internal controls during the 2015 year that would have materially affected or are likely to materially affect the internal controls over financial reporting.

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to management in a timely manner and that information required to be disclosed by the Company is reported within the time periods prescribed by applicable securities legislation. Management has concluded that disclosure controls and procedures were designed effectively as at June 30, 2015.

11. RISK FACTORS

The Company and its subsidiaries are subject to a number of business risks. These risks relate to the structure of the Company and to the operations at the subsidiary entities. There were no changes to the Company's principal risks and uncertainties from those reported in the Company's MD&A for the year ended December 31, 2014.

12. OUTLOOK

Acquisition strategy

On July 2 the Company closed the acquisition of Ben Machine for a purchase price of approximately $46.0 million. Ben Machine is a manufacturer of precision machined components primarily used in the aerospace and defense sector. The cash proceeds of the acquisition were funded out of the Company's credit facility. Ben Machine is now a part of the consolidated group of companies within the Manufacturing segment.

The Company continues to reap the benefits of the significantly expanded business development and acquisitions team in 2014. The acquisitions of Provincial, Ben Machine and the First Air Kivalliq operations brings the total value of acquisitions closed in 2015 to approximately $294 million, a record pace for the Company.

The Company's acquisition strategy remains focused on accretive opportunities that further strengthen and diversify the portfolio of operating companies. The enhanced business development and acquisitions team has allowed the Company to pursue additional opportunities to improve value creation through both acquisition and the growth and integration of our existing subsidiaries.

The Company independently assesses certain markets and regions to identify potential acquisition targets while also developing an expanded network of referral sources that regularly present it with potential acquisitions. The Company remains committed to the disciplined approach to acquisitions that is a major component of the Company's success to date. While the deal flow brought to the Company is considered strong, there can be no assurance target companies meeting the Company's standards will be identified. As of June 30, 2015 the Company had approximately $150 million of available capital (ignoring the impact of foreign exchange) to fund further acquisition(s) and business development initiatives. As a result of the subsequent events including the acquisition of Ben Machine and First Air's Kivalliq region operations and the Series H convertible debenture early redemption, the Company had approximate $115 million of available capital as of the date of this report.

Aviation Segment

The Aviation segment includes: the five Legacy airlines, providing fixed and rotary wing, scheduled, charter, cargo, and medevac services in Manitoba, Ontario and Nunavut; Regional One, a leading provider of aircraft and engine aftermarket parts to regional airline operators in the global community and Provincial with three distinct business units: a scheduled airline, fixed base operations and aerospace.

In contrast to other North American and global airline carriers, a large percentage of the Company's Legacy airlines and Provincial's airline services operate in remote communities where demand is relatively inelastic, mitigating the impact of changes in the economic climate. This provides additional stability in a core part of the segment's business.

Both Provincial and the Legacy airlines' operations have been positively impacted in the first half of 2015 by significantly reduced fuel prices. In addition, as the weather conditions in central Canada returned to 'normal', the Legacy airlines experienced a return to traditional levels of fire suppression and evacuation services revenue that were largely absent in 2014. It is anticipated that Legacy airlines' performance will continue to be positively impacted should the current 'normal' weather conditions persist through the balance of the year.

The previous investments in growth capital expenditures in the Legacy airlines aircraft and ground infrastructure assets has yielded and will continue to yield ongoing revenue growth and margin improvements over comparable periods. The most recent investment, the purchase of First Air's Kivalliq region operations, will allow the Company to address that region's chronic over capacity while improving both passenger and freight customer service and connectivity. The Legacy airlines are well positioned to benefit from positive external factors and their improved operational strengths for the balance of 2015.

Regional One's investment in the purchase of the twelve CRJ700 aircraft equipped with CF34-8C5B1 engines from Lufthansa CityLine continues. Regional One has taken delivery of eight of these aircraft with the remaining to be delivered over the next three to six months. To date, three of the aircraft have been leased, two are pending leases being negotiated and three have been, or are in the process of, being parted out.

The outlook for Regional One remains positive as consistent demand for parts and lease inventories continue to be augmented with additional growth in revenue and EBITDA as the Lufthansa CityLine aircraft are monetized. Over the nine quarters since being acquired, Regional One's performance has been strong. Management remains confident in their capabilities of sourcing and monetizing parts inventories and lease assets that will generate sustained growth and profitability. Although this has not occurred to date, the nature of Regional One's business is such that individual quarters may experience variability of customer demand that could lead to potentially lower profitability.

Persistent low commodity and energy prices dampened demand for airline services from natural resource related customers including travel by provincial governments reliant on natural resource related royalties. Despite this challenge, Provincial's scheduled and charter airline services have effectively adapted to changing demand within their operational region. The softening in demand has been offset by the ongoing ramp up of the demand for air travel to support the construction of the Lower Churchill dam and related transmission line. Demand for air travel service to the Lower Churchill project will grow through the balance of 2015. The recent announcement that the completion of the Lower Churchill project will be extended beyond the initial goal of 2017 could result in additional revenue for Provincial over the duration of the project.

Provincial's aerospace division is pursuing a number of growth opportunities within Canada and internationally. However, the procurement process for many of these opportunities can be very lengthy and the binary "win/loss" nature of the contract awards makes forecasting the impact and timing of any specific opportunity challenging.

The Company remains focused on identifying potential operational synergies amongst Provincial and the Legacy Airlines. The Company's "insourcing" of heavy checks on Perimeter's DASH-8's and Calm Air's ATR's to Provincial is proving to be both operational and economically successful. These mandated maintenance events that were previously outsourced to third party shops, are being internalized.

During the second quarter fuel prices stabilized within a range that was significantly lower than the comparative period in 2014. Late in the second quarter and early in the third quarter energy prices experienced further declines, and if these declines persist the Aviation segment will realize additional cost reductions and margin improvement. Currently every $0.01 per liter change in the price of fuel has an approximately $0.5 million impact on the profitability of the Aviation segment. A significant minority of the fuel purchased has no bottom line effect because it is contractually passed on to the customer. Further changes in the price of fuel are impossible to accurately predict.

Driven by falling energy and commodity prices, the Canadian dollar exchange rate against the US dollar has declined significantly, impacting the six aviation companies' parts and maintenance costs. Regional One serves as a natural hedge for the segment's exposure to fluctuations in foreign currency as a result of the segment's dependency on aircraft and aircraft parts and services that

are primarily incurred in US dollars. Regional One also creates a proxy for vertical integration into this major expense category.

Management believes that the segment will benefit from the recent acquisition of Provincial, the acquisition of First Air's Kivalliq operations and investments in Regional One as well as from recent operational restructuring and management initiatives to improve efficiencies and cost controls in the Legacy airlines. Management remains confident that these additions to the segment create significant opportunities for revenue growth, margin enhancement and tangible synergies to each of the segment companies.

Manufacturing Segment

The Manufacturing segment includes the operations of WesTower CDA, Stainless, Overlanders, the Alberta Operations and Ben Machine, which was acquired at the beginning of the third quarter.

Ben Machine is a manufacturer of precision machined parts and components used primarily in the aerospace and defense sector. Ben Machine's unique market position is characterized by seamless supply chain integration with its OEM customers. Demand for its aerospace and defense related products is distinct and uncorrelated to the other companies in this segment and is characterized by long product lead times and good revenue visibility. It is anticipated that the addition of Ben Machine will be immediately accretive to shareholders.

Normal seasonality factors relating to the timing of national carriers initiating their capital expenditure programs and improved weather conditions has resulted in increasing demand for the services of WesTower CDA as the year progressed. Although the current period saw some project delays as a result of equipment component supply chain issues, these supply issues appeared to be abating by the end of the period. As a result of these supply chain and weather related issues, demand for WesTower CDA services differed across regions in Canada and resulted in WesTower CDA rebalancing crew distribution from regions with lower demand to regions with higher demand. WesTower CDA, with operations across Canada, has the ability to adapt to regional variations in demand. This is a competitive advantage over its regional competitors, but direct costs incurred are greater when this occurs and negatively impact margins. This situation appears to be persisting into the last half of 2015. The recent decision by the Canadian Radio-television and Telecommunications Commission ("CRTC") around charging rates between carriers using towers other than their own has also put some downside risk of carriers building their own towers in areas where a competitor has an adequate tower since the cost incurred by the carrier is reduced. Traditionally WesTower CDA is able to generate higher rates of margin on labour intensive service work versus large tower builds with a higher proportion of material costs that generate lower rates of margin. WesTower CDA continues to benefit from an unrivaled market position as the dominant national supplier of communication tower services and support. This is an advantage with its telecommunication customers and with individual projects across the country for a variety of non-telecommunications customers. WesTower CDA's available services reach beyond just the fabrication and maintenance of traditional cellular towers and it plans to meet customer demand for other wireless connection alternatives.

Despite having to deal with a lack of large field projects in the second quarter, Stainless recognized an improvement in the number of small and large projects being bid and awarded, which has increased their order book going forward. Demand for shop work continues to be strong and Stainless has been exploring alternatives to increase its shop capacity while maintaining high shop utilization. The US economic growth remains positive but slow, and with each passing month there now appears to be increasing demand for Stainless' products. Stainless has been able to adapt its production scheduling and incorporate innovative manufacturing processes to accommodate the increased shop volumes. Stainless has faced these types of challenges before and is experienced in managing through them. The recent and sustained depreciation of the Canadian dollar has had a positive impact on the conversion of its US dollar results into the Company's Canadian reporting currency.

Persistent low energy prices and the recent political change in Alberta continue to negatively impact Alberta Operations sales due to softening demand throughout its markets. As well, the dependence on purchasing much of its inventory from a US supplier has eroded margins due to the weakening Canadian dollar. The further weakening of energy prices early in the third quarter may further soften demand the Alberta Operations for the balance of the year. Management remains vigilant in monitoring the demand for its products and will adapt prices and market strategy as required. The customized product design and manufacturing continues to bring demand for the Alberta Operations which is an advantage it has over its competition.

During the current period, Overlanders' experienced some transitory softness in demand that is anticipated to impact them until the last quarter of 2015. The weakening of the Canadian dollar improves the purchasing power of certain US based manufactures and creates opportunities for Canadian suppliers like Overlanders. Although the Canadian customers continue to be the vast majority of Overlanders' business, it has experienced a sustained increase in quote activities from both existing and new US based customers. Many of these new opportunities will have long lead times to develop into potential customers.

13. NON-IFRS FINANCIAL MEASURES

EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures are not recognized measures under IFRS and are, therefore, defined below.

EBITDA: is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment and restructuring costs, and any unusual non-operating one-time items such as acquisition costs. It is used by management to assess its consolidated results and the results of its operating segments. EBITDA is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures and income taxes.

Adjusted Net Earnings: is defined as net earnings from continuing operations adjusted for acquisition costs expensed, impairment and restructuring charges (including accelerated depreciation charges), gains or losses recognized on the fair value of contingent consideration items, amortization of intangible assets that are purchased at the time of acquisition, and the non-cash charge to deferred income taxes incurred as a result of the Company's settlement with the CRA on certain tax loss carryforwards associated with the conversion of the Company from an income trust to a corporation.

Adjusted net earnings		**2015**
	Q2	**Q1**
Net earnings - continuing operations	$ **13,394**	$ **934**
Adjusting items, net of tax		
Acquisition costs	**994**	**2,194**
Intangible asset amortization	**2,128**	**523**
Adjusted net earnings - continuing operations	$ **16,516**	$ **3,651**
		2014
	Q2	Q1
Net earnings (loss) - continuing operations	$ 1,282	$ (350)
Adjusting items, net of tax		
Acquisition costs	19	40
Intangible asset amortization	417	390
Impairment and restructuring	1,433	-
Consideration liability fair value adjustment	(161)	(249)
Adjusted net earnings (loss) - continuing operations	$ 2,990	$ (169)

Free Cash Flow: for the period is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital and any unusual non-operating one-time items. Free Cash Flow is a performance measure used by investors to analyze the cash generated from operations before the seasonal impact of changes in working capital items or other unusual items.

Maintenance Capital Expenditures: are the capital expenditures made by the Company to maintain the operations of the Company at its current level and includes the principal payments made by the Company on any of its finance leases. Other capital expenditures are classified as growth capital expenditures and are not considered by management in determining the cash flows required to sustain the current operations of the Company.

The Company's maintenance capital expenditures include aircraft engine overhauls and airframe heavy checks that are recognized when these events occur and can be significant. Each aircraft type has different requirements for its major components according to manufacturer standards and the timing of the event can be dependent on the extent that the aircraft is utilized. As a result the extent and timing of these maintenance capital expenditure events can be very lumpy from period to period, both within the year and when analyzing to the comparative period in the prior year.

Investors are cautioned that EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures should not be viewed as an alternative to measures that are recognized under IFRS such as net earnings or cash from operating activities. The Company's method of calculating EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures may differ from that of other entities and therefore may not be comparable to measures utilized by them.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com.

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	June 30 2015	December 31 2014
ASSETS		
CURRENT		
Cash and cash equivalents	$ 33,246	$ 14,968
Accounts receivable	110,712	82,575
Costs incurred plus recognized profits in excess of billings	12,444	11,507
Inventory	111,511	84,020
Prepaid expenses and deposits	15,302	6,249
Income taxes receivable	9,570	-
	292,785	199,319
OTHER ASSETS	9,958	9,110
CAPITAL ASSETS	512,102	364,914
INTANGIBLE ASSETS	93,691	42,760
DEFERRED INCOME TAX ASSETS	188	397
GOODWILL	214,311	98,603
	$ 1,123,035	$ 715,103
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 127,402	$ 83,531
Income taxes payable	-	1,809
Deferred revenue	17,061	8,009
Billings in excess of costs incurred plus recognized profits	7,279	9,079
Current portion of long-term debt and finance leases (Note 7)	936	1,107
Current portion of convertible debentures (Note 8)	20,849	-
	173,527	103,535
LONG-TERM DEBT AND FINANCE LEASES (Note 7)	340,136	16,636
OTHER LONG-TERM LIABILITIES	15,033	436
CONVERTIBLE DEBENTURES (Note 8)	202,055	255,092
DEFERRED INCOME TAX LIABILITY	69,338	39,811
	800,089	415,510
EQUITY		
SHARE CAPITAL (Note 9)	323,728	308,919
CONVERTIBLE DEBENTURES - Equity Component (Note 8)	12,372	13,877
CONTRIBUTED SURPLUS	1,645	124
DEFERRED SHARE PLAN (Note 14)	4,248	3,802
RETAINED EARNINGS		
Cumulative Earnings	160,585	146,257
Cumulative Dividends (Note 10)	(209,175)	(189,073)
	(48,590)	(42,816)
ACCUMULATED OTHER COMPREHENSIVE INCOME	29,543	15,687
	322,946	299,593
	$ 1,123,035	$ 715,103

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

Approved on behalf of the directors by:

Duncan Jessiman, Director
Signed

Donald Streuber, Director
Signed

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited, in thousands of Canadian dollars, except for per share amounts)

	Three Months Ended		Six Months Ended	
		Restated - Note 18		Restated - Note 18
For the periods ended June 30	**2015**	2014	**2015**	2014
REVENUE				
Aviation	$ **149,837**	$ 83,317	$ **283,295**	$ 161,666
Manufacturing	**46,377**	50,902	**86,854**	98,612
	196,214	134,219	**370,149**	260,278
EXPENSES				
Aviation expenses - excluding depreciation and amortization	**85,700**	53,945	**170,660**	106,647
Manufacturing expenses - excluding depreciation and amortization	**35,781**	39,127	**67,931**	76,286
General and administrative	**26,680**	18,885	**52,425**	37,090
	148,161	111,957	**291,016**	220,023
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	**48,053**	22,262	**79,133**	40,255
Depreciation and amortization	**20,615**	12,719	**39,130**	24,756
Finance costs - interest	**7,119**	5,317	**15,517**	10,414
Acquisition costs	**994**	19	**3,188**	59
Consideration liability fair value adjustment	**-**	(256)	**-**	(651)
Impairment and restructuring (Note 12)	**-**	1,300	**-**	1,300
EARNINGS BEFORE INCOME TAXES	**19,325**	3,163	**21,298**	4,377
INCOME TAX EXPENSE (RECOVERY) (Note 17)				
Current	**4,283**	(537)	**5,529**	(194)
Deferred	**1,648**	2,418	**1,441**	3,639
	5,931	1,881	**6,970**	3,445
NET EARNINGS FOR THE PERIOD from continuing operations	$ **13,394**	$ 1,282	$ **14,328**	$ 932
Net earnings from discontinued operations (Note 18)	**-**	2,840	**-**	3,357
NET EARNINGS FOR THE PERIOD attributable to common shareholders	$ **13,394**	$ 4,122	$ **14,328**	$ 4,289
EARNINGS PER SHARE - continuing operations (Note 13)				
Basic	$ **0.58**	$ 0.06	$ **0.62**	$ 0.05
Diluted	$ **0.54**	$ 0.06	$ **0.61**	$ 0.05
EARNINGS PER SHARE attributable to common shareholders				
Basic	$ **0.58**	$ 0.19	$ **0.62**	$ 0.20
Diluted	$ **0.54**	$ 0.19	$ **0.61**	$ 0.19

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

Attributable to common shareholders	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2015**	2014	**2015**	2014
NET EARNINGS	$ **13,394**	$ 4,122	$ **14,328**	$ 4,289
OTHER COMPREHENSIVE INCOME (LOSS),				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax	**(3,668)**	(8,691)	**15,316**	683
Net gain (loss) on hedge of net investment in foreign operation	**772**	4,271	**(1,460)**	210
	(2,896)	(4,420)	**13,856**	893
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ **10,498**	$ (298)	$ **28,184**	$ 5,182

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in thousands of Canadian dollars)

	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Reserved Shares	Retained Earnings: Cumulative Earnings	Retained Earnings: Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	**Total**
Balance, January 1, 2014	$ 295,939	$ 12,216	$ 102	$ 2,619	$ 623	$ 138,002	$ (151,649)	$ 7,974	$ **305,826**
Shares issued to acquisition vendors	2,411	-	-	-	-	-	-	-	**2,411**
Convertible debentures									
Converted into shares	1,567	(83)	-	-	-	-	-	-	**1,484**
Issued	-	1,798	-	-	-	-	-	-	**1,798**
Matured	-	(7)	7	-	-	-	-	-	**-**
Shares issued under dividend reinvestment plan	2,152	-	-	-	-	-	-	-	**2,152**
Shares issued under vesting of reserved shares	623	-	-	-	(623)	-	-	-	**-**
Deferred share plan vesting	-	-	-	554	-	-	-	-	**554**
Comprehensive income	-	-	-	-	-	4,289	-	893	**5,182**
Dividends declared	-	-	-	-	-	-	(18,413)	-	**(18,413)**
Balance, June 30, 2014	**$ 302,692**	**$ 13,924**	**$ 109**	**$ 3,173**	**$ -**	**$ 142,291**	**$ (170,062)**	**$ 8,867**	**$ 300,994**
Balance, January 1, 2015	$ 308,919	$ 13,877	$ 124	$ 3,802	$ -	$ 146,257	$ (189,073)	$ 15,687	$ **299,593**
Shares issued to acquisition vendors (Note 6)	12,138	-	-	-	-	-	-	-	**12,138**
Convertible debentures (Note 8)									
Converted into shares	241	(16)	-	-	-	-	-	-	**225**
Matured/Redeemed	-	(1,489)	1,521	-	-	-	-	-	**32**
Shares issued under dividend reinvestment plan (Note 9)	1,850	-	-	-	-	-	-	-	**1,850**
Shares issued under First Nations community partnership agreements (Note 9)	98	-	-	-	-	-	-	-	**98**
Deferred share plan vesting	-	-	-	928	-	-	-	-	**928**
Deferred share plan issuance	482	-	-	(482)	-	-	-	-	**-**
Comprehensive income	-	-	-	-	-	14,328	-	13,856	**28,184**
Dividends declared (Note 10)	-	-	-	-	-	-	(20,102)	-	**(20,102)**
Balance, June 30, 2015	**$ 323,728**	**$ 12,372**	**$ 1,645**	**$ 4,248**	**$ -**	**$ 160,585**	**$ (209,175)**	**$ 29,543**	**$ 322,946**

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

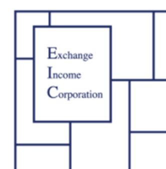
Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)

For the periods ended June 30	Three Months Ended 2015	Three Months Ended 2014	Six Months Ended 2015	Six Months Ended 2014
OPERATING ACTIVITIES				
Net earnings for the period	$ **13,394**	$ 4,122	$ **14,328**	$ 4,289
Items not affecting cash:				
Depreciation and amortization	**20,615**	13,853	**39,130**	27,015
Accretion of interest	**1,161**	1,223	**3,262**	2,428
Long-term debt discount (paid) accretion	**(59)**	(5)	**(141)**	24
(Gain) on sale of disposal of capital assets	**(597)**	(209)	**(584)**	(1,473)
Deferred income tax	**1,648**	1,203	**1,441**	2,247
Deferred share program share-based vesting	**470**	280	**928**	554
Consideration liability fair value adjustment	**-**	(256)	**-**	(651)
	36,632	20,211	**58,364**	34,433
Changes in non-cash operating working capital items (Note 16)	**(32,791)**	(4,379)	**(34,284)**	(15,054)
	3,841	15,832	**24,080**	19,379
FINANCING ACTIVITIES				
Proceeds from (repayment of) long-term debt & finance leases, net of issuance costs	**6,493**	(5,490)	**321,116**	(21,983)
Proceeds from issuance of debentures, net of issuance costs	**-**	(6)	**-**	37,747
Redemption of convertible debentures (Note 8)	**-**	(126)	**(34,944)**	(126)
Issuance of shares, net of issuance costs	**1,002**	4,112	**1,948**	5,186
Cash dividends (Note 10)	**(10,064)**	(9,277)	**(20,102)**	(18,413)
	(2,569)	(10,787)	**268,018**	2,411
INVESTING ACTIVITIES				
Purchase of capital assets, net of disposals	**(37,459)**	(20,272)	**(74,176)**	(33,956)
Purchase of intangible assets	**(368)**	-	**(425)**	(27)
Cash outflow for acquisitions, net of cash acquired	**-**	-	**(201,764)**	-
Investment in other assets	**206**	5,270	**125**	5,775
Finance lease receivable payments, net of reserves	**1,324**	(428)	**2,420**	(347)
	(36,297)	(15,430)	**(273,820)**	(28,555)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(35,025)**	(10,385)	**18,278**	(6,765)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**68,271**	26,788	**14,968**	23,168
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ **33,246**	$ 16,403	$ **33,246**	$ 16,403
Supplementary cash flow information				
Interest paid	$ **5,112**	$ 4,020	$ **13,394**	$ 10,167
Income taxes paid	$ **15,871**	$ 226	$ **16,895**	$ 623

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



(unaudited, in thousands of Canadian dollars unless otherwise noted, except per share information and share data)

1. ORGANIZATION

Exchange Income Corporation ("EIC" or the "Company") is a diversified, acquisition-oriented corporation focused on opportunities in two sectors: aviation services and equipment, and manufacturing. In particular businesses that are suited for public markets, except, in certain circumstances, for their size. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The Company is incorporated in Canada and the address of the registered office is 1067 Sherwin Road, Winnipeg, Manitoba, Canada R3H 0T8.

As at June 30, 2015, the principal wholly-owned operating subsidiaries of the Company are Perimeter Aviation LP ("Perimeter"), Keewatin Air LP ("Keewatin"), Calm Air International LP ("Calm Air"), Bearskin Lake Air Service LP ("Bearskin"), Custom Helicopters Ltd. ("Custom Helicopters"), 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders Manufacturing LP ("Overlanders"), Water Blast Manufacturing LP ("Water Blast"), WesTower Communications Ltd. ("WesTower CDA"), EIC Ireland Leasing Ltd. ("EIC Ireland"), R1 Canada LP ("Regional One Canada"), EIC Luxembourg Sarl ("EIC Luxembourg"), EIC Ireland Leasing No. Two Limited ("EIC Ireland Two"), Provincial Aerospace Ltd. ("Provincial") and EIIF Management USA Inc. ("EIIF USA"). Stainless Fabrication, Inc. ("Stainless"), Dallas Sailer Enterprises, Inc. ("Water Blast Dakota"), and Regional One, Inc. ("Regional One") are wholly owned subsidiaries of EIIF USA. Through the Company's subsidiaries, products and services are provided in two business segments: Aviation and Manufacturing.

The Company's interim results are impacted by seasonality factors. The Aviation segment has historically had the strongest revenues in the second and third quarters when demand tends to be highest, relatively modest in the fourth quarter and the lowest in the first quarter as communities serviced by the airlines are less isolated with the use of ice roads for transportation during the winter. With the diversity within the Manufacturing segment, the seasonality of the Manufacturing segment is relatively flat throughout a fiscal period.

On October 20, 2014, the Company completed the sale of WesTower Communications Inc. (the US operations of WesTower – "WesTower US") and within these interim condensed consolidated financial statements the operations of WesTower US are presented as Discontinued Operations for the prior period. To reflect this change in presentation, prior period comparatives have been restated from what was originally reported in the Company's interim condensed consolidated financial statements for the three and six months ended June 30, 2014.

On July 2, 2015, the Company announced the acquisition of Ben Machine Products Company Inc. ("Ben Machine") (Note 19). Also subsequent to the second quarter, the Company acquired all of the non-aircraft assets of First Air in the Kivalliq Region (Note 19). These interim condensed consolidated financial statements do not include any results of Ben Machine or the non-aircraft assets acquired from First Air as these events took place subsequent to June 30, 2015.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are for the three and six months ended June 30, 2015, and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which were prepared in accordance with IFRS as issued by the IASB. These interim condensed consolidated financial statements are presented in thousands of Canadian dollars, except per share information and share data.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Company for issue on August 12, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are the same as those followed in the most recent annual financial statements, except for the changes noted below:

a) *Principles of Consolidation*

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Perimeter, Keewatin, Calm Air, Bearskin, Custom Helicopters, 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders, Water Blast, WesTower CDA, EIC Ireland, EIC Ireland Two, Regional One Canada, EIC Luxembourg, Provincial, EIIF USA and their respective subsidiaries, including Stainless, WesTower US, Water Blast Dakota and Regional One. All significant inter-company transactions have been eliminated for purposes of these interim condensed consolidated financial statements.

b) *Revenue Recognition – Aviation Revenues*

With the acquisition of Provincial, revenue from aircraft modification contracts is recognized on a percentage of completion basis. The percentage complete is calculated based upon contract costs incurred to date compared with total estimated contract costs. The percentage complete is then applied to total anticipated contract revenue to determine the period's revenue. A provision for the estimated loss is made when contract costs are expected to exceed estimated contract revenue.

b) *Accounting Standards Issued but not yet Effective*

IFRS 15 – Revenue

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Customer Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company beginning on January 1, 2018, with earlier adoption permitted. The Company is assessing the impact of adopting this standard on its financial statements.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018.

4. OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER

The Company presents operating profit before depreciation, amortization, finance costs and other in the consolidated statement of income to assist users in assessing financial performance. The Company's management and the Board use this measure to evaluate consolidated operating results and assess the ability of the Company to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of how much cash is being generated by the Company and assists in determining the need for additional cost reductions, evaluation of personnel and resource allocation decisions. Operating profit before depreciation, amortization, finance costs and other is referred to as an additional IFRS measure and may not be comparable to similar measures presented by other companies.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Company's critical accounting estimates from those described in the most recent annual financial statements.

6. ACQUISITIONS

Acquisition of Provincial Aerospace Ltd.

On January 2, 2015, the Company completed the acquisition of Provincial Aerospace Ltd. through a stock purchase agreement to acquire 100% of the shares of Provincial, a Canadian owned corporation based out of St. John's, Newfoundland and Labrador. Provincial was founded in 1972 and operates three distinct business units, a scheduled airline, fixed base operations and aerospace.

Provincial operates its scheduled airline service using fixed wing aircraft in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia providing approximately 210 scheduled flights weekly as well as charter services across the territory. The fixed base operations are located Newfoundland and Labrador and Nova Scotia. The aerospace business designs, modifies, maintains and operates custom sensor equipped aircraft. It has maritime surveillance and support operations in Canada, the Caribbean and the Middle East. Provincial operates a total of 29 aircraft. The scheduled operations business has a fleet primarily comprised of Dash 8's and Twin Otters and the aerospace business operates various aircraft types for multiple customers.

The acquisition allowed the Company to further diversify its revenue streams and cash flow by entering new product and geographical markets. Provincial's maritime surveillance and support operations, which constitute the largest portion of Provincial's operations, are a new niche market that the Company's existing Aviation segment entities do not operate in and the revenue streams come from several different geographic areas around the world. As a result, the addition of Provincial further diversifies the cash flows generated by the Company.

The results of operations are included in the Company's condensed consolidated interim statement of operations within the Aviation segment for the period since the date of acquisition. During the six month period ended June 30, 2015, Provincial contributed third party revenues of $98.5 million, earnings before income tax of $12.6 million and total assets of $347.7 million.

The purchase agreement contained working capital estimates to be maintained as of the acquisition date. The Company is currently assessing the opening working capital and plans to finalize the working capital settlement during the third quarter of 2015. The working capital consideration estimate totaling $7,255 is for a liability owing to the vendors, which was created mainly from excess working capital of the acquired balance sheet of Provincial over the $5,000 target in the stock purchase agreement. Included in the acquired balance sheet was $23,236 of cash and is available to be used to settle the liability with the vendors once finalized.

Consideration given:		
Cash	$	**225,000**
Working capital consideration estimate		**7,255**
Issue of 523,188 Shares of the Company at a price of $23.20 per share		**12,138**
Total purchase consideration	$	**244,393**

Details of the fair values of the net assets acquired at the time of the transaction are as follows and will be finalized in the third quarter with the settlement of working capital:

Fair value of assets acquired:	
Cash	$ **23,236**
Accounts receivable	**24,902**
Inventory	**9,125**
Prepaid expenses and deposits	**4,255**
Costs incurred plus recognized profits in excess of billings	**321**
Capital assets	**102,308**
Other assets	**1,549**
Intangible assets	**52,615**
	218,311
Less fair value of liabilities assumed:	
Accounts payable and accrued liabilities	**34,797**
Income taxes payable	**2,791**
Deferred revenue	**7,654**
Other long-term liabilities	**12,488**
Deferred income tax liabilities	**27,938**
Fair value of identifiable net assets acquired	**132,643**
Goodwill	**111,750**
Total purchase consideration	$ **244,393**

Of the $52,615 acquired intangible assets, $20,500 was assigned to trade name, $20,700 was assigned to customer relationships, $6,750 was assigned to certifications and $3,300 was assigned to backlog and $1,365 assigned to other. The customer relationship, backlog and other are all subject to amortization while the trade name is considered to have indefinite life and the certifications will be unamortized until they are no longer valid or used by the Company.

The Company had previously made estimates in its first quarter interim condensed consolidated financial statements regarding the purchase price allocation of the net assets acquired, but this included no recognition of intangible assets and other certain items. During the second quarter the Company revised these estimates and resulted in $52.6 million of intangible assets being recognized. This resulted in $2.2 million of intangible asset amortization being expensed in the second quarter pertaining to the six month period since being acquired at the beginning of fiscal 2015. Certain other fair value estimates were made relating to the acquired capital assets and inventory.

The current allocations included in the Company's interim consolidated financial statements for the current period are provisional and adjustments will be finalized during the third quarter of 2015 along primarily with the settlement of working capital.

7. LONG-TERM DEBT AND FINANCE LEASES

The following summarizes the Company's long-term debt and finance leases as at June 30, 2015 and December 31, 2014:

	June 30 2015	December 31 2014
Revolving term facility:		
Canadian dollar amounts drawn	$ 282,100	$ -
United States dollar amounts drawn (US$46,900 and US$13,900, respectively)	58,503	16,125
Total credit facility debt outstanding, principal value	340,603	16,125
less: unamortized transaction costs	(1,668)	(911)
less: unamortized discount on outstanding Banker's Acceptances	(141)	-
Net credit facility debt	338,794	15,214
Finance leases	2,278	2,529
Total net credit facility debt and finance leases	341,072	17,743
less: current portion of finance leases	(936)	(1,107)
Long-term debt and finance leases	$ 340,136	$ 16,636

The Company's credit facility is secured by a general security agreement over the assets of the Company, subject to customary terms, conditions, covenants and other provisions, and includes both financial and negative covenants. The Company is in compliance with all financial and negative covenants as at June 30, 2015.

During the first quarter of 2015, the allocation of the total credit available between EIC head office and EIIF USA was amended as part of the closing of the acquisition of Provincial. Total credit available to EIC increased to $320,000, while total credit available to EIIF USA decreased to $15,000. The total credit available to the Company remained unchanged at $335,000. Furthermore, in February 2015, the Company amended the terms of its credit facility which resulted in increasing the credit available to be $450,000 and extended the maturity to May 2019. With the changes, the amount of credit allocated to EIC and EIIF USA was changed to $400,000 and $50,000, respectively. No other significant changes were made to the terms included within the credit facility.

Interest expense recorded by the Company's continuing operations during the three and six months ended June 30, 2015 for the long-term debt and finance leases was $2,605 and $5,067, respectively (2014 – $122 and $387, respectively). In the comparative period, the Company allocated interest expense of $1,552 and $2,918, respectively, to Discontinued Operations representing the portion of interest expense related to the operations of WesTower US up to the date of disposition.

Credit Facility

The following is the continuity of long-term debt for the six months ended June 30, 2015:

	Six Months Ended June 30, 2015				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar portion	$ -	$ 282,100	$ -	$ -	$ 282,100
United States dollar portion	16,125	52,812	(12,204)	1,770	58,503
	$ 16,125				$ 340,603

Subsequent to June 30, 2015 and before these interim condensed consolidated financial statements were authorized, the Company made net senior debt draws of US$35,000.

8. CONVERTIBLE DEBENTURES

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Series H - 2010	EIF.DB.B	May 31, 2017	6.5%	$ 20.00
Series J - 2011	EIF.DB.D	May 31, 2018	6.25%	$ 30.60
Unsecured Debentures - 2012	EIF.DB.E	September 30, 2019	5.5%	$ 36.80
Unsecured Debentures - 2013	EIF.DB.F	March 31, 2020	5.35%	$ 41.60
Unsecured Debentures - 2014	EIF.DB.G	March 31, 2021	6.0%	$ 31.70

Summary of the debt component of the convertible debentures:

	2015 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2015 Balance, End of Period
Series H	$ 21,276	$ -	$ 135	$ (223)	$ -	$ 21,188
Series I	34,390	-	554	-	(34,944)	-
Series J	54,917	-	333	-	-	55,250
Unsecured - 2012	54,068	-	308	-	-	54,376
Unsecured - 2013	61,447	-	286	-	-	61,733
Unsecured - 2014	37,495	-	159	-	-	37,654
						230,201
less: unamortized transaction costs						(7,297)
Convertible Debentures - Debt Component, end of period						222,904
less: current portion						(20,849)
Convertible Debentures - Debt Component (long-term portion)						$ 202,055

During the six months ended June 30, 2015, convertible debentures totaling a face value of $235 were converted by the holders at various times into 11,750 Shares of the Company (2014 – $1,491 face value into 127,072 Shares).

Interest expense recorded during the three and six months ended June 30, 2015 for the convertible debentures was $4,514 and $10,450, respectively (2014 – $5,195 and $10,027, respectively).

The Series I debentures due January 31, 2016, were redeemed on March 31, 2015 pursuant to the trust indenture. This resulted in a payment of $35,269, comprising of $34,944 in principal plus accrued interest. The redemption was funded through a draw on the Company's senior credit facility. The related equity component and tax impacts were transferred to contributed surplus.

During the quarter, the Company announced it was redeeming the Series H debentures pursuant to the trust indenture. The redemption date was July 15, 2015. Subsequent to June 30, 2015, $19,594 in principal of Series H debentures were converted, resulting in a cash payment of $2,181, comprising of $2,164 in principal plus accrued interest, on the date of redemption.

Convertible Debentures Equity Component

Since all of the outstanding convertible debentures contain a conversion feature available to the debenture-holder to convert debenture principal into Shares of the Company, the debenture obligation is classified partly as debt and partly as shareholders' equity. The debt component represents the present value of interest and principal payments over the life of the convertible debentures discounted at a rate approximating the rate which would have been applicable to non-convertible debentures at the time the convertible debentures were issued. The difference between the principal amount of the convertible debentures and the present value of interest and principal payments over the life of the convertible debentures is accreted over the term of the convertible debentures through periodic charges to the debt component, such that, on maturity, the debt component equals the principal amount of the convertible debentures outstanding.

Summary of the equity component of the convertible debentures:

		June 30 2015		December 31 2014
Series H - 2010	$	1,172	$	1,188
Series I - 2011		-		1,489
Series J - 2011		3,136		3,136
Unsecured Debentures - 2012		3,204		3,204
Unsecured Debentures - 2013		3,063		3,063
Unsecured Debentures - 2014		1,797		1,797
Convertible Debentures - Equity Component, end of period	$	12,372	$	13,877

The Series H and Series J debentures are secured, subordinate only to senior security, by a charge on the assets and undertakings of the Company' and it subsidiaries. The September 2012, March 2013 and March 2014 convertible debenture offerings represent direct unsecured debt obligations of the Company.

9. SHARE CAPITAL

Changes in the Shares issued and outstanding during the six months ended June 30, 2015 are as follows:

	Number of Shares		2015 Amount
Share capital, beginning of period	22,507,341	$	308,919
Issued upon conversion of convertible debentures	11,750		241
Issued under dividend reinvestment plan	86,594		1,850
Issued to Provincial vendors on closing (Note 6)	523,188		12,138
Issued under First Nations community partnership agreements	4,500		98
Issued under deferred share plan	21,749		482
Share capital, end of period	23,155,122	$	323,728

There were significant events subsequent to the end of the second quarter but before the release of this report which resulted in the Company issuing Shares. First, the Company issued 329,552 Shares as part of the acquisition of Ben Machine at the beginning of July. Second, with the early redemption of the Series H Convertible Senior Secured Debentures, the Company issued 979,700 Shares during the first half of July with the conversion of $19,594 of principal amount of Series H.

10. DIVIDENDS DECLARED

The Company's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's Board of Directors regularly examines the dividends paid to shareholders.

Cumulative dividends during the six months ended June 30, 2015 and the comparative 2014 period are as follows:

Six Months Ended June 30		2015		2014
Cumulative dividends, beginning of period	$	189,073	$	151,649
Dividends during the period		20,102		18,413
Cumulative dividends, end of period	$	209,175	$	170,062

The amounts and record dates of the dividends during the six months ended June 30, 2015 and the comparative 2014 period are as follows:

			2015 Dividends			2014 Dividends
Month	**Record date**	**Per Share**	**Amount**	**Record date**	**Per Share**	**Amount**
January	January 30, 2015	**$ 0.145**	**$ 3,342**	January 31, 2014	$ 0.14	$ 3,039
February	February 27, 2015	**0.145**	**3,347**	February 28, 2014	0.14	3,043
March	March 31, 2015	**0.145**	**3,349**	March 31, 2014	0.14	3,054
April	April 30, 2015	**0.145**	**3,352**	April 30, 2014	0.14	3,080
May	May 31, 2015	**0.145**	**3,354**	May 30, 2014	0.14	3,097
June	June 30, 2015	**0.145**	**3,358**	June 30, 2014	0.14	3,100
Total		**$ 0.87**	**$ 20,102**		$ 0.84	$ 18,413

Subsequent to June 30, 2015 and before these interim condensed consolidated financial statements were authorized, the Company declared a dividend of $0.145 per Share for July 2015. With the approval of these interim condensed consolidated financial statements, the Company announced the increase of the monthly dividend to $0.16 per Share for the August 2015 dividend declaration, which will be paid to shareholders mid-September.

11. SEGMENTED AND SUPPLEMENTAL INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Company's operating business segments include strategic business units that offer different products and services. The Company has two operating business segments: Aviation and Manufacturing. The Aviation segment provides airline services to communities in Manitoba, Ontario, Nunavut and Alberta and also provides aircraft and engine aftermarket parts to regional airline operators around the world. With the acquisition of Provincial, our airline services have expanded to eastern Canada. In addition, Provincial's aerospace business designs, modifies, maintains and operates custom sensor equipped aircraft. Provincial is included in the Aviation segment as of the date of acquisition (Note 6). The Manufacturing segment consists of niche specialty metal manufacturers in markets throughout Canada and the United States. The Discontinued Operations includes the results of WesTower US that was disposed of in the fourth quarter of 2014.

The Company evaluates each segment's performance based on EBITDA. The Company's method of calculating EBITDA may differ from that of other corporations and therefore may not be comparable to measures utilized by them. The Company's method of calculating EBITDA is consistent with the Company's Operating Profit before Depreciation, Amortization, Finance Costs and Other presented in the consolidated statement of income. There are no inter-segment revenues, and all segment revenues presented in the tables below are from external customers.

"Head Office" used in the following segment tables is not a separate segment and is only presented to reconcile to enterpriseEBITDA, certain statement of financial position amounts and capital asset additions. It includes expenses incurred at head office of the Company.

	Three Months Ended June 30, 2015			
	Aviation	**Manufacturing**	**Head Office**	**Consolidated**
Revenue	**$ 149,837**	**$ 46,377**	**$ -**	**$ 196,214**
Expenses	**102,635**	**41,316**	**4,210**	**148,161**
EBITDA	**47,202**	**5,061**	**(4,210)**	**48,053**
Depreciation and amortization				**20,615**
Finance costs - interest				**7,119**
Acquisition costs				**994**
Earnings before tax				**19,325**
Current income tax expense				**4,283**
Deferred income tax expense				**1,648**
Net earnings from continuing operations				**13,394**
Net earnings from discontinued operations				**-**
Net earnings				**$ 13,394**

	Three Months Ended June 30, 2014			
	Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 83,317	$ 50,902	$ -	$ 134,219
Expenses	64,487	44,390	3,080	111,957
EBITDA	18,830	6,512	(3,080)	22,262
Depreciation and amortization				12,719
Finance costs - interest				5,317
Acquisition costs				19
Consideration liability fair value adjustment				(256)
Impairment and restructuring				1,300
Earnings before tax				3,163
Current income tax recovery				(537)
Deferred income tax expense				2,418
Net earnings from continuing operations				1,282
Net earnings from discontinued operations				2,840
Net earnings				$ 4,122

				Six Months Ended June 30, 2015
	Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 283,295	$ 86,854	$ -	$ 370,149
Expenses	204,872	78,991	7,153	291,016
EBITDA	78,423	7,863	(7,153)	79,133
Depreciation and amortization				39,130
Finance costs - interest				15,517
Acquisition costs				3,188
Earnings before income tax				21,298
Current income tax expense				5,529
Deferred income tax expense				1,441
Net earnings from continuing operations				14,328
Net earnings from discontinued operations				-
Net earnings				$ 14,328

				Six Months Ended June 30, 2014
	Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 161,666	$ 98,612	$ -	$ 260,278
Expenses	127,917	86,813	5,293	220,023
EBITDA	33,749	11,799	(5,293)	40,255
Depreciation and amortization				24,756
Finance costs - interest				10,414
Acquisition costs				59
Consideration liability fair value adjustment				(651)
Impairment and restructuring				1,300
Earnings before income tax				4,377
Current income tax recovery				(194)
Deferred income tax expense				3,639
Net earnings from continuing operations				932
Net earnings from discontinued operations				3,357
Net earnings				$ 4,289

				June 30, 2015
	Aviation	Manufacturing	Head Office	Consolidated
Total assets	$ 868,508	$ 139,602	$ 114,925	$ 1,123,035
Net capital asset additions	72,507	1,440	229	74,176

				December 31, 2014
	Aviation	Manufacturing	Head Office	Consolidated
Total assets	$ 448,025	$ 145,172	$ 121,906	$ 715,103
Net capital asset additions	79,645	4,335	70	84,050

12. IMPAIRMENT AND RESTRUCTURING

During the second quarter of 2014, the Company restructured Bearskin's operations to eliminate certain unprofitable routes. Management accrued and expensed restructuring costs of $1,300 which mainly related to severance costs for reducing personnel levels.

In addition, as part of the restructuring at Bearskin, $663 of additional depreciation was recorded in the second quarter of 2014 as the residual value and remaining useful lives of certain assets were reassessed as part of the restructuring.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net earnings by the weighted average number of Shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has two categories of dilutive potential common shares: vested deferred shares that have vested under the Company's Deferred Share Plan and convertible debentures. For the convertible debentures, the convertible debt is assumed to have been converted into common shares and net earnings is adjusted to eliminate the interest expense from the convertible debt less the tax effect.

The computation for basic and diluted earnings per share for the Company's continuing operations for the three and six months ended June 30, 2015 and comparative periods in 2014 are as follows:

	Three Months Ended		**Six Months Ended**	
Periods Ended June 30	**2015**	2014	**2015**	2014
Net earnings from continuing operations for the period available to common shareholders	**$ 13,394**	$ 1,282	**$ 14,328**	$ 932
Effect of dilutive securities				
Convertible debentures	**3,294**	-	**-**	-
Diluted earnings for the period	**$ 16,688**	$ 1,282	**$ 14,328**	$ 932
Basic weighted average number of Shares	**23,127,371**	22,048,256	**23,093,099**	21,931,357
Effect of dilutive securities				
Vested deferred shares	**379,581**	162,987	**379,581**	162,987
Convertible debentures	**7,358,011**	-	**-**	-
Diluted basis average number of Shares	**30,864,963**	22,211,243	**23,472,680**	22,094,344
Earnings per share - continuing operations:				
Basic	**$ 0.58**	$ 0.06	**$ 0.62**	$ 0.05
Diluted	**$ 0.54**	$ 0.06	**$ 0.61**	$ 0.05

14. DEFERRED SHARE PLAN

During the six months ended June 30, 2015, the Company granted deferred shares to certain personnel. The fair value of the deferred shares granted was $2,173 at the time of the grant and was based on the market price of the Company's Shares at that time. During the three and six months ended June 30, 2015, the Company recorded compensation expense of $470 and $928,

respectively, for the Company's Deferred Share Plan within the general and administrative expenses of head-office (2014 - $280 and $554, respectively).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The following describes the risk management areas that have significantly changed from those described in the audited December 31, 2014 consolidated financial statements.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency, interest rate and other price risk.

Currency Risk

The Company has US $46,900 ($58,503) outstanding on its credit facility. The outstanding funds in USD results in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the USD portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries.

The Company`s investment in those subsidiaries with USD functional currencies are hedged partially by US$36,900 of the secured bank loan which mitigates the foreign currency translation risk arising from the subsidiary`s net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge during the three and six month periods ended June 30, 2015.

Interest Rates

The Company is subject to the risk that future cash flows associated with the credit facility outstanding (Note 7) will fluctuate due to fluctuations in interest rates. The Company manages this risk and seeks financing terms in individual arrangements that are most advantageous.

The terms of the credit facility allow for the Company to choose the base interest rate between Prime, Bankers Acceptances or London Inter Bank Offer Rate ("LIBOR"). At June 30, 2015, US $46,900 was outstanding under US LIBOR and $282,100 was outstanding under Bankers Acceptances.

The interest rates of the convertible debentures (Note 8) have fixed interest rates.

Fair Value of Financial Instruments

The following table provides information about financial assets and liabilities measured at fair value in the consolidated balance sheet and categorized by level according to the significance of the inputs used in making the measurements and their related classifications:

Recurring fair value measurements	Carrying Value June 30, 2015	Quoted prices in an active market Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Financial Liabilities				
Consideration liabilities - Other financial liabilities	$ (2,338)	$ -	$ -	$ (2,338)
Fair Value Disclosures				
Other assets - Loans and receivables	8,534	-	8,534	-
Other assets - Equity method investment	1,424	-	-	1,424
Long term debt - Other financial liabilities	(338,794)	-	-	(340,603)
Convertible debt - Other financial liabilities	(222,904)	(230,570)	-	-

Recurring fair value measurements	Carrying Value December 31, 2014	Quoted prices in an active market Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Financial Liabilities				
Consideration liabilities - Other financial liabilities	$ (2,162)	$ -	$ -	$ (2,162)
Fair Value Disclosures				
Other assets - Loans and receivables	5,167	-	5,167	-
Long term debt - Other financial liabilities	(15,214)	-	-	(16,125)
Convertible debt - Other financial liabilities	(255,092)	(251,982)	-	-

The Company valued the level 3 consideration liabilities based on the present value of estimated cash outflows using probability weighted calculations, discount rates and the observable fair market value of its equity, as applicable.

The following table summarizes the changes in the consideration liability recorded on the acquisition of Regional One, including any changes for settlements, changes in fair value and foreign currency:

Consideration Liability Summary For the periods ended	**June 30** **2015**	December 31 2014
Opening	**$ 2,162**	$ 12,582
Accretion	**15**	102
Consideration liability fair value adjustment	**-**	(651)
Settled during the year	**-**	(10,393)
Translation loss	**161**	522
Ending	**$ 2,338**	$ 2,162

16. CHANGES IN WORKING CAPITAL ITEMS

The changes in non-cash operating working capital items during the three and six months ended June 30, 2015 and the comparative periods in 2014 are as follows:

	Three Months Ended		Six Months Ended	
Periods Ended June 30	**2015**	2014	**2015**	2014
Accounts receivable	**$ (3,383)**	$ 6,198	**$ (3,235)**	$ (24,577)
Costs incurred plus recognized profits in excess of billings	**(2,727)**	(1,115)	**(616)**	(13,661)
Inventory	**(14,843)**	(1,833)	**(18,366)**	(7,381)
Prepaid expenses	**96**	(1,020)	**(4,798)**	(1,434)
Accounts payable and accrued charges	**1,373**	(10,562)	**1,819**	4,801
Income taxes receivable	**(8,125)**	718	**(13,705)**	(958)
Deferred revenue	**422**	257	**2,878**	507
Billings in excess of costs incurred plus recognized profits	**(3,981)**	11,448	**(3,280)**	27,183
Foreign currency adjustments	**(1,623)**	(8,470)	**5,019**	466
Net change in working capital items	**$ (32,791)**	$ (4,379)	**$ (34,284)**	$ (15,054)

17. INCOME TAX

During the first quarter of 2015, the Company entered into an agreement with the Canada Revenue Agency ("CRA") regarding the CRA's objection to the tax consequences of the conversion of EIC's income trust structure into a business corporation in July 2009. The agreement did not give rise to any cash outlay by the Corporation for prior taxation years. The agreement resulted in a non-cash charge recognized in the Company's consolidated net earnings for the 2014 year related to the write-off of certain of the Company's deferred tax assets.

18. DISCONTINUED OPERATIONS

During the fourth quarter of 2014, the Company sold the US operations of WesTower. As a result of this transaction, the Company's prior period results are presented with discontinued operations, which represent the operational results of WesTower US and the allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US. The net gain on the disposition was recognized in the fourth quarter of 2014 and is therefore excluded from the table below. The purchase price will be finalized with the settlement of the transaction's customary purchase price adjustments. The Company expects to have the purchase price adjustments settled in 2015. The following summarizes the results of the Discontinued Operations in the comparative period ended June 30, 2014 (nil for the current periods).

	Three Months Ended		Six Months Ended	
For the periods ended June 30,	**2015**	2014	**2015**	2014
Revenue	**$ -**	$ 140,281	**$ -**	$ 271,701
Expenses				
Manufacturing expenses - excluding depreciation and amortization	**-**	123,868	**-**	244,422
General and administrative	**-**	10,863	**-**	20,265
Operating profit before depreciation, amortization, finance costs and other	**-**	5,550	**-**	7,014
Depreciation and amortization	**-**	1,134	**-**	2,259
Finance costs - interest(1)	**-**	1,552	**-**	2,918
Earnings before tax	**-**	2,864	**-**	1,837
Current income tax expense (recovery)	**-**	1,239	**-**	(128)
Deferred income tax (recovery)(2)	**-**	(1,215)	**-**	(1,392)
Results from operating activities	**$ -**	$ 2,840	**$ -**	$ 3,357

(1) The Company allocated interest expense to Discontinued Operations representing the portion of interest expense related to the Company's senior credit facility that was repaid as a result of the transaction. During the three and six months ended June 30, 2014, the Company allocated interest expense of $1,552 and $2,918, respectively, to discontinued operations.

(2) The presentation of Discontinued Operations have certain inter-company transactions between WesTower US and the Company's continuing operations eliminated in computing consolidated net earnings for continuing operations. The tax benefits of the inter-company transactions are included in Discontinued Operations.

The following are the cash flows from the Company's Discontinued Operations for the three and six months ended June 30, 2014 (nil for the current periods):

CASH FLOWS from discontinued operations	Three Months Ended		Six Months Ended	
For the periods ended June 30,	**2015**	2014	**2015**	2014
Net cash from (used in) operating activities	**$ -**	$ 22,579	**$ -**	$ 14,375
Net cash from (used in) investing activities	**-**	(210)	**-**	(563)
Net cash from (used in) financing activities	**-**	(16,615)	**-**	(16,100)
CASH FLOWS from discontinued operations	$ -	$ 5,754	$ -	$ (2,288)

19. SUBSEQUENT EVENT

Acquisition of Ben Machine Products Company Incorporated

The Company announced on July 2, 2015, that it signed a stock purchase agreement to acquire the shares of Ben Machine Products Company Incorporated ("Ben Machine"), a Canadian owned corporation based out of Vaughn, Ontario. Ben Machine is a manufacturer that provides complex precision machined components and assemblies primarily for the aerospace and defence sector.

The transaction closed on July 2, 2015. The Company paid a total purchase price of approximately $46 million, subject to customary post-closing adjustments, of which $6.8 million (approximately 15%) was paid through the issuance of 329,552 common Shares of the Company. The balance of $39.2 million was paid in cash and financed through the Company's existing credit facility. Financial results of Ben Machine's operations will be included in the Company's results starting in the third quarter of 2015.

Acquisition of First Air's Kivalliq Operations

On July 3, 2015 the Company acquired all of the non-aircraft assets of First Air in the Kivalliq Region and will assume responsibility for all scheduled freight and charter operations in the region. The acquisition price was approximately $3.5 million and was funded by cash available through the Company's credit facility. The acquisition of First Air's Kivalliq Operations will improve the service to the region by offering a better schedule, faster freight delivery and competitive pricing, while resolving the chronic airline overcapacity that has been endemic in the region. The Company has contracted First Air to fly the Winnipeg to Rankin Inlet route on the Company's behalf.