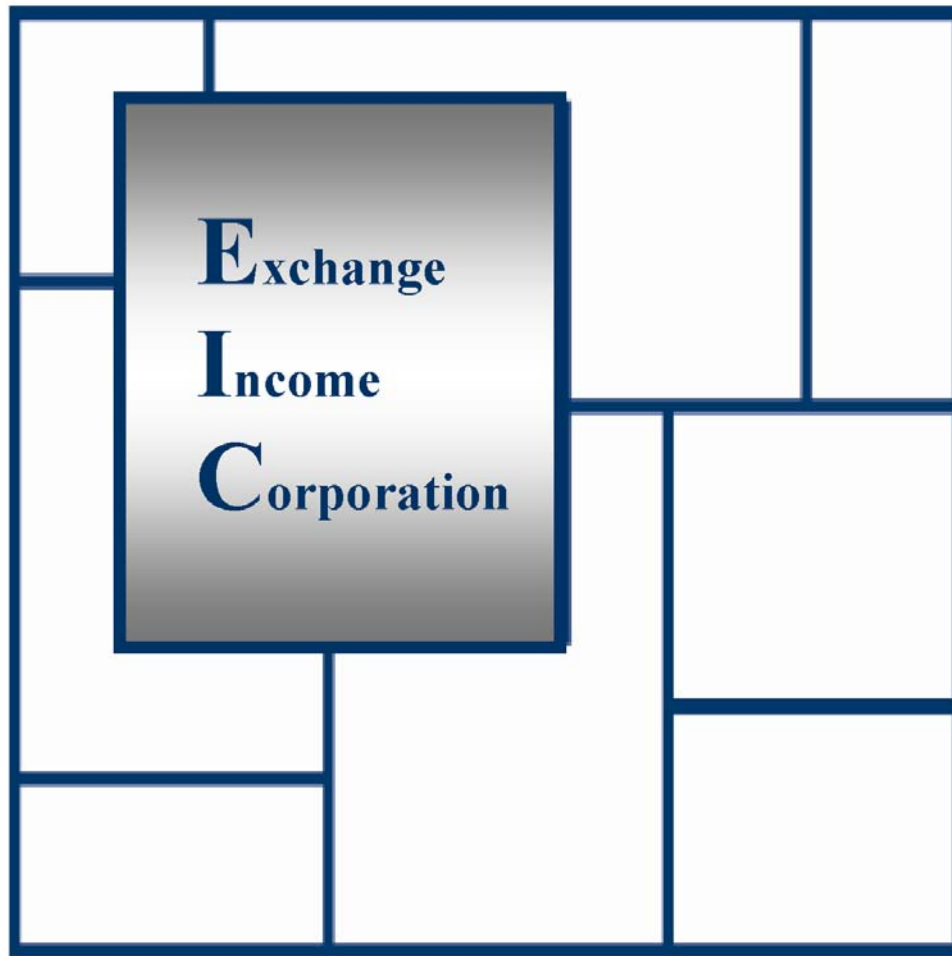


First Quarter Report

For the three months ended

March 31, 2014

President & CEO's Message

We have reached the 10 year anniversary of our company as an operating business and are proud to say that the fundamental strategies that we were founded upon are unchanged and still form the foundation of what we do at EIC. These fundamentals of growth through disciplined diversified acquisition and investment in organic improvement in our subsidiaries have enabled us to create a dividend which has increased eight times over the last decade and provide our shareholders with a reliable monthly return. Fiscal 2013 was a challenging period, in particular the challenges faced with digesting the massive growth at WesTower US, and while the process is far from complete, we have made significant progress in implementing the necessary changes to return it to acceptable levels of profitability.

Never was the power of our diversified model more evident than it was in the first quarter wherein WesTower and our aviation subsidiaries faced one of the coldest, longest winters on record and we continued to address the challenges at WesTower yet we were able to increase our revenue, EBITDA and Free Cash Flow over the preceding year.

Revenue increased 17% to $257.5 million

EBITDA grew 11% to $19.5 million

Free Cash Flow grew by 6% to $14.3 million

The first quarter is always the most difficult for EIC, as winter roads in the north provide an alternate means of transportation to the communities that we service, which in turn reduces the demand for our airlines services, and thereby limits the profitability of these operations. The period that these roads are open varies greatly from year to year, and 2014 was exceptionally long because of the extreme weather. In spite of this, the EBITDA generated by our airlines (excluding Regional One) grew by 10% to $7.8 million. This improvement is largely attributable to investments made in improving the efficiency of the operations at Calm Air. Regional One contributed a further $7.1 million bringing aviation EBITDA to $14.9 million, more than double what was generated in the comparable period in 2013.

WesTower's results in the first quarter declined from the comparable period in 2013. However, it is very important to remember that in the third quarter of 2013 WesTower US took a charge of approximately $11 million in relation to prior estimates of profit, a portion of which would have related to the first quarter of 2013. When such adjustments are taken into account the results of WesTower's US operations for the first quarter of 2014 are largely in line to the first quarter of 2013. More telling is the improvement in EBITDA in WesTower US from the fourth quarter of 2013 of $3.5 million and the tangible benefits we are seeing from the restructuring changes and the implementation of a new senior management team.

This new management team at WesTower US has established a number of initiatives designed to reduce overhead costs and thereby improve profitability. A review of regional and head office staffing has eliminated in excess of 100 positions, generating an annualized savings of approximately US$9 million. Further reviews of processes and staffing levels are expected to result in further staffing efficiencies later in the year. A second example of the initiatives to reduce overhead costs is a significant focus on logistics and travel costs, including the reduction of the vehicle fleet in WesTower US. This fleet reduction started in the first quarter of 2014 and has already resulted in a 3% reduction to the fleet in that business. These changes will take time to become apparent, but we remain confident that by the end of 2014 quarterly margins will be approaching historical norms for the business.

In recent quarterly reports we have outlined the very high level of price competition in Bearskin's eastern territory which results in fares which are below the operating costs of the aircraft. Early in the second quarter the route system was redesigned and the low yield markets eliminated. This will result in increased profitability in future periods, and will provide aircraft which can be redeployed in opportunities with higher returns.

We are very pleased with the performance of our most recent acquisition Regional One. After an exceptional fourth quarter in 2013, where it generated EBITDA of $7.9 million, Regional One generated a further $7.1 million in the first quarter of 2014. While the opportunistic transactional nature of the company can yield varying results quarter to quarter, Regional One has proven to be an excellent addition to our Aviation segment. With further investment in the company of $8.5 million in the first quarter along with other projects currently being evaluated, the company is well positioned to deliver continued strong results.

We are pleased with the progress we have made in the first quarter of 2014, but there is still a lot to do. We are confident that the changes that have been made at WesTower US and Bearskin should improve our performance in the balance of the year. We look forward to continued strong performance in the balance of our portfolio which will enable us to consider dividend increases in the future when financial results warrant. In addition to this organic improvement, we are committed to growth via acquisitions, and are well positioned to capitalize on opportunities consistent with our track record given the Company's $140 million of deployable capital. We thank our shareholders for their support and confidence over the last year and look forward to reporting to you on our progress in future periods.

Mike Pyle
President & CEO

Management's Discussion and Analysis

May 14, 2014

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") supplements the unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2014 ("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 IFRS applicable to the preparation of interim financial statements. This MD&A should be read in conjunction with the Interim Condensed Consolidated Financial Statements of the Company for the three months ended March 31, 2014, its annual financial statements for the year ended December 31, 2013 and its annual MD&A for the year ended December 31, 2013.

FORWARD-LOOKING STATEMENTS

This interim 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 interim report. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this interim 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 interim 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 interim report are made as of the date of this report or such other date specified in such statement.

NON-IFRS FINANCIAL MEASURES

EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures are not recognized measures under the International Financial Reporting Standards ("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 and asset impairment, 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. EBITDA is not a defined performance measure under IFRS and the Company's calculation of EBITDA may differ from similar calculations used by comparable entities.

Adjusted Net Earnings: is defined as net earnings adjusted for acquisition costs expensed, asset impairment, gains or losses recognized on the fair value of contingent consideration items, and amortization of intangible assets that are purchased at the time of acquisitions.

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.

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.

1. FINANCIAL HIGHLIGHTS

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

FINANCIAL PERFORMANCE	2014	per share basic	per share fully diluted	2013	per share basic	per share fully diluted
For the three months ended March 31						
Revenue	$ 257,479			$ 219,572		
EBITDA	19,457			17,593		
Net earnings	167	$ 0.01	$ 0.01	1,586	$ 0.08	$ 0.08
Adjusted net earnings	385	0.02	0.02	2,655	0.13	0.13
Free cash flow	14,262	0.65	0.58	13,412	0.65	0.56
Free cash flow less maintenance capital expenditures	2,575	0.12	0.12	5,457	0.26	0.26
Dividends declared	9,136	0.42		8,717	0.42	
FINANCIAL POSITION	March 31, 2014			December 31, 2013		
Working capital	$ 280,063			$ 256,646		
Capital assets	335,639			331,351		
Total assets	1,020,821			961,372		
Senior debt	210,819			220,247		
Equity	305,473			305,826		
SHARE INFORMATION	March 31, 2014			December 31, 2013		
Common shares outstanding	21,813,973			21,752,400		

2. OVERVIEW

EXCHANGE INCOME CORPORATION

The Company is a diversified, acquisition-oriented corporation focused on opportunities in three sectors: aviation services and equipment, metal manufacturing, and infrastructure services. 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 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.

The Company's reportable business segments are strategic business units that offer different products and services. The Company has three reportable business segments: Aviation, Manufacturing and Infrastructure:

(a) Aviation – providing scheduled airline and charter service and emergency medical services to communities located in Manitoba, Ontario, Nunavut and Alberta, operated by **Calm Air**, **Keewatin**, **Perimeter**, **Bearskin**, **Custom Helicopters**, and

other aviation supporting businesses. **Regional One** was acquired on April 12, 2013 and is focused on supplying regional airline operators around the world with various after-market aircraft, engines, and component parts;

(b) Manufacturing – providing a variety of metal manufacturing goods and metal related services in a variety of industries and geographic markets throughout North America. **Stainless** manufactures specialized stainless steel tanks, vessels and processing equipment. **Water Blast** and **Jasper Tank** together make up the Alberta Operations. Water Blast specializes in the manufacturing of specialized heavy duty pressure washing and steam systems and Jasper Tank manufactures custom tanks for the transportation of various products, but primarily oil, gasoline and water. Water Blast is 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** manufactures precision sheet metal and tubular products; and

(c) Infrastructure – consists of the operations of **WesTower** which is a manufacturer, installer, and maintenance service provider of communication towers and sites in both Canada and the United States. The US operations of WesTower ("WesTower US") are focused more on being a "Turn Key" self-performing general contractor, including providing professional and technical services to its customers that range from site identification and acquisition to installation, equipment testing and maintenance. The Canadian operations of WesTower ("WesTower CDA") are focused more on the engineering, design, manufacturing and construction of these towers.

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 and divestitures as deemed beneficial to the Company.

During 2014, the Company changed to three reporting segments from two and in the prior periods the WesTower operations were part of the Manufacturing segment. See Section 5 – Summary of Quarterly Results for a discussion on the 2013 results had the Company reported with these three segments. There is no difference in the Company's consolidated results from reporting three segments versus two segments.

Prior Year's Acquisitions

The following acquisitions were made by the Company during the year ended December 31, 2013:

Regional One

The Company announced on February 28, 2013 that it had signed a stock purchase agreement to acquire the shares of Regional One and closed the acquisition on April 12, 2013. Regional One is a leading provider of aircraft and engine aftermarket parts to regional airline operators around the world.

The acquisition price was US$88.8 million ($89.9 million) and was funded through a combination of US cash, the issuance of the Company's Common Shares ("Shares") and the recognition of consideration liabilities for future payments. At the time of closing, the Company paid US$45.1 million in cash ($45.8 million). Additionally the Company paid US$15.7 million ($15.9 million) to an escrow agent associated with future results being attained by Regional One and this is treated as a consideration liability on the Statement of Financial Position. The Company issued 494,656 Shares with a value of US$13.6 million ($13.8 million) and the recognized contingent consideration liabilities associated with future payments was US$14.4 million ($14.5 million). The Company also assumed debt within Regional One of US$1.6 million ($1.6 million) and paid it off at the time of closing.

During the second quarter of 2013 subsequent to the closing date, the Company released US$9.1 million ($9.4 million) of the cash in escrow, paid US$0.5 million in cash ($0.5 million), and issued 178,552 of Shares with a value of US$4.7 million ($4.9 million) as partial settlement of certain consideration liabilities that were recognized on closing.

During the fourth quarter of 2013 the working capital settlement was finalized with the vendor. As a result the Company paid US$3.2 million ($3.3 million) as partial settlement of certain consideration liabilities that were recognized on closing.

Subsequent to the end of the first quarter of 2014, the Company settled the majority of the outstanding consideration liabilities with the vendors of Regional One. In April 2014, the Company released US$6.6 million ($7.3 million) of the cash in escrow, paid US$0.6 million ($0.7 million) in cash, and issued 130,175 of Shares with a value of US$2.2 million ($2.4 million). The remaining consideration outstanding consists of 350,567 Shares of the Company that have been issued into escrow and relate to the retention of the vendor as CEO. These remaining Shares are anticipated to be settled and released from escrow evenly each of the next four anniversaries of closing the acquisition.

The acquisition has been immediately accretive to the Company's key financial metrics, including EBITDA, cash flows, earnings per share and Free Cash Flow. At its core, the acquisition allows us to further diversify our revenue streams and cash flow by entering

new product and geographical markets. In addition, the acquisition provides a proxy for vertical integration into one of the major expense categories of our aviation segment, in essence providing a hedge against price increases in aircraft and parts. Over the past five years, Regional One has had an annual average growth rate of 25%. Consistent with the Company`s traditional acquisition criteria, Regional One was identified because it operates in a niche portion of a large industry with barriers to entry, has a solid management team in place with extensive industry expertise and its worldwide market presence provides a platform for further growth while fostering diversification of the Company's cash flows by entering new geographical markets.

The Company's results include financial results of Regional One's operations subsequent to the closing date early in the second quarter of 2013. The Company incurred acquisition costs of $1.7 million during fiscal 2013, of which a large portion was associated with the acquisition of Regional One.

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.

EBITDA

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

EBITDA Three Months Ended March 31,	2014	2013
Earnings before income taxes	$ 187	$ 2,783
Depreciation and amortization	13,162	9,993
Finance costs - interest	6,463	3,987
Acquisition costs	40	830
Consideration liability fair value adjustment	(395)	-
Total EBITDA	$ 19,457	$ 17,593

FREE CASH FLOW

FREE CASH FLOW Three Months Ended March 31,	2014	2013
Cash flows from operations	$ 3,547	$ 6,828
Change in non-cash working capital items	10,675	5,754
Acquisition costs	40	830
	$ 14,262	$ 13,412
per share - Basic	$ 0.65	$ 0.65
per share - Fully Diluted	$ 0.58	$ 0.56

The Free Cash Flow generated by the Company for the current period was $14.3 million, an increase of $0.9 million or 6% 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 increase in EBITDA generated by the Company.

The EBITDA generated by the Company increased by $1.9 million or 11% in the first quarter of 2014 over the comparative period and is analyzed in more detail in Section 4 – Analysis of Operations. The main factors impacting the increase in EBITDA is the addition of Regional One with no comparative, offset by the decreased performance at WesTower in the Infrastructure segment. Included in EBITDA, but excluded from Free Cash Flow, is $1.3 million of net gains on disposals of capital items. 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.

Adding to the consolidated EBITDA increase was a cash tax recovery of $1.0 million due to lower earnings, resulting in a benefit to Free Cash Flow of $2.1 million. The increase in the Company's debt items resulted in an increase of cash interest by $1.9 million. The largest contributor to the increase in interest is the higher levels of convertible debentures outstanding during 2014, with the March 2013 unsecured convertible debentures outstanding for only a portion of the comparative period and the March 2014 unsecured convertible debentures were not outstanding in the comparative at all. The change in other non-cash items of $0.1 million was an increase to Free Cash Flow.

On a basic per share basis, the increase in absolute Free Cash Flow was offset by the higher base of the Company's shares outstanding. The combined impact resulted in Free Cash Flow of $0.65 per share for 2014, which was the same as the 2013 comparable. The average number of Shares outstanding for the current period was 5% higher than the comparative. Explanations around the increase in Shares outstanding can be found in Section 6 – Liquidity and Capital Resources. On a fully diluted basis, diluted free cash flow per share was $0.58, an increase of $0.02 per share compared to the same period in 2013. The downward impact of the additional convertible debentures outstanding in 2014 was more than offset by the increase in Free Cash Flow. The $65.0 million of principal from the March 2013 unsecured convertible debentures were outstanding for only a portion of the 2013 comparative period and the $40.0 million of principal from the March 2014 unsecured convertible debentures were not outstanding during the comparative period.

FREE CASH FLOW LESS MAINTENANCE CAPITAL EXPENDITURES

FREE CASH FLOW LESS MAINTENANCE CAPITAL EXPENDITURES Three Months Ended March 31,		**2014**		2013
Free Cash Flow	**$**	**14,262**	$	13,412
Maintenance Capital Expenditures		**11,687**		7,955
	$	**2,575**	$	5,457
per share - Basic	**$**	**0.12**	$	0.26
per share - Fully Diluted	**$**	**0.12**	$	0.26

The Free Cash Flow less maintenance capital expenditures generated by the Company for the current period was $2.6 million, a decrease of $2.9 million or 53% over the comparative period. The decline is due to the increase in maintenance capital expenditures of $3.7 million (or 47%), as described in detail in the Capital Expenditures section, offset by the increase in Free Cash Flow as described above.

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. This metric will not have the variability of the lumpy capital expenditures and therefore will give a better indication of the performance of the underlying operations and the trend in 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 changes as a result of the maintenance capital expenditures and therefore needs to be evaluated over longer operating periods.

On a basic per share basis, Free Cash Flow less maintenance capital expenditures for 2014 decreased to $0.12 ($0.12 fully diluted) in comparison to $0.26 ($0.26 fully diluted) in the 2013 comparative. The decrease of 54% (54% fully diluted) is due to the lower Free Cash Flow less maintenance capital expenditures generated by the Company compounded by an increased base number of Shares outstanding for the Company during 2014. The maintenance capital expenditure component of this metric is described further below and accounted for the $0.53 per share decrease from Free Cash Flow. The maintenance capital expenditures impact for the comparable period in 2013 was $0.38 per share.

CAPITAL EXPENDITURES

CAPITAL EXPENDITURES Three Months Ended March 31,		2014		2013
Cash maintenance capital expenditures	$	11,297	$	7,594
add: finance lease principal payments		390		361
Maintenance capital expenditures		11,687		7,955
Growth capital expenditures		2,414		5,260
	$	14,101	$	13,215
Maintenance capital expenditures per share - Basic	$	0.53	$	0.38
Growth capital expenditures per share - Basic		0.11		0.25
Total capital expenditures per share - Basic	$	0.64	$	0.63

Management characterizes capital expenditures as either maintenance capital expenditures or growth capital expenditures. Maintenance capital expenditures are those required to maintain the operations of the Company at its current level. Other capital expenditures are made to grow the enterprise and are expected to generate additional EBITDA. These 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. 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.

Maintenance Capital Expenditures

Maintenance capital expenditures for the current period totalled $11.7 million, an increase of $3.7 million over the comparative period. The Aviation segment continues to make up the majority, as it spent $10.8 million versus $0.2 million in the Manufacturing segment and $0.7 million in the Infrastructure segment.

The $10.8 million of maintenance capital expenditures in the Aviation segment is $3.6 million higher than the comparative period and includes Regional One's maintenance capital expenditures of $1.5 million with no comparable in the first quarter of 2013. Regional One's maintenance capital expenditures consist of the additions required in order to maintain the lease portfolio at its existing operating level. The remaining increase of $2.1 million quarter over quarter was due to the timing of maintenance events, primarily engine overhauls. The majority of the Aviation segment's maintenance capital expenditures from the operating airlines relate to engine overhauls, heavy checks and rotable additions and will vary from period to period, causing quarter over quarter comparisons to be lumpy. A large portion of this segment's maintenance capital expenditures are denominated in US dollars as a result of that currency being the common currency for the airline industry. Given the weakening of the Canadian dollar during the current quarter, the costs associated with these maintenance events has increased.

The Manufacturing segment's maintenance capital expenditures of $0.2 million were consistent with the comparative period. Maintenance capital expenditures in the Manufacturing segment are expected to remain consistently low as the equipment used by these companies does not require significant maintenance year over year.

The Infrastructure segment's maintenance capital expenditures of $0.7 million during the period were $0.1 million higher than the comparative period and include $0.4 million of finance lease payments. The segment's capital expenditures are largely equipment and vehicles. This segment has finance leases for some of its fleet vehicles. The finance lease principal payments do not show up as part of the Free Cash Flow or the capital expenditures that tie into the statement of cash flows. In order to fully reflect the Free Cash Flow after maintenance capital expenditures as the cash flow generated, the Company has disclosed the finance lease principal payments as part of the maintenance capital expenditures calculation.

Growth Capital Expenditures

The Company invested a net total of $2.4 million in growth capital expenditures during the first quarter of 2014. The majority of the growth capital expenditures were in the Aviation segment, accounting for $1.7 million of the net total. During the current period, Regional One continued its strategy to grow its lease and long-term sales portfolio, specifically in new generation assets. This resulted in EIC acquiring a holding company, EIC Ireland Leasing, in order to purchase a CRJ-700 aircraft that is currently on a long term lease for $7.2 million. The other significant growth capital expenditures were modifications of $0.9 million to the newest ATR-72 at Calm Air that is anticipated to be on-line mid-2014. These growth expenditures were offset by sales of capital assets made by

Regional One and insurance proceeds of $5.7 million for a damaged ATR-42 at Calm Air. The Company anticipates replacing the loss of this aircraft with an aircraft of similar fleet type.

The Manufacturing segment's growth capital expenditures were $0.5 million, which was almost entirely related to a powder coating facility to develop in-house paint capabilities to support Overlanders' precision metal business.

The Infrastructure segment's growth capital expenditures were $0.2 million, which was almost entirely made by WesTower US on the purchase of equipment to support their expanding operations and new technology to enable them to successfully build Long-Term Evolution ("LTE") sites.

DIVIDENDS & PAYOUT RATIO

The amounts and record dates of the dividends declared during the three months ended March 31, 2014 and the comparative period in 2013 were as follows:

			2014 Dividends			2013 Dividends
Month	**Record date**	**Per Share**	**Amount**	**Record date**	**Per Share**	**Amount**
January	January 31, 2014	$ **0.14**	$ **3,039**	January 31, 2013	$ 0.14	$ 2,901
February	February 28, 2014	**0.14**	**3,043**	February 28, 2013	0.14	2,905
March	March 31, 2014	**0.14**	**3,054**	March 29, 2013	0.14	2,911
Total		$ **0.42**	$ **9,136**	.	$ 0.42	$ 8,717

Actual dividends for the current period totaled $9.1 million, which was an increase of $0.4 million or 5% from the comparative period. Per share dividends for 2014 totaled $0.42, which is the same amount declared in the comparative 2013 meaning that the increase in total dividends declared by the Company is due to the increase in the Shares outstanding during the first quarter of 2014.

The following are the Company's payout ratios using Free Cash Flow and Free Cash Flow less maintenance capital expenditures as a percentage of the dividends declared by the Company during the periods:

Payout Ratios		**Per share**	**Per share**		Per share	Per share
Three Months Ended March 31,	**2014**	**basic**	**fully diluted**	2013	basic	fully diluted
Free Cash Flows		***65%***	***72%***		*65%*	*75%*
Free Cash Flows less maintenance capital expenditures		***350%***	***350%***		*162%*	*162%*

The increase in the maintenance capital expenditures of the Company in the current period more than offset the increase in Free Cash Flow generated and has negatively impacted the Company's Free Cash Flow less maintenance capital expenditures payout ratio. On a seasonal basis, the first quarter is traditionally the weakest operational results quarter for the Company as historically the Aviation segment is impacted by winter roads and all three segments are impacted by generally poorer weather conditions. This was further amplified in the first quarter of 2014 due to the unusually harsh and protracted weather conditions during this period. These factors continued to impact the payout ratios for the Company as seen in the table above. Consistent with prior years, the payout ratios of the Company are anticipated to be considerably stronger in the remaining quarters beyond the seasonally weak first quarter.

The Company's Board of Directors regularly examines the dividends paid to shareholders. The current level is considered prudent given EIC's current composition of subsidiary companies and the current outlook for these entities.

4. ANALYSIS OF OPERATIONS

The following section analyzes the financial results of the Company's operations for the three months ended March 31, 2014 and the comparative 2013 period.

		Three Months Ended March 31, 2014			
	Aviation	Manufacturing	Infrastructure(2)	Head Office(3)	Consolidated
Revenue	$ 78,349	$ 22,766	$ 156,364	$ -	$ 257,479
Expenses(1)	63,430	18,583	153,796	2,213	238,022
EBITDA	14,919	4,183	2,568	(2,213)	19,457
Depreciation and amortization					13,162
Finance costs - interest					6,463
Acquisition costs					40
Consideration liability fair value adjustment					(395)
Earnings before tax					$ 187
Current income tax expense (recovery)					(1,024)
Deferred income tax expense					1,044
Net earnings for the period					$ 167

		Three Months Ended March 31, 2013			
	Aviation	Manufacturing	Infrastructure(2)	Head Office(3)	Consolidated
Revenue	$ 62,822	$ 21,637	$ 135,113	$ -	$ 219,572
Expenses(1)	55,694	17,772	126,377	2,136	201,979
EBITDA	7,128	3,865	8,736	(2,136)	17,593
Depreciation and amortization					9,993
Finance costs - interest					3,987
Acquisition costs					830
Earnings before tax					2,783
Current income tax expense (recovery)					1,057
Deferred income tax expense					140
Net earnings for the period					$ 1,586

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

Note 2): Historically the WesTower operations making up the Infrastructure segment were reported within the Manufacturing segment. The Company changed to three segments beginning in the first quarter of 2014. See Section 5 – Summary of Quarterly Results for the restated comparative periods.

Note 3): 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.

On a consolidated basis, total revenues recognized by the Company for the current period was $257.5 million, an increase of $37.9 million or 17% over the comparative period. The main factors impacting the increase in consolidated revenue is the organic growth in the Infrastructure segment and the addition of Regional One with no comparative as it was acquired in the second quarter of 2013. The revenues for the Aviation segment increased by 25% to $78.3 million, the revenues for the Manufacturing segment increased by 5% to $22.8 million, and the revenues for the Infrastructure segment increased by 16% to $156.4 million.

On a consolidated basis, EBITDA generated by the Company for the current year was $19.5 million, an increase of $1.9 million or 11% over the comparative period. The main factors impacting the increase in EBITDA is the addition of Regional One with no comparative, offset by the decreased performance at WesTower in the Infrastructure segment. The EBITDA for the Aviation segment increased by 109% to $14.9 million, the EBITDA for the Manufacturing segment increased by 8% to $4.2 million, and the EBITDA for the Infrastructure segment decreased by 71% to $2.6 million. Costs incurred at the head-office of the Company increased by 4% to $2.2 million. Included in the comparative period's EBITDA are short-term external advisory costs incurred in WesTower totaling $1.3 million.

During 2014, the Company changed to three reporting segments from two. In the prior periods the WesTower operations were part of the Manufacturing segment. See Section 5 – Summary of Quarterly Results for a discussion on the 2013 results had the Company reported with these three segments. There is no difference in the Company's consolidated results from reporting three segments versus two segments.

AVIATION SEGMENT

Aviation Segment	Three Months Ended March 31,	2014		2013		Variance	Variance %
Revenue	$	78,349	$	62,822	$	15,527	25%
Expenses		63,430		55,694		7,736	14%
EBITDA	$	14,919	$	7,128	$	7,791	109%

The revenues of the Aviation segment for the current period was $78.3 million, an increase of $15.5 million or 25% over the comparative period. This included revenues of $14.7 million generated by Regional One which was acquired in April 2013 and has no comparable. The Aviation segment's pre-existing entities generated revenues of $63.6 million for the current period, which includes a net gain of approximately $1.3 million on asset disposals, an increase of $0.8 million or 1% over the comparative period. Although these revenues are relatively consistent with the revenues in the comparative period, there were a number of challenges that the Aviation segment's pre-existing airlines experienced in the first quarter that, had it not been for offsetting positive results attributable to previously undertaken restructuring and realignment at Calm Air, would have caused downward pressure on both revenues and EBITDA. One of the most significant challenges was the extreme harsh winter conditions which negatively impacted the segment's operations, especially in the northern Manitoba market. Although our Aviation segment airlines are accustomed to dealing with harsh winter conditions, the winter in 2014 was one of the most severe winters on record. The other significant challenge was the continued intense competition in the eastern market where Bearskin operates, which we have addressed on a go forward basis through the development of a restructuring and realignment plan discussed further below. Offsetting these challenges in the quarter were the positive impacts of the Calm Air fleet rationalization and the realignment of certain northern Manitoba scheduled services which resulted in cost reductions and increased profitability. In addition to this, the segment increased cargo and charter operations by 16% and 8% respectively over the comparable period, as a result of marketing efforts in 2013.

The Company diligently assesses market conditions in all areas of its operation and as such has completed an extensive review of the eastern market given the continued aggressive competition. The Company has implemented a restructuring plan in the second quarter of 2014 to realign Bearskin's operations. This plan includes the reduction of scheduled services in certain market segments combined with the termination of operations in markets materially impaired by aggressive competition. The Company has also identified growth opportunities in new markets and geographical regions to further offset the impact of competition and lower passenger volumes in the eastern markets. Although the Company will incur costs in the second quarter of 2014 as a result of the restructure, management is confident that the restructure, combined with the segment's recent growth in scheduled, cargo and charter operations, will have a positive impact and will position the segment well going forward.

The EBITDA generated by the Aviation segment for the current period was $14.9 million, an increase of $7.8 million or 109% from the comparative period. Regional One contributed $7.1 million in EBITDA with no comparable in the prior period. EBITDA generated by the pre-existing aviation entities was $7.8 million, an increase of $0.7 million or 10%. The EBITDA of the pre-existing entities was impacted by the same factors noted above affecting revenue. As well, the segment experienced increased fuel costs and labour costs as a result of rate increases but these were offset by cost reductions, most significantly as a result of the implementation of Calm Air's fleet rationalization plan as discussed in previous reports. Fuel surcharges were implemented at the end of the quarter in certain markets to offset fuel rate increases. Labour increases resulted from contracted rate increases and training costs associated with increased turnover. The segment also benefited in cost reductions experienced from the realignment of certain northern Manitoba scheduled services between different airlines within the segment.

The EBITDA margin for the Aviation segment inclusive of Regional One increased from 11.3% in 2013 to 19.0% in 2014. The EBITDA margin improvement is directly driven by the addition of Regional One which yields higher margins than those historically experienced in the pre-existing aviation entities. The pre-existing aviation entities experienced an EBITDA margin improvement from 11.3% in 2013 to 12.3% in 2014. EBITDA margin for the pre-existing entities, after removing the impact of asset disposals, is relatively flat.

MANUFACTURING SEGMENT

Manufacturing Segment	Three Months Ended March 31,	2014	2013	Variance	Variance %
Revenue		$ 22,766	$ 21,637	$ 1,129	5%
Expenses		18,583	17,772	811	5%
EBITDA		$ 4,183	$ 3,865	$ 318	8%

The revenue of the Manufacturing segment for the current period was $22.8 million, an increase of $1.1 million or 5% over the comparative period. The Alberta operations contributed the majority of the increase as a result of increased volume in both the retail operations and tank trailers. The comparative period included unseasonable weather conditions that reduced volumes while the current period experienced above normal volumes. The increase in the Alberta operations was offset by a decrease in revenues at Stainless. Both the shop and field revenues at Stainless decreased in the current period due to a reduction in the booked sales at the end of 2013 which continued in the first quarter. As well, the comparative period for Stainless included the completion of some larger field jobs in that period, which is uncommon in the first quarter given seasonality and weather restrictions.

The EBITDA generated by the Manufacturing segment for the current period was $4.2 million, an increase of $0.3 million or 8% over the comparative period. The increase in revenue from the Alberta Operations was the main reason for the increase in EBITDA. Stainless managed its costs and was able to generate higher margins on its revenues, which came with the completion of a couple jobs during the first quarter. As a result, Stainless was able to generate a small increase in its EBITDA, even though revenues were behind the comparative period. The precision metal business continues to have steady strong performance.

INFRASTRUCTURE SEGMENT

Infrastructure Segment	Three Months Ended March 31,	2014	2013	Variance	Variance %
Revenue		$ 156,364	$ 135,113	$ 21,251	16%
Expenses		153,796	126,377	27,419	22%
EBITDA		$ 2,568	$ 8,736	$ (6,168)	-71%

The revenue of the Infrastructure segment for the current period was $156.4 million, an increase of $21.3 million or 16% over the comparative period. The segment continues to experience strong demand driven by the Canadian and US markets, which both experienced substantial growth over the comparative period in 2013. The growth in Canada is largely driven by a greater amount of work in eastern Canada, which WesTower is under contract to perform throughout 2014. The growth in the US was driven by a multitude of factors, including more geographic coverage under the AT&T turf contract compared to the prior period, increased demand by other carriers, and a foreign exchange impact as a result of the translation associated with a stronger US dollar. The US operations also had a higher percentage of material revenues than the 2013 comparative period, as materials represented 21.3% of US revenues in 2014 as compared to 19.6% in the first quarter of 2013. The Infrastructure segment normally experiences first quarter seasonal weakness due to weather conditions and it is during this period that carriers begin to process the release of their current year build plans which limits the timing of construction. The revenue impact of the seasonality was muted this year due to the continued strong demand resulting in a minimal revenue decrease from the fourth quarter of 2013.

The EBITDA generated by the Infrastructure segment for the current period was $2.6 million, a decrease of $6.2 million or 71% over the comparative period. Included in the comparative period's EBITDA are short-term external advisory costs incurred at WesTower totaling $1.3 million. The decrease was the result of lower margins in the US operations. As discussed in the 2013 third quarter results, the realized margins on the projects were lower than expected in the first and second quarters of 2013. This resulted in an adjustment to the estimated margins in the third quarter of 2013, which was largely attributed to higher than realized margins recognized in the first and second quarters of 2013. When such adjustments are taken into account, the 2014 first quarter results are largely in line with the comparable period. In order to improve financial performance in the US, changes were made to WesTower's senior management team at the end of 2013 and significant business changes were implemented in the latter part of 2013 and throughout the first quarter of 2014. The impact and benefit of these changes are expected to be realized over a longer period of time. These changes focused on project management initiatives, enhancing cost controls, and right sizing the business after 18 months of exponential revenue growth. Despite only recently implementing many of these changes, the US business realized a $3.5 million improvement in EBITDA over the fourth quarter of 2013. This increase was offset by lower quarter over quarter EBITDA from WesTower Canada. While revenue for the Canadian operations was high as a result of increased demand, the harsh winter conditions throughout Canada impacted EBITDA. These harsh winter conditions decrease operational efficiencies for the construction work, resulting in higher labour time to complete work and also increased overtime hours to meet customer commitments. Combined, the Infrastructure segment EBITDA increased by $1.0 million compared to the fourth quarter of 2013.

HEAD-OFFICE

Head-office Costs	Three Months Ended March 31,	2014		2013		Variance	Variance %
Expenses		$	2,213	$	2,136	$ 77	4%

The head-office costs incurred by the Company for the current period were $2.2 million, an increase of $0.1 million or 4% over the comparative period. The small increase in head-office costs is a combination of an increase in personnel costs and professional costs, offset by foreign exchange gains. The head-office has grown in size from the comparative period as the consolidated group has grown. The foreign exchange gains have come from the change in the value of the Canadian dollar on certain foreign currency balances outstanding over the period.

OTHER NON-EBITDA ITEMS

The following analyzes the changes in the other non-EBITDA income statement items that impacted net earnings for the three months ended March 31, 2014 in comparison to the same period in 2013. Consolidated net earnings for the three months ended March 31, 2014 were $0.2 million, a decrease of $1.4 million over the comparative period in 2013.

	Three Months Ended March 31,	2014		2013		Variance	Variance %
Depreciation and amortization		$	13,162	$	9,993	$ 3,169	32%

The Company's depreciation and amortization for the current period was $13.2 million, an increase of $3.2 million or 32% over the comparative period. The change is mainly attributable to the increase in capital asset depreciation of $2.9 million recorded by the Company, in particular in the Aviation segment. The addition of Regional One and the significant capital expenditures made by the Aviation segment throughout the 2013 fiscal period have contributed to higher depreciation in 2014. The depreciation at WesTower within the Infrastructure segment also increased as a result of the growth in capital assets to support its expansion. Amortization of intangible assets increased $0.3 million due to the additional amortization on the intangible assets recognized on the Regional One acquisition.

	Three Months Ended March 31,	2014		2013		Variance	Variance %
Finance costs - interest		$	6,463	$	3,987	$ 2,476	62%

The Company's interest incurred for the current period was $6.5 million, an increase of $2.5 million or 62% over the comparative period. The increase in 2014 is mainly a result of additional interest costs on the Company's outstanding convertible debentures. An additional $1.4 million of costs were incurred by the Company and can be attributed to the March 2013 unsecured convertible debentures of $65.0 million with a 5.35% fixed interest rate and the March 2014 unsecured convertible debentures of $40.0 million with a 6.0% fixed interest rate. The March 2013 unsecured convertible debentures were outstanding for only a portion of the 2013 comparative period and the March 2014 unsecured convertible debentures were not outstanding in the comparative at all. The interest from the other series of convertible debentures was relatively flat between both periods.

The Company's interest on long-term debt and finance leases increased by $1.1 million and is mainly a result of higher amounts of debt outstanding during the current period, in particular within the Company's Canadian portion of its credit facility. The Company incurred $0.1 million of non-cash interest accretion on certain consideration liabilities associated with the acquisition of Regional One. The comparative period included $0.2 million of interest capitalized by the Company as part of the maintenance facility and buildings being constructed by Calm Air, which reduced the comparative period expense.

	Three Months Ended March 31,	2014		2013		Variance	Variance %
Acquisition Costs		$	40	$	830	$ (790)	-95%

The acquisition costs incurred by the Company for the current period were less than $0.1 million, a decrease of $0.8 million or 95% over the comparative period. The Company incurred minimal external costs during the first quarter of 2014. The costs expensed in the comparative period relate almost solely to the external costs incurred for the Regional One acquisition, which closed early in the second quarter of 2013.

Three Months Ended March 31,	2014	2013	Variance	Variance %
Consideration liability fair value adjustment	$ (395)	$ -	$ (395)	-

As a result of the structure of the consideration for the acquisition of Regional One 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 will be settled by the Company through issuing shares and according to IFRS, the value of these liabilities fluctuate in value based on the Company's share price up to the time they are settled or derecognized.

During the first quarter of 2014, the consideration liability decreased as a result of the Company's share price decreasing from what it was at the end of 2013. As a result, the Company recorded a consideration fair value adjustment that was a gain of $0.4 million. The liability didn't exist in the comparative period with the Regional One acquisition closing in the second quarter of 2013.

Subsequent to the end of the first quarter, the Company settled this liability through the issuance of shares to the Regional One vendors. The change in the Company's share price resulted in the Company recognizing a gain in the second quarter of $0.2 million.

Three Months Ended March 31,	2014	2013	Variance	Variance %
Current income tax expense (recovery)	$ (1,024)	$ 1,057	$ (2,081)	-197%
Deferred income tax expense	1,044	140	904	646%
Income tax expense	$ 20	$ 1,197	$ (1,177)	-98%

The Company's income tax expense for the first quarter of 2014 was less than $0.1 million, a decrease of $1.2 million or 98% over the comparative period in 2013. The primary reasons for the decrease in tax expense are due to a decrease in pre-tax income of $2.6 million, and a change in the composition of income from other jurisdictions.

Current income tax recovery is the expected tax receivable on losses for tax purposes incurred within Canadian and US subsidiaries that are corporations. During the period, the taxable loss of these entities was $2.8 million resulting in an income tax recovery of $1.0 million.

The Company has the ability to offset much of the taxable income it generates with non-capital losses. During the 2014 period, the Company used $1.0 million of non-capital losses and has approximately $111.0 million of non-capital losses available to offset future taxable income. See Section 11 – Risk Matters on Income Tax Matters.

5. SUMMARY OF QUARTERLY RESULTS

	2014				2013			2012
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue	**$ 257,479**	$ 267,500	$ 267,327	$ 275,680	$ 219,572	$ 231,447	$ 220,807	$ 201,636
EBITDA	**19,457**	22,326	15,612	24,968	17,593	25,642	30,332	24,463
Net earnings / (loss)	**167**	1,871	(205)	5,732	1,586	6,710	9,972	7,759
Basic	**0.01**	0.09	(0.01)	0.27	0.08	0.32	0.49	0.38
Diluted	**0.01**	0.09	(0.01)	0.27	0.08	0.32	0.46	0.37
Free cash flow (FCF)	**14,262**	16,651	15,434	19,636	13,412	20,729	24,059	20,821
Basic	**0.65**	0.76	0.71	0.92	0.65	1.00	1.17	1.02
Diluted	**0.58**	0.67	0.68	0.76	0.56	0.76	0.94	0.82
FCF less maintenance capital expenditures	**2,575**	5,246	5,362	11,061	5,457	13,432	16,199	12,508
Basic	**0.12**	0.24	0.25	0.52	0.26	0.65	0.79	0.61
Diluted	**0.12**	0.24	0.25	0.46	0.26	0.57	0.69	0.55

During the first quarter of 2014, the Company's structure of its reporting segments changed from two segments to three segments with the addition of the Infrastructure segment. In prior periods, the Company included the WesTower operations within the Manufacturing segment and going forward it will be reported within the Infrastructure segment. This change better reflects the nature of the operations at WesTower and eliminates WesTower's dominance over the Manufacturing segment's results, thus allowing better visibility into WesTower and our core manufacturing entities. Certain internal structural and reporting changes have occurred as a

result of the decision. There is no impact on the consolidated results of the Company or its key performance indicators as a result of changing to three segments and there are no changes to the Company's accounting policies. Going forward the new Infrastructure segment's revenues and expenses will be presented on separate lines in the consolidated statement of income, which will make it consistent with the lines reported on for the other two segments.

The following information provides the 2013 quarterly periods and fiscal results up to EBITDA as if the Company reported its results at that time with three segments.

					Three Months Ended March 31, 2013
	Aviation	Manufacturing	Infrastructure	Head office	Consolidated
Revenue	$ 62,822	$ 21,637	$ 135,113	$ -	$ 219,572
Expenses	55,694	17,772	126,377	2,136	201,979
EBITDA	$ 7,128	$ 3,865	$ 8,736	$ (2,136)	$ 17,593

					Three Months Ended June 30, 2013
	Aviation	Manufacturing	Infrastructure	Head office	Consolidated
Revenue	$ 80,967	$ 22,211	$ 172,502	$ -	$ 275,680
Expenses	61,632	18,118	169,217	1,745	250,712
EBITDA	$ 19,335	$ 4,093	$ 3,285	$ (1,745)	$ 24,968

					Three Months Ended September 30, 2013
	Aviation	Manufacturing	Infrastructure	Head office	Consolidated
Revenue	$ 82,806	$ 21,389	$ 163,132	$ -	$ 267,327
Expenses	64,026	17,800	167,849	2,040	251,715
EBITDA	$ 18,780	$ 3,589	$ (4,717)	$ (2,040)	$ 15,612

					Three Months Ended December 31, 2013
	Aviation	Manufacturing	Infrastructure	Head office	Consolidated
Revenue	$ 86,619	$ 23,708	$ 157,173	$ -	$ 267,500
Expenses	67,140	19,676	155,581	2,777	245,174
EBITDA	$ 19,479	$ 4,032	$ 1,592	$ (2,777)	$ 22,326

					Year Ended December 31, 2013
	Aviation	Manufacturing	Infrastructure	Head office	Consolidated
Revenue	$ 313,214	$ 88,945	$ 627,920	$ -	$ 1,030,079
Expenses	248,492	73,366	619,024	8,698	949,580
EBITDA	$ 64,722	$ 15,579	$ 8,896	$ (8,698)	$ 80,499

6. LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2014, the Company had a net cash position of $26.8 million (December 31, 2013 of $23.2 million) and net working capital of $280.1 million (December 31, 2013 of $256.6 million), which represents a current ratio of 2.16 to 1 (December 31, 2013 of 2.23 to 1).

	March 31, 2014	December 31, 2013	Change
Cash and cash equivalents	$ 26,788	$ 23,168	$ 3,620
Accounts receivable	172,722	141,947	30,775
Costs incurred plus recognized profits in excess of billings	189,517	176,971	12,546
Inventory	114,743	109,195	5,548
Prepaid expenses and deposits	10,789	10,375	414
Income taxes receivable	6,172	4,496	1,676
Accounts payable and accrued expenses	(166,554)	(151,191)	(15,363)
Deferred revenue	(9,313)	(9,063)	(250)
Billings in excess of costs incurred plus recognized profits	(59,337)	(43,602)	(15,735)
Current portion of long-term debt and finance leases	(1,259)	(1,326)	67
Current portion of convertible debentures	(4,205)	(4,324)	119
Net working capital	$ 280,063	$ 256,646	$ 23,417

The change in working capital of the Company was impacted by the significant change in the strength of the Canadian dollar. Several of the Company's subsidiaries are based in the US and their working capital balances are converted using the period-end foreign currency rate. The period-end currency rate from US to Canadian dollars changed by approximately 4% between March 31, 2014 and December 31, 2013.

During the first quarter, the Company closed the offering of its March 2014 Unsecured Series 6.0% seven year convertible debentures with a par value of $40 million and generated net proceeds of $37.8 million. The majority of the funds generated were used by the Company as a payment against its outstanding credit facility balance and increased the liquidity of the Company for additional growth and expansion. The debentures have a seven year term with a 6.0% fixed interest rate paid semi-annually. The conversion price for these debentures is $31.70 and will mature in March 2021.

During the first quarter of 2014, the Company made several payments and draws on its credit facility, including the payment of $36.4 million from the net proceeds of the March convertible debenture offering. The Company made draws during the quarter for growth opportunities at Regional One and general working capital requirements within its Canadian operations. Overall, the Company has had a net decrease in the amount outstanding on its credit facility coming from a net repayment of $31.4 million in Canadian funds and a net draw of US$13.9 million.

The Company's credit facility has a maximum of $335 million credit available, with $258 million allocated to EIC and $77 million allocated to EIIF Management USA Inc. ("EIIF USA"). 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 March 31, 2014, the Company has drawn $190.8 million, excluding the effect of foreign exchange, leaving approximately $144 million of credit available to the Company. Subsequent to the end of the first quarter, the Company's credit facility was extended to have a maturity of May 2018. No other significant changes were made to the terms included within the credit facility.

The finance leases of WesTower's operations continue and during the first quarter of 2014 the Company made principal payments of $0.4 million. Also during this period, WesTower entered into new finance leases with a capital asset value and principal amount of $0.3 million. The Company's cash flow statement does not show the non-cash transaction when a new finance lease is recognized on the balance sheet. Instead, the principal portion of the lease payments are shown as a cash outflow within financing activities and the interest portion is recorded through net income and operating activities.

The Company's dividend reinvestment plan ("DRIP") continued during the first quarter of 2014 and the Company received $1.1 million for 50,057 Shares being issued in accordance with the DRIP.

The Company obtained additional cash through the means described above and also generated $14.3 million of Free Cash Flow during the first quarter of 2014. The Company used these funds for significant 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

quarter of 2014, the Company declared dividends totaling $9.1 million in comparison to $8.7 million during the comparative period in 2013. This was a result of an increased number of Shares outstanding as the monthly dividend rate between the two periods remained constant. The monthly dividend declared in any given month is paid to shareholders at the middle of the following month.

Subsequent to the end of the first quarter, the Company settled the majority of the outstanding consideration liabilities with the vendors of Regional One. In April, the Company released US$6.6 million ($7.3 million) of the cash in escrow, paid US$0.6 million ($0.7 million) in cash, and issued 130,175 of Shares with a value of US$2.2 million ($2.4 million). The remaining consideration outstanding consists of 350,567 Shares of the Company that have been issued into escrow and relate to the retention of the vendor as CEO. These remaining Shares are anticipated to be settled and released from escrow evenly each of the next four anniversaries of closing the acquisition.

The following summarizes the changes in the Shares outstanding of the Company during the three months ended March 31, 2014:

	Date issued	Number of shares
Shares outstanding, beginning of period		21,752,400
Issued upon conversion of convertible debentures	various	11,516
Issued under dividend reinvestment plan (DRIP)	various	50,057
Shares outstanding, end of period		21,813,973

The following summarizes the convertible debentures outstanding as at March 31, 2014 and the changes in the amount of convertible debentures outstanding during the three months ended March 31, 2014:

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Series F - 2009	N/A	April 8, 2014	10.0%	$10.75
Series G - 2009	EIF.DB.A	September 30, 2014	7.5%	$14.50
Series H - 2010	EIF.DB.B	May 31, 2017	6.5%	$20.00
Series I - 2011	EIF.DB.C	January 31, 2016	5.75%	$26.00
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	Matured	Balance, end of period
Series F	$ 1,134	$ -	$ (23)	$ -	$ 1,111
Series G	3,260	-	(136)	-	3,124
Series H	22,116	-	-	-	22,116
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	-	40,000	-	-	40,000
Total	$ 241,431	$ 40,000	$ (159)	$ -	$ 281,272

Subsequent to the end of the first quarter, the Series F convertible debentures matured on April 8, 2014. There were several conversions totaling $1.0 million of par value between the end of the first quarter and maturity that resulted in the Company making a principal repayment of $0.1 million on maturity.

7. RELATED PARTY TRANSACTIONS

The related party transactions that the Company entered into during the three months ended March 31, 2014 are consistent with those described in the Company's MD&A for the year ended December 31, 2013.

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, 2013.

See Section 11 – Risk Factors for an update on the Income Tax Matters as a result of the Company receiving a proposal letter from the Canada Revenue Agency ("CRA") subsequent to the end of the first quarter of 2014. The Company has not changed any of its estimates around Deferred Income Taxes as a result of receiving this letter.

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 months ended March 31, 2014 that are discussed and analyzed in this report are described in detail in Note 3 of the Company's 2013 annual consolidated financial statements and Note 3 of the Company's interim condensed consolidated financial statements for the three months ended March 31, 2014.

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 2013 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, 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders, Water Blast, WesTower CDA, EIC Ireland, 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) *Expenses*

Aviation expenses – excluding depreciation and amortization

The fixed and variable costs along with cost of sales incurred in the operations of the Company's Aviation segment are included in this line item. This includes costs related to shipping and handling and the cost of inventory. Depreciation and amortization are presented separately on a consolidated basis.

Manufacturing expenses – excluding depreciation and amortization

The cost of sales for the Company's Manufacturing segment is included in this line item. This includes costs related to shipping and handling and the cost of finished goods inventory. Depreciation and amortization are presented separately on a consolidated basis.

Infrastructure expenses – excluding depreciation and amortization

The cost of sales for the Company's Infrastructure segment is included in this line item. This includes costs related to shipping and handling and the cost of finished goods inventory. Depreciation and amortization are presented separately on a consolidated basis. Starting in 2014, WesTower will be presented within this segment.

c) *Changes in accounting policies*

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 39, Financial Instruments: Recognition and Measurement, was amended to clarify that hedge accounting should be continued when a derivative financial instrument designated as a hedging instrument is replaced from one counterparty to a central counterparty or an entity acting in that capacity and certain conditions are met. The amendment is effective for annual periods beginning on or after January 1, 2014 with early application permitted. This change had no impact on the Company as no such transactions took place during the quarter.

IFRIC 21 – Levies

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The interpretation is effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. This standard had no impact on the Company's reporting during the period.

d) *WesTower US Cost Presentation*

During the first quarter of 2014, the Company revised the classification of expenses on the statement of operations. This has resulted in some expenses that would have been included in Infrastructure expenses – excluding depreciation and amortization in previous years being recorded in General and administrative expenses. Therefore, for comparative purposes, results for the first quarter of 2013 have been reclassified based on the change in classification. The impact of the change in classification was an increase in General and administrative expenses with a corresponding decrease to Infrastructure expenses – excluding depreciation and amortization. The net impact is nil and resulted in no change in net income for either period.

The following shows the 2013 quarterly and fiscal impact of the revised classification of expenses for WesTower.

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Fiscal 2013
EXPENSES					
Infrastructure expenses - excluding depreciation and amortization	$ (1,200)	$ (1,487)	$ (2,397)	$ (1,897)	$ (6,981)
General and administrative	1,200	1,487	2,397	1,897	6,981
Net impact of change in accounting policy classification	$ -	$ -	$ -	$ -	$ -

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.

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 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 and operation of the Company's internal controls over financial reporting as of March 31, 2014, and based on that evaluation has concluded that such internal controls over financial reporting are not effective, due to the following material weaknesses:

Control weaknesses exist around information technology general computer controls, including controls around change management, security, and access controls. This weakness in information technology general computer controls has the potential to result in material misstatements in the financial statements as well as inappropriate authorizations of transactions. The Company continues to work on the design, evaluation and implementation of information technology controls.

Due to ongoing process and system changes in response to WesTower's increased growth, a weakness exists in the design of internal controls over financial reporting since it was not reasonably practical to complete an assessment of the design due to the timing of the implementation of the changes. Management is actively working with WesTower to enhance their control processes to respond to the increased level of business. Management continues to take the necessary steps to assess and advance the integration of these changes in a monitored environment by continuing to work closely with WesTower to ensure appropriate controls are being designed and implemented. Entity level controls are employed to compensate, where possible, to reduce the exposure for a material misstatement as processes continue to be enhanced.

There have been no other material changes to the Company's internal controls during the 2014 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. Due to the substantial overlap between internal controls over financial reporting and disclosure controls and procedures, management has concluded that disclosure controls and procedures as at March 31, 2014 were not effective.

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, 2013, except as follows.

Income Tax Matters

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of income tax rules and regulations of the various jurisdictions in which the Company operates and judgments as to their interpretation and application to EIC's specific situation. The amount and timing of reversals of temporary differences also depends on the Company's future operating results, acquisitions and dispositions of assets and liabilities.

The business and operations of the Company and its subsidiaries are complex and the Company has over the course of its history, undertaken a number of significant financings, reorganizations, acquisitions and other material transactions, including its conversion from an income trust to a corporation (the "Conversion") in July 2009. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Company's interpretation of and compliance with relevant tax legislation and regulations. While management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Company's interpretation of the applicable tax legislation and regulations.

In April 2014, the Company received a proposal letter from the CRA, which advises of the CRA's intention to challenge the ability of the Company to carry forward certain losses related to the Conversion on the basis of acquisition of control and general anti-avoidance rules of the Income Tax Act (Canada). Failing resolution of this matter, CRA will proceed to reassess the Company which will require the Company, as a large corporation, to pay 50% of the resultant tax liability and interest for the period from July 2009 to December 2012. The required payment before interest would be approximately $11.5 million. The amount will be recorded as a receivable on the Company's financial statements based on management's assessment of the facts and opinions received from the Company's tax advisors prior to the Conversion. Although the Company is confident in its position, it is possible that additional taxes could be payable by the Company and the ultimate value of the Company's income tax assets and liabilities could change in the future if the CRA's challenge was successful. In such circumstances the changes to these amounts could have a material effect on the Company's consolidated financial statements and financial position. The Company has more than adequate capital resources to fund the tax deposit and ultimately the entire balance if required. This proposed reassessment does not impact the Company's long-term business strategy in any manner. The Company has not changed any of its estimates around Deferred Income Taxes as a result of receiving this letter.

12. OUTLOOK

Acquisition strategy

The Company continues to develop and expand its network of referral sources that regularly present it with potential acquisitions. The Company also independently assesses certain markets and regions to identify potential targets and believes that its disciplined approach to acquisitions is largely responsible for the success that has been experienced to date. While the deal flow brought to the Company is considered strong, there can be no assurance target companies meeting its standards will be identified.

The diversity and balance of the Company among its subsidiaries and between its operating segments have served it well over its history with the exception of the recent growth in the WesTower US operations. The Company continues to focus on restoring that balance over ensuing periods, both organically and by disciplined acquisition.

As of the date of this report, the Company has approximately $140 million of available credit under its recently extended senior credit facility with total credit of $335 million (ignoring the effect of foreign currency).

Aviation Segment

During the first quarter of 2014, the Company operated five aviation companies providing fixed and rotary wing, scheduled, charter, cargo, and medevac services in Manitoba, Ontario, Nunavut and Alberta. The acquisition of Regional One, in April 2013, diversified the Company's revenue streams, expanding into new products and geographical markets.

As discussed in Section 4 – Analysis of Operations, Aviation segment revenue increased over the first quarter of 2013 as a result of the addition of Regional One. Regional One had a strong fourth quarter in 2013, and a strong first quarter in 2014. Although the Company continues to focus on acquiring additional investments that will enhance Regional One's portfolio and profitability, individual quarters may experience some variability of customer demands, and future quarters could potentially yield lower results than those experienced in the last two quarters.

The first and fourth quarters are typically the seasonally slowest quarters for the aviation transportation entities; however, the Aviation segment was resilient in the first quarter of 2014 despite harsh weather conditions and continued aggressive competition in the eastern market serviced by Bearskin. The stable performance of the first quarter, despite these challenges, positions this segment well for the remainder of 2014 to improve over the performance of 2013.

An extensive review of the eastern market was completed and a restructure plan implemented in the second quarter of 2014 to re-align Bearskin's operations and improve profitability. This plan includes the reduction of scheduled services in certain eastern market segments combined with the termination of operations in markets materially impaired by competition. This has resulted in a head-count reduction of approximately 30% and focuses on reestablishing profitability on all routes. It is anticipated that the Company will incur costs in the second quarter of 2014 as a result of the Bearskin restructure, including costs associated with facility closures, severance from staff reductions, as well as other costs. The restructure, however, combined with recent growth in scheduled, cargo and charter operations in other markets will positively impact the segment going forward.

Non-contracted services continue to represent the majority of revenues in the aviation transportation subsidiaries, however the Aviation segment has a few key contracts. Multiple years remain on two key contracts with the Government of Nunavut. These contracts provide medevac services to the central and eastern regions and give the Company a strong base level of service in the North. In addition, there is a third contract for the provision of transportation services to medical patients and government workers that expires later this year. The Company fully anticipates the Government of Nunavut to exercise their option for an additional year under this contract. The Company's aviation transportation subsidiaries continue to provide services to 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.

The volatility of fuel prices could have a significant short-term impact on profitability. The aviation transportation subsidiaries are generally able to pass along price increases, but the Company is cognizant of the impact price increases have on communities serviced, and therefore the timing of implementing fuel surcharges is sometimes delayed. The Company implemented fuel surcharges at the end of the first quarter of 2014 in markets where considered appropriate to offset rising fuel prices. Additional fuel surcharges were implemented in the second quarter. The Company's airlines providing services to government agencies and other contract customers have provisions whereby fuel is a flow through cost, mitigating the exposure from fuel cost changes. Parts, aircraft and maintenance costs can be affected by fluctuations in the Canada/US dollar exchange rate and changes in the exchange rate can impact the segment's profitability as well as the cost to replace capital assets. Regional One acts as a natural hedge for the segment thereby reducing the net exposure. Secondly, Regional One creates a proxy for vertical integration into this major expense category.

The Company continues to invest in technology and infrastructure to increase efficiencies and operational performance. For example, the Company's investment in enhanced ground proximity system technology started in 2013 and continues in 2014. This technology will reduce weather related aborted landings, leading to improved safety, customer service, and reduced costs. As well, the Calm Air hangar that was constructed in 2013 will be further developed to include a heavy maintenance facility to support the maintenance of larger aircraft currently serviced by third parties. The heavy maintenance facility, which is scheduled to be operational by the end of 2014, will generate cost reductions and will improve aircraft availability. The Company has also added northern infrastructure in 2013 and additional infrastructure will be added in 2014. This will further improve operational efficiencies and support higher service levels by extending hours and increasing capacity.

The positive impacts of Calm Air's fleet and operational rationalization program began to materialize throughout 2013 and will continue into 2014. The fleet rationalization program reduced aircraft types, positively impacting results by lowering operating costs through improved efficiencies in labour, maintenance, and inventory. The Company increased available capacity in 2014 by adding an ATR-42 to Calm Air's fleet, which came on line early in the third quarter of 2013, and a third ATR-72 in the fourth quarter of 2013, which will come on line in mid-2014. The recent disposal of an ATR-42 from Calm Air's fleet will reduce the company's ability to capitalize on some growth opportunities in the short-term; however, the Company is in the process of procuring a suitable replacement. It is anticipated that the new aircraft will be online within five to six months subsequent to acquisition. Two competitors in Calm Air's marketplace in the far north have announced their intentions to enter into merger discussions. The Company has not yet determined the impact, if any, on our business.

Further adding to the strength of the segment is the diversity and growth potential of Regional One. Regional One continually monitors its inventory and lease portfolios to ensure a proper sales complement and to diversify and grow its sales portfolio. Regional One has a strong pipeline of inventory and capital asset acquisition opportunities for 2014 which ensures the continued flow of assets available in the market while contributing to the growth of its operations. Regional One continues to focus on growing its next generation of products such as Bombardier Q400 and CRJ700/900 products; this has constituted approximately 80% of the total investment since acquisition. The Q400 and CRJ700/900 series are larger variants of the earlier models. There is a strong demand for serviceable engines for these aircraft models, as well as CRJ700/900 rotable components, based on the lifespan of this aircraft type. Regional One's most recent two quarters were strong and management is confident that their current asset portfolio and

pipeline of opportunities provides a good foundation for continued success; however, as noted above, given the nature of Regional One's business, results may fluctuate from quarter to quarter.

Manufacturing Segment

The Manufacturing segment, which includes Stainless, the Alberta Operations and Overlanders, experienced some improvements in the first quarter of 2014 over the comparative period for both revenue and EBITDA as described in the Analysis of Operations. The short-term outlook for this segment varies between the different operations that will result in some challenges and opportunities.

During the last two years Stainless has entered the new year with at least one major field project within their backlog of projects. Entering into 2014, Stainless has not yet been awarded any such projects but negotiations are ongoing with several customers. Overall field sales and quoting opportunities are behind the pace seen in the last few years, which will create some challenges for Stainless in the short-term, especially in its field fabrication operations. Early in the second quarter, the sales bookings are starting to show improvement but are still without the large field projects which have been a significant factor in the results for Stainless in the recent past. The results for Stainless in the second quarter are expected to be softer than comparative periods and that could continue early into the third quarter. This could quickly change if Stainless becomes successful in any large project opportunities. Stainless has faced these types of challenges before and is experienced in managing through them. In that regard the Stainless leadership team is very focused at managing its costs and has already initiated certain measures given the current circumstances. Stainless remains very confident in its high quality product and pricing.

The Alberta Operations, including the more recent expansion into southeastern Saskatchewan and North Dakota, continue to experience growth, but are still striving to build its market presence in the Bakken oil deposit region with customized Water Blast equipment. It is the customized equipment that the Alberta Operations have been successful with in its traditional oil and gas market in Alberta. This will continue throughout 2014 as the Bakken region sees the benefit that our products can bring to the Bakken oil region. The traditional Alberta Operations' markets in western Canada are expecting increased demand as weather conditions improve, new building construction installations are completed during the summer, activity levels in the northern Alberta oil fields improve and natural gas production continues to increase.

Overlanders continues to deliver high quality products and consistent returns while operating in a market with some surplus capacity. Its focus on maintaining its strong customer relationships has been a big reason for its ability to generate those consistent returns. The powder coating operations are planned to commence in the third quarter of this year. This is another opportunity for the company to be more efficient, manage quality and become a complete turn-key supplier, which will differentiate it from its competitors.

Infrastructure Segment

As has been discussed in previous quarterly reports, WesTower's operations continue to see strong demand for its services across North America, which is driven by the increased need for network capacity throughout the telecommunications industry.

The increased demand for WesTower's US services is primarily driven by the addition of the AT&T turf contract. This increase in activity with AT&T, coupled with increased demand from a variety of other consumers within the telecommunication industry, has resulted in a significant increase in the revenue run rates over the last two years. This demand shows no sign of abating in the immediate future.

WesTower's turf contract with AT&T took effect in late 2011, with the bulk of the ramp up occurring in fiscal 2012 but continued throughout 2013. The size and scope of this contract effectively transformed WesTower's US operations from providing services at a subcontractor level to that of a "Turn Key" self-performing general contractor. With the significance and importance around the customer relationship, the primary focus of WesTower's management from inception of the contract was to service the customer and focus on our stringent safety and quality values. This focus on the customer came at the expense of profitability in certain markets. With the addition of new management and realigned regions, the focus at WesTower remains safety first and continuing to provide the customer with first class service, however there is now a heightened focus throughout the organization on profitability. WesTower continues to enjoy a strong relationship with AT&T, as well as other carriers and customers throughout the industry, which has resulted in WesTower being awarded increased work and growth in new markets.

The addition of Steven Pickett as the CEO of WesTower late in 2013, coupled with the industry expertise hired previously has given WesTower a solid leadership team. This team has implemented many changes which will continue to position WesTower as a leading self-performer in the industry and drive improving margins. WesTower will continue to support its customers while at the same time making sure the organization remains focused on being fiscally responsible, generating appropriate levels of free cash flow.

Concentrated efforts continue across WesTower to bolster the foundation of the organization in support of improving operations within the parameters of a self-performing general contractor. These ongoing changes are in the areas of process change, management upgrades, as well as a number of operational activities implemented to drive efficiencies. While all this activity is taking place, the strong focus on safety for its workforce continues. Management believes over the next series of quarters, with the continued focus on

the implementation of its plans, WesTower will see an improvement in margins, increased capacity and gain market share. These necessary changes and noticeable improvements to profitability take time based on the size and complexity of operations, however, management is encouraged with the positive steps taken thus far at the end of 2013 and now into 2014.

The telecommunication industry in North America has experienced increased activity in the areas of network growth and upgrades. All this activity has lent itself to opportunities throughout the industry and Canada is no different. The operations of WesTower Canada have enjoyed steady growth within different regions over the past several years and management expects this to continue for the immediate future. WesTower Canada's ability to be a national operator is viewed very positively by the three major carriers in Canada, allowing WesTower to participate in opportunities in various regions. WesTower looks to continue supporting the three national carriers as well as numerous other customers throughout the country. As activity levels increase, WesTower Canada looks to capitalize on these opportunities to serve its customers. With the addition of increased activity levels in eastern Canada along with continued strong activity in the central and west, management is optimistic that demand for its services will continue to grow for the remainder of 2014. Current indications are that activity levels will increase in the second half of 2014 as a result of carriers who were awarded spectrum in the last Canadian federal government's 700 mHz spectrum auction are beginning their build-out plans associated with it.

As a result of the increased demand on data traffic driven by such things as smartphones, tablets and people owning more than one mobile device along with the increased demand for faster services, the industry continues to see high activity levels. These demands have a direct impact on the demand for the services provided by WesTower Canada. Management does not anticipate a slowdown in this demand for the foreseeable future.

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	March 31 2014	December 31 2013
ASSETS		
CURRENT		
Cash and cash equivalents	$ 26,788	$ 23,168
Accounts receivable	172,722	141,947
Costs incurred plus recognized profits in excess of billings	189,517	176,971
Inventory	114,743	109,195
Prepaid expenses and deposits	10,789	10,375
Income taxes receivable	6,172	4,496
	520,731	466,152
OTHER ASSETS	7,826	8,717
CAPITAL ASSETS	335,639	331,351
INTANGIBLE ASSETS	46,782	46,415
DEFERRED INCOME TAX ASSETS	-	1,302
GOODWILL	109,843	107,435
	$ 1,020,821	$ 961,372
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 166,554	$ 151,191
Deferred revenue	9,313	9,063
Billings in excess of costs incurred plus recognized profits	59,337	43,602
Current portion of long-term debt and finance leases (Note 6)	1,259	1,326
Current portion of convertible debentures (Note 7)	4,205	4,324
	240,668	209,506
LONG-TERM DEBT AND FINANCE LEASES (Note 6)	209,560	218,921
OTHER LONG-TERM LIABILITIES	1,259	1,296
CONVERTIBLE DEBENTURES (Note 7)	251,209	215,582
DEFERRED INCOME TAX LIABILITY	12,652	10,241
	715,348	655,546
EQUITY		
SHARE CAPITAL (Note 8)	297,181	295,939
CONVERTIBLE DEBENTURES - Equity Component (Note 7)	14,003	12,216
CONTRIBUTED SURPLUS - Matured Debentures	102	102
DEFERRED SHARE PLAN (Note 12)	2,893	2,619
RESERVED SHARES	623	623
RETAINED EARNINGS		
Cumulative Earnings	138,169	138,002
Cumulative Dividends (Note 9)	(160,785)	(151,649)
	(22,616)	(13,647)
ACCUMULATED OTHER COMPREHENSIVE INCOME	13,287	7,974
	305,473	305,826
	$ 1,020,821	$ 961,372

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)

For the periods ended March 31		2014		2013
REVENUE				
Aviation	$	78,349	$	62,822
Manufacturing		22,766		21,637
Infrastructure (Note 10)		156,364		135,113
		257,479		219,572
EXPENSES				
Aviation expenses - excluding depreciation and amortization		52,702		47,047
Manufacturing expenses - excluding depreciation and amortization		14,949		14,499
Infrastructure expenses - excluding depreciation and amortization (Note 10)		142,764		117,512
General and administrative (Note 3)		27,607		22,921
		238,022		201,979
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)		19,457		17,593
Depreciation and amortization		13,162		9,993
Finance costs - interest		6,463		3,987
Acquisition costs		40		830
Consideration liability fair value adjustment		(395)		-
EARNINGS BEFORE INCOME TAXES		187		2,783
INCOME TAX EXPENSE (Note 15)				
Current		(1,024)		1,057
Deferred		1,044		140
		20		1,197
NET EARNINGS FOR THE PERIOD	$	167	$	1,586
EARNINGS PER SHARE (Note 11)				
Basic	$	0.01	$	0.08
Diluted	$	0.01	$	0.08

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 For the periods ended March 31		2014		2013
NET EARNINGS FOR THE PERIOD	$	167	$	1,586
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax		9,374		1,282
Net gain (loss) on hedge of net investment in foreign operation		(4,061)		314
		5,313		1,596
COMPREHENSIVE INCOME FOR THE PERIOD	$	5,480	$	3,182

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, 2013	$ 268,494	$ 9,304	$ 102	$ 1,575	$ 1,234	$ 129,018	$ (115,760)	$ 575	$ **294,542**
Convertible debentures									
Converted into shares	960	(52)	-	-	-	-	-	-	**908**
Issued	-	3,067	-	-	-	-	-	-	**3,067**
Shares issued under dividend reinvestment plan	1,040	-	-	-	-	-	-	-	**1,040**
Comprehensive income	-	-	-	-	-	1,586	-	1,596	**3,182**
Dividends declared	-	-	-	-	-	-	(8,717)	-	**(8,717)**
Balance, March 31, 2013	**$ 270,494**	**$ 12,319**	**$ 102**	**$ 1,575**	**$ 1,234**	**$ 130,604**	**$ (124,477)**	**$ 2,171**	**$ 294,022**
Balance, January 1, 2014	$ 295,939	$ 12,216	$ 102	$ 2,619	$ 623	$ 138,002	$ (151,649)	$ 7,974	$ **305,826**
Convertible debentures									
Converted into shares (Note 8)	168	(11)	-	-	-	-	-	-	**157**
Issued (Note 7)	-	1,798	-	-	-	-	-	-	**1,798**
Shares issued under dividend reinvestment plan (Note 8)	1,074	-	-	-	-	-	-	-	**1,074**
Deferred share plan vesting	-	-	-	274	-	-	-	-	**274**
Comprehensive income	-	-	-	-	-	167	-	5,313	**5,480**
Dividends declared (Note 9)	-	-	-	-	-	-	(9,136)	-	**(9,136)**
Balance, March 31, 2014	**$ 297,181**	**$ 14,003**	**$ 102**	**$ 2,893**	**$ 623**	**$ 138,169**	**$ (160,785)**	**$ 13,287**	**$ 305,473**

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

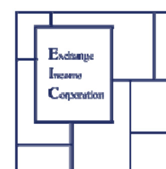
Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)

For the periods ended March 31	2014	2013
OPERATING ACTIVITIES		
Net earnings for the period	$ 167	$ 1,586
Items not affecting cash:		
Depreciation and amortization	13,162	9,993
Accretion of interest	1,205	879
Long-term debt discount	29	-
Unrealized foreign exchange (gain) loss on debt	-	115
(Gain) on sale of disposal of capital assets	(1,264)	(331)
Deferred income tax expense	1,044	140
Deferred share program share-based vesting	274	200
Consideration fair value adjustment	(395)	-
	14,222	12,582
Changes in non-cash operating working capital items (Note 14)	(10,675)	(5,754)
	3,547	6,828
FINANCING ACTIVITIES		
Proceeds from (repayment of) long-term debt & finance leases, net of issuance costs	(16,493)	(49,563)
Proceeds from issuance of debentures, net of issuance costs (Note 7)	37,753	61,886
Proceeds from issuance of shares, net of issuance costs	1,074	1,041
Cash dividends (Note 9)	(9,136)	(8,717)
	13,198	4,647
INVESTING ACTIVITIES		
Purchase of capital assets, net of disposals	(13,684)	(12,826)
Purchase of intangible assets	(27)	(28)
Investment in other assets	505	-
Finance lease receivable payments, net of reserves	81	-
	(13,125)	(12,854)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,620	(1,379)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	23,168	4,166
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 26,788	$ 2,787
Supplementary cash flow information		
Interest paid	$ 6,147	$ 1,707
Income taxes paid	$ 397	$ 5,043

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 three sectors: aviation services and equipment, metal manufacturing, and infrastructure services. 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 March 31, 2014, 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"), 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" – Note 10), and EIIF Management USA Inc. ("EIIF USA"). Stainless Fabrication, Inc. ("Stainless"), WesTower Communications Inc. (the US operations of WesTower – "WesTower US"), 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 three business segments: Aviation, Manufacturing, and Infrastructure (Note 10).

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are for the three months ended March 31, 2014, 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, 2013, which have been 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 May 14, 2014.

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, 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders, Water Blast, WesTower CDA, EIC Ireland, 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) *Expenses*

Aviation expenses – excluding depreciation and amortization

The fixed and variable costs along with cost of sales incurred in the operations of the Company's Aviation segment are included in this line item. This includes costs related to shipping and handling and the cost of inventory. Depreciation and amortization are presented separately on a consolidated basis.

Manufacturing expenses – excluding depreciation and amortization

The cost of sales for the Company's Manufacturing segment is included in this line item. This includes costs related to shipping and handling and the cost of finished goods inventory. Depreciation and amortization are presented separately on a consolidated basis.

Infrastructure expenses – excluding depreciation and amortization

The cost of sales for the Company's Infrastructure segment is included in this line item. This includes costs related to shipping and handling and the cost of finished goods inventory. Depreciation and amortization are presented separately on a consolidated basis. Starting in 2014, WesTower US and WesTower CDA will be presented within this segment.

c) *Changes in accounting policies*

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 39, Financial Instruments: Recognition and Measurement, was amended to clarify that hedge accounting should be continued when a derivative financial instrument designated as a hedging instrument is replaced from one counterparty to a central counterparty or an entity acting in that capacity and certain conditions are met. The amendment is effective for annual periods beginning on or after January 1, 2014 with early application permitted. This change had no impact on the Company as no such transactions took place during the quarter.

IFRIC 21 – Levies

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The interpretation is effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. This standard had no impact on the Company's reporting during the period.

d) *WesTower US Cost Presentation*

During the first quarter of 2014, the Company revised the classification of certain expenses on the statement of operations. This has resulted in some expenses that would have been included in Infrastructure expenses – excluding depreciation and amortization in previous years being recorded in General and administrative expenses. Therefore, for comparative purposes, results for the first quarter of 2013 in the interim consolidated statement of income have been reclassified based on the change in classification. The impact of the change in classification was an increase in General and administrative expenses with a corresponding decrease to Infrastructure expenses – excluding depreciation and amortization. The net impact is nil and resulted in no change in net income for either period.

The following shows the 2013 quarterly and fiscal impact of the revised classification of expenses for WesTower:

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Fiscal 2013
EXPENSES					
Infrastructure expenses - excluding depreciation and amortization	$ (1,200)	$ (1,487)	$ (2,397)	$ (1,897)	$ (6,981)
General and administrative	1,200	1,487	2,397	1,897	6,981
Net impact of change in accounting policy classification	$ -	$ -	$ -	$ -	$ -

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

The Company presents operating profit 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 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 and the following provides an update around the Company's Deferred Income Tax estimates.

Income Tax Matters

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of income tax rules and regulations of the various jurisdictions in which the Company operates and judgments as to their interpretation and application to EIC's specific situation. The amount and timing of reversals of temporary differences also depends on the Company's future operating results, acquisitions and dispositions of assets and liabilities.

The business and operations of the Company and its subsidiaries are complex and the Company has, over the course of its history, undertaken a number of significant financings, reorganizations, acquisitions and other material transactions, including its conversion from an income trust to a corporation (the "Conversion") in July 2009. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Company's interpretation of and compliance with relevant tax legislation and regulations. While management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Company's interpretation of the applicable tax legislation and regulations.

In April 2014, the Company received a proposal letter from the Canada Revenue Agency ("CRA"), which advises of the CRA's intention to challenge the ability of the Company to carry forward certain losses related to the Conversion on the basis of acquisition of control and general anti-avoidance rules of the Income Tax Act (Canada). Failing resolution of this matter, CRA will proceed to reassess the Company which will require the Company, as a large corporation, to pay 50% of the resultant tax liability and interest for the period from July 2009 to December 2012. The required payment before interest would be approximately $11.5 million. The amount will be recorded as a receivable on the Company's financial statements based on management's assessment of the facts and opinions received from the Company's tax advisors prior to the Conversion. Although the Company is confident in its position, it is possible that additional taxes could be payable by the Company and the ultimate value of the Company's income tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on the Company's consolidated financial statements and financial position. The Company has not changed any of its estimates around Deferred Income Taxes as a result of receiving this letter.

6. LONG-TERM DEBT AND FINANCE LEASES

The following summarizes the Company's long-term debt and finance leases as at March 31, 2014 and December 31, 2013:

	March 31 2014	December 31 2013
Revolving term facility:		
Canadian dollar amounts drawn	$ 19,750	$ 51,150
United States dollar amounts drawn (US$171,077 and US$157,197, respectively)	189,091	167,195
Total credit facility debt outstanding, principal value	208,841	218,345
less: unamortized transaction costs	(783)	(932)
less: unamortized discount on outstanding Banker's Acceptances	(36)	(65)
Net credit facility debt	208,022	217,348
Finance leases	2,797	2,899
Total net credit facility debt and finance leases	210,819	220,247
less: current portion of finance leases	(1,259)	(1,326)
Long-term debt and finance leases	$ 209,560	$ 218,921

Subsequent to the end of the first quarter, the Company's credit facility was extended to have a maturity of May 2018. No other significant changes were made to the terms included within the credit facility.

Interest expense recorded during the three months ended March 31, 2014 for the long-term debt and finance leases was $1,548 (2013 – $555).

Credit Facility

The following is the continuity of long-term debt for the three months ended March 31, 2014:

	Three Months Ended March 31, 2014				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar portion	$ 51,150	$ 5,000	$ (36,400)	$ -	$ 19,750
United States dollar portion	167,195	15,337	-	6,559	189,091
	$ 218,345				$ 208,841

7. CONVERTIBLE DEBENTURES

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Series F - 2009	N/A	April 8, 2014	10.0%	$ 10.75
Series G - 2009	EIF.DB.A	September 30, 2014	7.5%	$ 14.50
Series H - 2010	EIF.DB.B	May 31, 2017	6.5%	$ 20.00
Series I - 2011	EIF.DB.C	January 31, 2016	5.75%	$ 26.00
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:

	2014 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Repaid on Maturity	2014 Balance, End of Period	December 31, 2013 Balance
Series F	$ 1,128	$ -	$ 5	$ (22)	$ -	$ 1,111	$ 1,128
Series G	3,214	-	15	(135)	-	3,094	3,214
Series H	21,142	-	62	-	-	21,204	21,142
Series I	33,941	-	111	-	-	34,052	33,941
Series J	54,285	-	151	-	-	54,436	54,285
Unsecured - 2012	53,477	-	141	-	-	53,618	53,477
Unsecured - 2013	60,896	-	132	-	-	61,028	60,896
Unsecured - 2014	-	36,707	32	-	-	36,739	-
						265,282	228,083
less: unamortized transaction costs						(9,868)	(8,177)
Convertible Debentures - Debt Component, end of period						255,414	219,906
less: current portion						(4,205)	(4,324)
Convertible Debentures - Debt Component (long-term portion)						$ 251,209	$ 215,582

During the three months ended March 31, 2014, convertible debentures totaling a face value of $159 were converted by the holders at various times into 11,516 Shares of the Company (2013 – $980 face value into 56,433 Shares). Interest expense recorded during the three months ended March 31, 2014 for the convertible debentures was $4,832 (2013 – $3,432).

March 2014 Unsecured Convertible Debenture Offering

The Company issued the $40 million Seven Year 6.0% Convertible Unsecured Subordinated Debentures on February 11, 2014. These debentures bear interest at the rate of 6.0% per annum payable semi-annually in arrears, in cash, on March 31 and September 30 of each year. The maturity of the debentures is March 31, 2021. Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date at a conversion price of $31.70.

At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days ending five days prior to the maturity date. The Company also has the ability to convert these unsecured debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. After March 31, 2017, but prior to March 31, 2019, the Company has the option to redeem these debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. On and after March 31, 2019 but prior to the maturity date the Company has the option to redeem these debentures without any weighted average market price thresholds. If the Company elects to redeem the debentures, the debentureholders have the option to convert the debentures into Shares of the Company at the conversion price.

Transaction costs of $2,247 were incurred during the three months ended March 31, 2014 in relation to the issuance of these debentures.

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:

	March 31 2014	December 31 2013
Series F - 2009	$ 54	$ 56
Series G - 2009	69	78
Series H - 2010	1,190	1,190
Series I - 2011	1,489	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	1,798	-
Convertible Debentures - Equity Component, end of period	$ 14,003	$ 12,216

Subsequent to the end of the first quarter, the Series F convertible debentures matured on April 8, 2014. There were several conversions totaling $985 of par value between the end of the first quarter and maturity that resulted in the Company making a principal repayment of $126 on maturity.

8. SHARE CAPITAL

Changes in the Shares issued and outstanding during the three months ended March 31, 2014 are as follows:

			2014
	Number of Shares		Amount
Share capital, beginning of period	21,752,400	$	295,939
Issued upon conversion of convertible debentures	11,516		168
Issued under dividend reinvestment plan	50,057		1,074
Share capital, end of period	21,813,973	$	297,181

9. 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 three months ended March 31, 2014 and the comparative 2013 period are as follows:

Three Months Ended March 31		2014		2013
Cumulative dividends, beginning of period	$	151,649	$	115,760
Dividends during the period		9,136		8,717
Cumulative dividends, end of period	$	160,785	$	124,477

The amounts and record dates of the dividends during the three months ended March 31, 2014 and the comparative 2013 period are as follows:

					2014 Dividends					2013 Dividends
Month	Record date		Per Share		Amount	Record date		Per Share		Amount
January	January 31, 2014	$	0.14	$	3,039	January 31, 2013	$	0.14	$	2,901
February	February 28, 2014		0.14		3,043	February 28, 2013		0.14		2,905
March	March 31, 2014		0.14		3,054	March 29, 2013		0.14		2,911
Total		$	0.42	$	9,136		$	0.42	$	8,717

Subsequent to March 31, 2014 and before these interim condensed consolidated financial statements were authorized, the Company declared a dividend of $0.14 per Share for April 2014.

10. 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 and is the Chief Executive Officer.

During the first quarter of 2014, the Company's structure of its reporting segments changed from two operating segments to three operating segments with the addition of the Infrastructure segment. The Company amended its operating segments to reflect its change to its reporting structure. Prior to the reorganization, the Company disclosed WesTower's operations in the Manufacturing segment. As a result of the changes to the reporting structure and reports provided to the chief operating decision maker, WesTower's operations are now disclosed within the Infrastructure segment. Changes in reporting segments are to be applied retroactively therefore prior period segment information has been amended to be consistent with current year presentation and reports provided to the chief operating decision maker. There is no impact on the consolidated results of the Company and there are no changes to the Company's accounting policies.

The Company's reportable business segments include strategic business units that offer different products and services. The Company has three operating business segments: Aviation, Manufacturing and Infrastructure. The Aviation segment provides airline services to communities in Manitoba, Ontario and Nunavut. In addition, with the acquisition of Regional One, the segment is a

provider of aircraft and engine aftermarket parts to regional airline operators around the world. The Manufacturing segment consists of niche specialty metal manufacturers in markets throughout Canada and the United States. The Infrastructure segment consists of the operations of WesTower, which is a manufacturer, installer and maintenance service provider of communications towers in both Canada and the United States.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. 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 segment revenues presented in the tables below are from external customers.

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

					Three Months Ended March 31, 2014
	Aviation	Manufacturing	Infrastructure	Company	Consolidated
Revenue	$ 78,349	$ 22,766	$ 156,364	$ -	$ 257,479
Expenses	63,430	18,583	153,796	2,213	238,022
EBITDA	14,919	4,183	2,568	(2,213)	19,457
Depreciation and amortization					13,162
Finance costs - interest					6,463
Acquisition costs					40
Consideration liability fair value adjustment					(395)
Earnings before tax					187
Current income tax expense (recovery)					(1,024)
Deferred income tax expense					1,044
Net earnings for the period					$ 167

					Three Months Ended March 31, 2013
	Aviation	Manufacturing	Infrastructure	Company	Consolidated
Revenue	$ 62,822	$ 21,637	$ 135,113	$ -	$ 219,572
Expenses	55,694	17,772	126,377	2,136	201,979
EBITDA	7,128	3,865	8,736	(2,136)	17,593
Depreciation and amortization					9,993
Finance costs - interest					3,987
Acquisition costs					830
Earnings before tax					2,783
Current income tax expense					1,057
Deferred income tax expense					140
Net earnings for the period					$ 1,586

The following information provides the other 2013 quarterly periods and fiscal results and year-end results as if the Company reported its results at that time with three segments.

					Three Months Ended June 30, 2013
	Aviation	Manufacturing	Infrastructure	Company	Consolidated
Revenue	$ 80,967	$ 22,211	$ 172,502	$ -	$ 275,680
Expenses	61,632	18,118	169,217	1,745	250,712
EBITDA	19,335	4,093	3,285	(1,745)	24,968
Depreciation and amortization					11,519
Finance costs - interest					5,315
Acquisition costs					838
Consideration liability fair value adjustment					(562)
Earnings before tax					7,858
Current income tax expense					517
Deferred income tax expense					1,609
Net earnings for the period					$ 5,732

					Three Months Ended September 30, 2013
	Aviation	Manufacturing	Infrastructure	Company	Consolidated
Revenue	$ 82,806	$ 21,389	$ 163,132	$ -	$ 267,327
Expenses	64,026	17,800	167,849	2,040	251,715
EBITDA	18,780	3,589	(4,717)	(2,040)	15,612
Depreciation and amortization					12,547
Finance costs - interest					5,824
Acquisition costs					1
Consideration liability fair value adjustment					(272)
Earnings (loss) before tax					(2,488)
Current income tax recovery					(3,943)
Deferred income tax expense					1,660
Net earnings (loss) for the period					$ (205)

					Three Months Ended December 31, 2013
	Aviation	Manufacturing	Infrastructure	Company	Consolidated
Revenue	$ 86,619	$ 23,708	$ 157,173	$ -	$ 267,500
Expenses	67,140	19,676	155,581	2,777	245,174
EBITDA	19,479	4,032	1,592	(2,777)	22,326
Depreciation and amortization					14,157
Finance costs - interest					6,189
Consideration liability fair value adjustment					(217)
Earnings before tax					2,197
Current income tax expense					622
Deferred income tax recovery					(296)
Net earnings for the period					$ 1,871

	Aviation	Manufacturing	Infrastructure	Company	Consolidated
					Year Ended December 31, 2013
Revenue	$ 313,214	$ 88,945	$ 627,920	$ -	$ 1,030,079
Expenses	248,492	73,366	619,024	8,698	949,580
EBITDA	64,722	15,579	8,896	(8,698)	80,499
Depreciation and amortization					48,216
Finance costs - interest					21,315
Acquisition costs					1,669
Consideration liability fair value adjustment					(1,051)
Earnings before tax					10,350
Current income tax recovery					(1,747)
Deferred income tax expense					3,113
Net earnings for the period					$ 8,984

	Aviation	Manufacturing	Infrastructure	Company	Consolidated
					March 31, 2014
Total assets	$ 377,963	$ 71,189	$ 424,425	$ 147,244	$ 1,020,821
Net capital asset additions	12,422	741	516	5	13,684

	Aviation	Manufacturing	Infrastructure	Company	Consolidated
					December 31, 2013
Total assets	$ 365,750	$ 68,119	$ 392,360	$ 135,143	$ 961,372
Net capital asset additions	72,141	2,134	6,037	19	80,331
Indefinite lived intangible assets	21,840	5,827	6,722	-	34,389
Goodwill	58,016	27,767	21,652	-	107,435

During the first quarter of 2014, the Company acquired an aircraft by acquiring the shares of a company holding this aircraft. The acquired company was SMBC Aviation Leasing 1 Limited ("SMBC") and at the time of closing the Company changed the name of SMBC to EIC Ireland Leasing Limited ("EIC Ireland"). For accounting purposes under IFRS, this transaction was concluded to be the acquisition of assets and not a business combination as SMBC was not considered to be an operating business. As a result, the Company allocated the consideration and other costs incurred to acquire the asset (US$6,166), including external professional costs, to the net assets acquired and this was recorded within the Aviation segment.

During the first quarter of 2014, the Company recognized a gain of $1,251 within Aviation revenues relating to the gain on disposal of an aircraft through insurance proceeds.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to owners of the Company by the weighted average number of common 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 the net income 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 three months ended March 31, 2014 and comparative period in 2013 are as follows:

Three Months Ended March 31		2014		2013
Net earnings for the period, available to common shareholders	$	167	$	1,586
Effect of dilutive securities				
Convertible debentures		-		-
Diluted earnings for the period	$	167	$	1,586
Basic weighted average number of shares		21,813,158		20,735,683
Effect of dilutive securities				
Vested deferred shares		162,987		54,339
Convertible debentures		-		-
Diluted basis average number of shares		21,976,145		20,790,022
Earnings per share:				
Basic	$	0.01	$	0.08
Diluted	$	0.01	$	0.08

12. DEFERRED SHARE PLAN

During the three months ended March 31, 2014, the Company recorded compensation expense of $274 for the Company's Deferred Share Plan within the general and administrative expenses of head-office (2013 - $200). Subsequent to three months ended March 31, 2014, the Company granted deferred shares to certain personnel in April 2014. The fair value of the deferred shares granted was $1,087 at the time of the grant and was based on the market price of the Company's Shares at that time.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including 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 December 31, 2013.

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 $171,077 ($189,091) 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 EIIF USA is hedged partially by US$111,000 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.

Interest Rates

The Company is subject to the risk that future cash flows associated with the credit facility outstanding (Note 6) will fluctuate due to fluctuations in interest rates and the degree of volatility of the 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 March 31, 2014, US $170,100 was outstanding under US LIBOR, US $977 was outstanding under USD Prime and $19,750 was outstanding under Bankers Acceptances.

The interest rates of the convertible debentures (Note 7) 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 measurements	Carrying Value March 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	$ (12,767)	$ -	$ -	$ (12,767)
Fair Value Disclosures				
Other assets - Loans and receivables	(7,826)	-	(2,556)	(5,270)
Long term debt - Other financial liabilities	(208,022)	-	-	(208,841)
Convertible debt - Other financial liabilities	(255,414)	-	(276,866)	-

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 initial fair value of the consideration liability recorded on the acquisition of Regional One in April 2013 was US$30,521. Since the acquisition of Regional One, US$17,950 of consideration liabilities have been settled through the payment of cash or issuance of equity, as applicable. During the three months ended March 31, 2014, an unrealized gain on consideration liabilities of US$355 ($395), an unrealized translation loss of $497 on consideration liabilities and accretion expense of US$75 ($83) were recognized.

Subsequent to the end of the first quarter of 2014, the Company settled the majority of the outstanding consideration liabilities with the vendors of Regional One. In April 2014, the Company released US$6,620 ($7,270) of the cash in escrow, paid US$648 ($712) in cash, and issued 130,175 of Shares with a value of US$2,201 ($2,411). The remaining consideration outstanding consists of 350,567 Shares of the Company that have been issued into escrow and relate to the retention of the vendor as CEO. These remaining Shares are anticipated to be settled and released from escrow evenly each of the next four anniversaries of closing the acquisition.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses which are classified as loans and receivables or other financial liabilities, as applicable, approximate their carrying values due to their short term nature.

As at March 31, 2014, management had determined that the fair value of its long term debt approximates its carrying value as such debt is subject to floating interest rates and current market conditions as it was recently amended (Note 6). Furthermore, management had determined that the fair value of its other long-term liabilities approximates carrying value as such was recorded at fair value on acquisition date.

As at March 31, 2014, management estimated the fair value of the convertible debentures based on valuation techniques taking into account trading values where available, market rates of interest, the condition of any related collateral, the current conditions in credit markets and the current estimated credit margins applicable to the Company based on recent transactions. The estimated fair value of its convertible debentures is $276,866 (December 31, 2013 - $231,661) and a carrying value of $255,414 (December 31, 2013 - $219,906).

The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. During the period ended March 31, 2014 there were no such transfers.

14. CHANGES IN WORKING CAPITAL ITEMS

The changes in non-cash operating working capital items during the three months ended March 31, 2014 and the comparative period in 2013 are as follows:

Periods Ended March 31	2014	2013
Accounts receivable	$ (30,775)	$ 13,307
Costs incurred plus recognized profits in excess of billings	(12,546)	(15,281)
Inventory	(5,548)	(5,224)
Prepaid expenses	(414)	(3,297)
Accounts payable and accrued charges	15,363	2,236
Income taxes receivable	(1,676)	(3,839)
Deferred revenue	250	365
Billings in excess of costs incurred plus recognized profits	15,735	4,308
Foreign currency adjustments	8,936	1,671
Net change in working capital items	$ (10,675)	$ (5,754)

15. INCOME TAX

Income tax expense is recognized based on management's best estimate of the weighted annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's consolidated effective tax rate for the three months ended March 31, 2014 was 10.7% (three months ended March 31, 2013: 43.0%). The change in the effective tax rate is detailed in the following table:

Three Months Ended March 31	2014	2013
Earnings before provision for income taxes	$ 187	$ 2,783
Combined Canadian federal and provincial tax rates	27.0%	27.0%
Income tax expense at statutory rates	$ 50	$ 751
Increase (decrease) in taxes resulting from:		
Permanent differences	107	101
Change in statutory rates	-	(7)
Impact of foreign tax rate differences	(127)	408
Non-taxable capital gains	-	(10)
Other	(10)	(46)
Provision for income taxes	$ 20	$ 1,197