Exchange
Income
Corporation

First Quarter Report

For the three months ended
March 31, 2015

CEO's Message

The past six months have been a busy and transformative time for EIC. We completed the divestiture of our WesTower US business during the fourth quarter and at the beginning of the first quarter closed the acquisition of Provincial Aerospace. With these two transactions we have greatly enhanced the diversification of not only our customer base and range of geographic operations but also our revenue streams. Our performance has improved significantly in terms of profitability, Free Cash Flow and our payout ratio. In addition to the significant contribution by Provincial to these improvements, our results were also fueled by an increase in the profitability of our Legacy airlines, which more than offset challenges in our manufacturing segment. In short, the first quarter of 2015 demonstrated and reinforced the value of our diversified and cash flow driven business model. On second thought, the transactions we completed were not so much transformative as they were a revalidation of the diversification strategy which has been the cornerstone of our business model.

The first quarter of the year is typically the weakest quarter for EIC because of the impact of winter on our airlines and the availability of winter roads. While Provincial's aerospace division is not seasonal, its airline division does face the same seasonal decline in demand as our Legacy airlines. Despite this seasonality we are very pleased to report that our first quarter EBITDA of $31 million is not only the highest we have ever achieved in the first quarter it is also a new record high for any quarter! All financial metrics improved significantly over the same period in 2014:

- Revenues increased 38% to $173.9 million
- EBITDA grew 73% to $31.1 million
- Free Cash Flow rose by 87% to $23.9 million
- Free Cash Flow less maintenance capital expenditures grew by over 500% to $9.1 million
- On a per share basis Free Cash Flow per share after funding maintenance capital expenditures increased 471% to $0.40
- Adjusted net earnings increased to $3.7 million from a loss of $0.2 million

A significant portion of this growth came from Provincial Aerospace which, in line with expectations, contributed approximately a third of our EBITDA in the first quarter but it is not the only driver of our performance. Regional One continued its record of consistent quarterly growth and is positioned for strong performance throughout the balance of 2015 as it began to take delivery of the CRJ-700's purchased from Lufthansa CityLine. These aircraft will fuel higher aircraft and parts sales as well as lease revenue in the balance of this year and beyond.

By far the strongest improvement in performance was provided by our Legacy airlines: Perimeter, Keewatin, Calm, Bearskin and Custom. Despite flat revenues, the EBITDA generated by the Legacy airlines grew by an exceptional 58% to $12.4 million. This performance was driven by a number of factors: First, the impact of the investments made in upgrading the fleet of aircraft in previous periods; Second, significantly reduced fuel costs through the quarter; Third; a return to typical winter weather in Central Canada; Fourth, the ongoing benefits from the implementation of cost control and efficiency initiatives together with the Bearskin restructuring. These factors were offset somewhat by the impact of the weaker Canadian dollar on aircraft parts.

The strong performance at Provincial, Regional One and the Legacy airlines was partially offset by a perfect storm of difficulties in the Manufacturing segment. Parts shortages and seasonal challenges in the tower business combined with a lack of large field jobs in the stainless steel tank business and the rapid decline of the oil related business activity impacting our Alberta operations resulted in a very weak quarter for our manufacturing segment. The outlook for the balance of the year is brighter as the product mix in the stainless business and the demand profile in tower construction continue to improve. Alberta operations are expected to remain slow.

We are excited about the outlook for the second quarter and the balance of the year. Provincial's aerospace division continues to pursue a number of opportunities in Canada (e.g. the Canadian Government RFP for northern fixed wing search and rescue aircraft) and around the world (the Caribbean, Middle East and Asia in particular). The procurement cycle for these large opportunities can be long but we are confident that the future is very bright. Regional One continues to execute on its model and with the acquisition of the CRJ-700 aircraft should continue its impressive track record of growth. The outlook for the Legacy airlines also remains strong, and while the magnitude of the improvement in the first quarter is not sustainable through the balance of the year, it is expected to contribute increasing Free Cash Flow throughout the year.

We remain active in the acquisition marketplace looking for accretive opportunities which meet our stringent requirements. Should a suitable opportunity be found we will use our strong balance sheet to our advantage to secure that opportunity quickly. If nothing that meets our criteria is found we will not do a deal for the sake of doing a deal. We have organic growth opportunities within our existing portfolio to fuel our growth.

Our model has proven its effectiveness time and time again over the last decade. Diversified operations acquired through disciplined acquisition and organic growth, have enabled us to deliver dividend increases to our shareholders nine times in our first decade. We want to thank our shareholders for their ongoing support and look forward to reporting our progress in future periods.

Mike Pyle
Chief Executive Officer

Management's Discussion and Analysis

May 12, 2015

FORWARD-LOOKING STATEMENTS

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

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

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

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

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") supplements the unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2015 ("Consolidated Financial Statements") of Exchange Income Corporation ("EIC" or "the Company"). All amounts are stated in thousands of Canadian dollars, except per share information and share data, unless otherwise stated.

These interim condensed consolidated financial statements have been prepared in accordance with 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, 2015, its annual financial statements for the year ended December 31, 2014 and its annual MD&A for the year ended December 31, 2014.

1. FINANCIAL HIGHLIGHTS

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

FINANCIAL PERFORMANCE	2015	per share basic	per share fully diluted	2014	per share basic	per share fully diluted
For the three months ended March 31						
Revenue	$ 173,935			$ 126,059		
EBITDA	31,080			17,993		
Net earnings (loss) from continuing operations	934	$ 0.04	$ 0.04	(350)	$ (0.01)	$ (0.01)
Adjusted net earnings (loss) from continuing operations	3,651	0.16	0.16	(169)	(0.01)	(0.01)
Net earnings	934	0.04	0.04	167	0.01	0.01
Free Cash Flow	23,926	1.04	0.88	12,797	0.59	0.54
Free Cash Flow less maintenance capital expenditures	9,109	0.40	0.39	1,455	0.07	0.07
Dividends declared	10,038	0.435		9,136	0.42	
FINANCIAL POSITION	March 31, 2015			December 31, 2014		
Working capital	$ 142,401			$ 95,784		
Capital assets	468,426			364,914		
Total assets	1,092,655			715,103		
Senior debt	335,141			17,743		
Equity	320,877			299,593		
SHARE INFORMATION	March 31, 2015			December 31, 2014		
Common shares outstanding	23,101,320			22,507,341		

2. OVERVIEW

EXCHANGE INCOME CORPORATION

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

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

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

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

Acquisition – Provincial Aerospace Ltd

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

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

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

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

The Company hasn't finalized the purchase price allocation of the assets acquired. The excess purchase price beyond these assets and liabilities has been allocated to goodwill on a provisional basis and will be completed as soon as the Company has gathered all the significant information considered necessary to finalize this allocation. This subsequent allocation will involve an allocation to the intangible assets identified by EIC, including intangible assets relating to customer contracts and relationships, trade name, operational certifications and backlog. As a result, no intangible asset amortization has been expensed in the current period. Upon finalization in the second quarter of 2015, additional intangible asset amortization will be recorded for the time between the transaction closing and the end of that period, which will include amortization relating to this current period as cumulative catch-up amortization.

The current allocations included in the Company's interim consolidated financial statements for the current period are provisional and adjustments will be finalized during the second quarter of 2015. In particular, adjustments are expected to capital assets, inventory, intangible assets, and related adjustments for deferred income taxes. The overall net of these adjustments is expected to decrease goodwill reported in connection with the acquisition from that which was included by the Company in its first quarter interim condensed consolidated financial statements.

CRA Settlement

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

Divestiture – WesTower Communications Inc

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

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

Series I Convertible Debentures Early Redemption

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

Segment Summary

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

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

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

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.

3. KEY PERFORMANCE INDICATORS

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

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

This discussion is directed at the continuing operations of the Company, which excludes WesTower US as a result of the sale of those operations in October 2014 (see Section 2 – *Overview*). As a result of that event, the results of WesTower US in the comparative period are presented within Discontinued Operations, which include the operational results of WesTower US and an allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US. The net gain on the disposition was recognized in the fourth quarter of 2014 and is therefore excluded from the first quarter comparative amounts discussed below. The Company allocated interest expense to Discontinued Operations representing the portion of interest expense related to the Company's senior credit facility that was repaid as a result of the transaction. For the comparative three month period ending March 31, 2014, the Company allocated cash interest expense of $1.4 million. The results of the Company aside from the Discontinued Operations are reflective of the operations of the Company without WesTower US ("Continuing Operations"). The current period results do not include any Discontinued Operations.

EBITDA from Continuing Operations

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

EBITDA from continuing operations	Three Months Ended March 31,		2015		2014
Earnings from continuing operations before income taxes		$	1,973	$	1,214
Depreciation and amortization			18,515		12,037
Finance costs - interest			8,398		5,097
Acquisition costs			2,194		40
Consideration liability fair value adjustment			-		(395)
		$	31,080	$	17,993

The EBITDA generated by the Company's continuing operations during the current period was $31.1 million, an increase $13.1 million or 73% over the comparative period. The increase is the result of a 109% increase in the EBITDA of the Aviation segment, while the Manufacturing segment performance declined by 47% from the prior period. This improvement for the Aviation segment was achieved in large part because of the acquisition of Provincial, but was also as a result of improvements at the other operations within the Aviation segment. The Legacy airlines realized the benefit of previously made growth capital expenditures, reduced fuel costs, improved weather in central Canada from the same period last year and restructuring initiatives implemented at Bearskin. Regional One continued to grow its portfolio and generate additional EBITDA. These operating results are slightly offset by higher costs at head office.

FREE CASH FLOW from Continuing Operations

FREE CASH FLOW from continuing operations	Three Months Ended March 31,		2015		2014
Cash flows from operations		$	20,239	$	3,547
Change in non-cash working capital items			1,493		10,675
Acquisition costs			2,194		40
Discontinued operations			-		(1,465)
		$	23,926	$	12,797
per share - Basic		$	1.04	$	0.59
per share - Fully Diluted		$	0.88	$	0.54

The Free Cash Flow generated by the Company's continuing operations for the current period was $23.9 million, an increase of $11.1 million or 87% over the comparative period. The change in Free Cash Flow is the result of a number of factors but primarily as a result of the addition of Provincial generating significant EBITDA in the current period with no comparative and the improvement in performance at the Legacy airlines.

Offsetting the additional EBITDA generated by the Company in the current period is additional cash interest incurred on the Company's credit facility. The comparative period had minimal cash interest as a result of the allocation of the Company's credit facility costs to Discontinued Operations. The current period's cash interest includes the cash interest incurred on its outstanding credit facility balance coming mainly from funding the cash portion of the purchase price of the Provincial acquisition. As well, the Company incurred higher levels of cash interest on its convertible debentures in the current period as a result of the March 2014 convertible debenture offering was outstanding only for a portion of the comparative period. As a result of these factors, the Company incurred additional cash interest of $2.5 million in the current year.

The Company's cash taxes from continuing operations increased by $0.9 million in the current period and as a result decreased the Free Cash Flow of the Company. The change in cash taxes can be attributed to higher cash taxes as a result of the settlement with the CRA described in Section 2 – *Overview* and due to variations in income in the jurisdictions in which we operate.

Included in the comparative period's EBITDA, but excluded from that period's 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. There were no net gains or losses for the Company in the current period.

On a basic per share basis, the increase in absolute Free Cash Flow contributed to the increase in per share amounts and was partially offset by the higher number of Shares outstanding. The combined impact resulted in Free Cash Flow of $1.04 per share for the current period, an increase of $0.45 per share or 76% over the comparative period. Details around the increase in Shares outstanding can be found in Section 6 – *Liquidity and Capital Resources*. For similar reasons, the Company's fully diluted Free Cash Flow per share was $0.88 for the current period, an increase of $0.34 per share or 63% over the comparative period. There was dilution coming from the March 2014 convertible debentures that were issued part way through the comparative year. There was no impact from the early redemption of the Series I convertible debentures as those were repaid on the last day of the current period.

FREE CASH FLOW LESS MAINTENANCE CAPITAL EXPENDITURES from Continuing Operations

FREE CASH FLOW LESS MAINTENANCE CAPITAL EXPENDITURES	Three Months Ended March 31,	2015	2014
Free Cash Flow		$ 23,926	$ 12,797
Maintenance Capital Expenditures		14,817	11,342
		$ 9,109	$ 1,455
per share - Basic		$ 0.40	$ 0.07
per share - Fully Diluted		$ 0.39	$ 0.07

The Free Cash Flow less maintenance capital expenditures generated by the Company's continuing operations for the current period was $9.1 million, an increase of $7.7 million or 526% over the comparative period. The increase is due to the increase in Free Cash Flow as described above, partially offset by the $3.5 million or 31% increase in maintenance capital expenditures, which is described in detail in the Capital Expenditures section.

It is important to understand that as a result of reporting under IFRS, maintenance capital expenditures fluctuate from period to period with variability as described further in the Capital Expenditures section. As a result of the variability in the maintenance capital expenditures under IFRS, Free Cash Flow is a better metric than Free Cash Flow less maintenance capital expenditures as a measure of ongoing operating performance. Maintenance capital expenditures are variable under IFRS because overhaul maintenance for aircraft engines and airframe heavy checks that were previously accrued in advance are treated as capital expenditures when the event takes place under IFRS. Free Cash Flow less maintenance capital expenditures is still an important operating metric; however, it will be subject to lumpy quarterly and annual 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, the increase in absolute Free Cash Flow less maintenance capital expenditures contributed to the increase in per share amounts and was partially offset by the higher base of the Company's Shares outstanding. The combined impact resulted in Free Cash Flow less maintenance capital expenditures of $0.40 per share for the current period, an increase of $0.33 per share or 471% over the comparative period (fully diluted $0.39, increase of $0.32 or 457%). Details around the increase in Shares outstanding can be found in Section 6 – *Liquidity and Capital Resources*.

CAPITAL EXPENDITURES from Continuing Operations

CAPITAL EXPENDITURES for continuing operations	Three Months Ended March 31,	2015	2014
Cash maintenance capital expenditures		$ 14,560	$ 11,297
add: finance lease principal payments		257	390
less: discontinued operations maintenance capital expenditures		-	(345)
Maintenance capital expenditures for continuing operations		14,817	11,342
Growth capital expenditures		22,214	2,414
less: discontinued operations growth capital expenditures		-	(204)
CAPITAL EXPENDITURES for continuing operations		$ 37,031	$ 13,552
Maintenance capital expenditures per share - Basic		$ 0.64	$ 0.52
Growth capital expenditures per share - Basic		0.96	0.10
Total capital expenditures per share - Basic		$ 1.60	$ 0.62

Maintenance Capital Expenditures from Continuing Operations

Maintenance capital expenditures for the Company's continuing operations in the first quarter of 2015 totalled $14.8 million, a 31% increase from the comparative period. The majority of the expenditures occurred in the Aviation segment, as it spent $14.0 million versus the $0.6 million spent in the Manufacturing segment and $0.2 million spent at head-office with the growth of its group.

The maintenance capital expenditure invested in the Aviation segment was $3.2 million or 30% higher than the comparative period. The addition of Provincial caused the majority of the increase as it invested $2.1 million of maintenance capital expenditures in the current period with no comparative. Regional One's maintenance capital expenditures of $3.1 million is $1.6 million higher than the comparable period and consisted of the investment required in order to maintain the lease portfolio at an optimal operating level. The Legacy airlines invested $8.8 million in maintenance capital expenditure, a decrease of $0.5 million or 5% from the comparative period. The majority of this investment is related to engine overhauls, heavy checks and rotable additions and will vary significantly from period to period causing quarter over quarter comparisons to be lumpy.

A significant portion of the Aviation segment's maintenance capital expenditures are denominated in US dollars, as the US dollar is the common currency of the aircraft industry. The recent decline in the Canadian dollar also contributed to the increase in the maintenance events that constitute a significant portion of the segment's maintenance capital expenditures.

The Manufacturing segment's maintenance capital expenditures were $0.1 million higher than the comparable period.

Growth Capital Expenditures from Continuing Operations

For the first quarter of 2015 growth capital expenditures for the Company's continuing operations were $22.2 million, an increase of $20.0 million over the comparative period. The majority of the growth capital expenditures were in the Aviation segment totaling $21.8 million versus the $0.4 million spent in the Manufacturing segment.

During the first quarter $18.4 million or 84% of the growth capital expenditures in the Aviation segment and 83% of the total growth capital expenditures for the Company were invested in Regional One. The growth capital expenditures at Regional One were primarily invested in the ongoing purchase of Bombardier CRJ-700s and related engines and components from Lufthansa CityLine.

A total of $2.3 million or 10% of the growth capital expenditure in the Aviation segment was invested in the ongoing avionics upgrades of aircraft in the Legacy airlines. The Avionics upgrade significantly improves the flight capabilities of the aircraft, specifically improving the aircraft's takeoff and landing capabilities during poor weather conditions. These upgrades result in fewer cancelled or diverted flights, improved aircraft utilization and enhanced on time performance and safety. The Legacy airlines also invested $0.6 million in the purchase of a spare engine for ATR-42 aircraft. This investment in a spare will eliminate the costs of renting a spare engine while engines are taken out of service for maintenance.

DIVIDENDS & PAYOUT RATIO from Continuing Operations

The amounts and record dates of the dividends declared during the three months ended March 31, 2015 and the comparative period in 2014 were as follows:

			2015 Dividends			2014 Dividends
Month	Record date	Per Share	Amount	Record date	Per Share	Amount
January	January 30, 2015	$ 0.145	$ 3,342	January 31, 2014	$ 0.14	$ 3,039
February	February 27, 2015	0.145	3,347	February 28, 2014	0.14	3,043
March	March 31, 2015	0.145	3,349	March 31, 2014	0.14	3,054
Total		$ 0.435	$ 10,038	.	$ 0.42	$ 9,136

Dividends for the current period totaled $10.0 million, an increase of $0.9 million or 10% from the comparative period. The increase in the current period was a result of two factors: an increase in the number of Shares outstanding; and the Company increased the monthly dividend rate per share by $0.005 (4% increase). Each of the 2015 monthly dividends was at a dividend rate of $0.145 per share per month and the comparative period was at a dividend rate of $0.14 per share. The increase became effective in the fourth quarter of 2014. The dividends per share for the current period totaled $0.435, an increase of $0.015 per share over the comparative period.

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

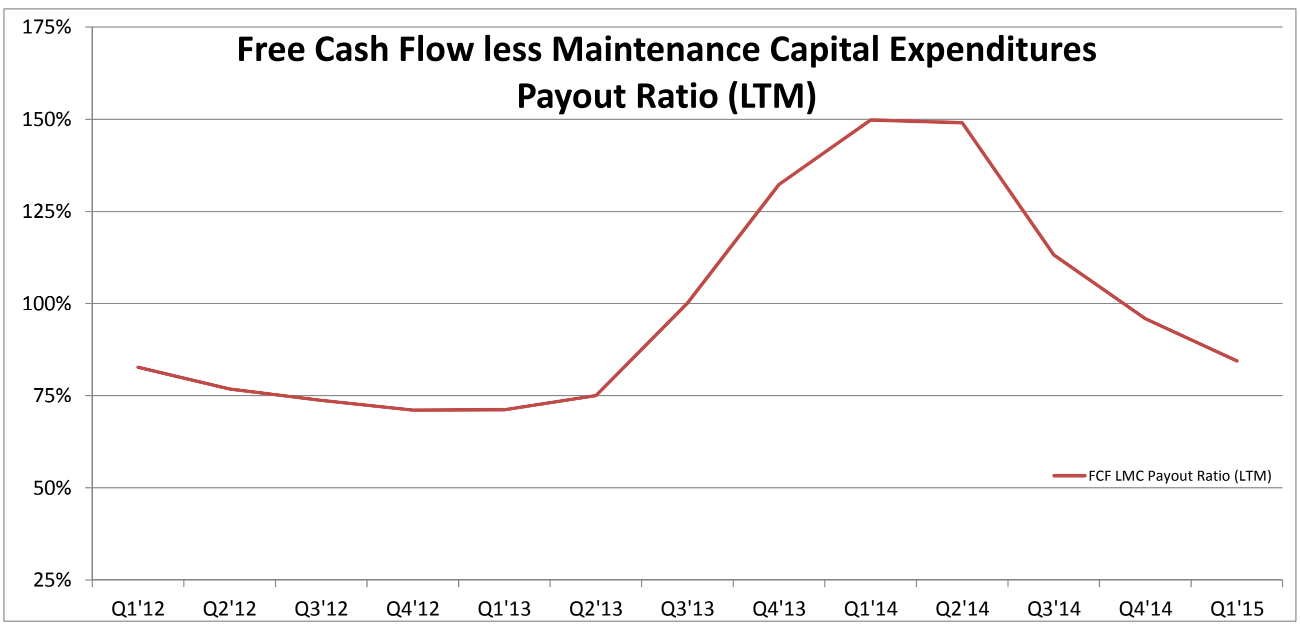
The following compares the Company's continuing operations Free Cash Flow and Free Cash Flow less maintenance capital expenditures on a per share basis as a percentage of the Company's dividends declared on a per share basis during the current period and the comparative.

Payout Ratios for the Company's continuing operations Three Months Ended March 31,	2015	Per share basic	Per share fully diluted	2014	Per share basic	Per share fully diluted
Free Cash Flow		*42%*	*49%*		*71%*	*78%*
Free Cash Flow less maintenance capital expenditures		*109%*	*112%*		*600%*	*600%*

All of the Company's payout ratios from continuing operations for the current period improved significantly over the comparative period. All of them exclude the Discontinued Operations of WesTower US in the comparative period. The improvement is mainly the result of the addition of Provincial with three months of operations in the current period and nothing in the comparative and the improvement at the Legacy airlines in additional EBITDA generated and reduced maintenance capital expenditures. In addition, the payout ratios improved even though the Company paid out a dividend rate in the current period that is 4% higher than in the comparative. The basic per share payout ratio for Free Cash Flow for the current period is 42% (2014 – 71%).

The basic per share payout ratio of Free Cash Flow less maintenance capital expenditures from the Company's continuing operations for the current period is 109% compared to 600% in 2014. Traditionally the first quarter is the weakest for the Company, in particular as a result of reduced demand in the Legacy companies and harsh weather. Then as the calendar year continues, the Company traditionally sees improvement so that the fiscal period payout ratio is at an acceptable level. From 2011 to 2014, the average first quarter payout ratio for Free Cash Flow less maintenance capital expenditures was 215% (consolidated including the Discontinued Operations of WesTower US). Therefore the current period's payout ratio of 109% is a dramatic improvement over prior years, combined with the expectation that the normal seasonality impact will occur and that the payout ratios for the remaining periods in 2015 will improve, suggests that the Company is in a strong position of generating sufficient Free Cash Flows to meet its current annualized dividend rate of $1.74 per share.

The following graph shows the Company's historical Free Cash Flow less maintenance capital expenditures trailing 12 months payout ratio, including the poor performance of the Discontinued Operations up to the sale of WesTower US in the fourth quarter of 2014. As can be seen in the graph, the payout ratio is returning to more normal levels and note that this includes only three months of operations of Provincial since being acquired in the current quarter.



The Company's Board of Directors regularly examines the dividends paid to shareholders.

4. ANALYSIS OF OPERATIONS

The following section analyzes the financial results of the Company's operations for the three months ended March 31, 2015 and the comparative 2014 period.

	Three Months Ended March 31, 2015			
	Aviation	Manufacturing	Head Office[2]	Consolidated
Revenue	$ 133,458	$ 40,477	$ -	$ 173,935
Expenses[1]	102,237	37,675	2,943	142,855
EBITDA	31,221	2,802	(2,943)	31,080
Depreciation and amortization				18,515
Finance costs - interest				8,398
Acquisition costs				2,194
Earnings before income tax				1,973
Current income tax expense				1,246
Deferred income tax expense				(207)
Net earnings from continuing operations				934
Net earnings from discontinued operations				-
Net earnings				$ 934

	Three Months Ended March 31, 2014			
	Aviation	Manufacturing	Head Office[2]	Consolidated
Revenue	$ 78,349	$ 47,710	$ -	$ 126,059
Expenses[1]	63,430	42,423	2,213	108,066
EBITDA	14,919	5,287	(2,213)	17,993
Depreciation and amortization				12,037
Finance costs - interest				5,097
Acquisition costs				40
Consideration liability fair value adjustment				(395)
Earnings before income tax				1,214
Current income tax expense				343
Deferred income tax expense				1,221
Net loss from continuing operations				(350)
Net earnings from discontinued operations				517
Net earnings				$ 167

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

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

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

AVIATION SEGMENT

Aviation Segment	Three Months Ended March 31,		2015		2014		Variance	Variance %
Revenue		$	133,458	$	78,349	$	55,109	70%
Expenses			102,237		63,430		38,807	61%
EBITDA		$	31,221	$	14,919	$	16,302	109%

The revenue of the Aviation segment for the current period was $133.5 million, an increase of $55.1 million or 70% over the comparative period. The growth in revenue for the segment is attributable to the acquisition of Provincial and the continued growth at Regional One. The acquisition of Provincial in January 2015, with no comparative for the prior period, had the most significantly positive impact on results adding $48.3 million of revenue for the current period. Regional One generated an increase of $8.3 million in revenue over the comparative period. Revenue contribution by the Legacy airlines remained effectively flat from the comparative period.

The EBITDA generated by the Aviation segment for the current period was $31.2 million, an increase of $16.3 million or 109% over the comparative period. EBITDA margins were 23.4% in the current period versus 19.0% in the comparative period. The acquisition of Provincial in January 2015, with no comparative for the prior period, accounted for $10.1 million of the overall improvement of EBITDA. The balance of the Aviation segment's operations saw the Legacy airlines generate $12.4 million of EBITDA, a $4.6 million or 58% increase over the comparative period and Regional One grew its EBITDA to $8.7 million, an increase of $1.7 million or 24% over the comparative period.

The Legacy airlines' significant EBITDA growth over the comparative period was fueled by a number of favorable internal and external factors. The Legacy airlines continued to reap the operational benefits of the significant recent investments in both fleet renewal and ground infrastructure assets. The Legacy airlines EBITDA improvement was also bolstered by ongoing management initiatives to improve efficiency and cost controls. In particular, the restructuring initiative at Bearskin implemented in the second quarter of 2014, continued to yield significantly reduced costs and improved EBITDA. The comparative period's results also include a net gain of approximately $1.3 million on asset disposals. Excluding this gain from normal operational results in the prior period, the Legacy airlines grew EBITDA by $5.9 million or 90% in the first quarter of 2015. Regional One generated another solid quarter, posting significant revenue and EBITDA growth over the comparative period as both part sales and leasing experienced solid growth. Regional One continues to consistently identify and monetize opportunities that generate strong rates of returns on invested capital, which remains at an average of 19% since acquisition. Regional One gained from higher conversion rates on its US dollar results converted into the Company's Canadian reporting currency. The acquisition of the CRJ-700 aircraft by Regional One over the last few months has not contributed any EBITDA generated by Regional One as of the end of the first quarter. Returns from leasing or selling this portfolio of aircraft is expected to commence in the second quarter and continue going forward for several quarters.

Provincial delivered strong revenue and EBITDA results in Q1, despite Atlantic Canada experiencing one of the harshest winters on record. The negative impact of the extreme weather on Provincial's airline operations was offset by the performance of its aviation support operations in St. John's and Halifax and steady performance from its aerospace operations.

Both Provincial and the Legacy airlines' EBITDA benefited significantly from fuel cost savings throughout the quarter. The Legacy airlines EBITDA performance was also enhanced by a return to "normal" weather conditions throughout their operating regions relative to the harsh weather conditions experienced in the first quarter of 2014. The exceptionally harsh winter conditions in the comparative period of 2014 resulted in increased operating costs and an extended winter road season that depressed both freight and passenger revenue.

MANUFACTURING SEGMENT

Manufacturing Segment	Three Months Ended March 31,		2015		2014		Variance	Variance %
Revenue		$	40,477	$	47,710	$	(7,233)	-15%
Expenses			37,675		42,423		(4,748)	-11%
EBITDA		$	2,802	$	5,287	$	(2,485)	-47%

The revenue of the Manufacturing segment for the current period was $40.5 million, a decrease of $7.2 million or 15% from the comparative period.

The Alberta Operations revenue was negatively impacted by the continued low oil and natural gas prices that reduced demand in the northern Alberta oil and gas markets during the fourth quarter of 2014. Economic challenges, centered in Alberta, were the primary contributor to the Alberta operations' reduction in revenue to $7.8 million, a $2.7 million or 26% decrease from the comparative period.

WesTower CDA's revenue fell to $20.4 million, a reduction of $4.6 million or 18% over the comparative period as operations were negatively impacted by third party OEM supply issues impacting the delivery of new equipment to WesTower CDA's telecommunication customers. These equipment delays resulted in the delay of projects for WesTower CDA. Exceptionally harsh winter weather conditions in eastern Canada during the quarter also negatively impacted revenue. The lower activity level in the first quarter, caused by equipment supply and regional weather factors, is expected to drive increased activity throughout the remainder of 2015 as the telecommunication companies attempt to recover from the construction delays.

The challenges that Stainless experienced throughout last year persisted in the first quarter of 2015. The absence of all but a few field work projects has not occurred for Stainless since becoming a part of the Company. It is anticipated that the volume of field work will return. Offsetting Stainless' lower US dollar revenues was the weaker value of the Canadian dollar in the current period that resulted in a higher converted Canadian dollar value of Stainless' US operations. Overall the revenue of Stainless was flat at $9.2 million. Overlanders continued to benefit from strong revenue volumes from its major customers and generated $0.1 million of additional revenue in the current period.

The EBITDA generated by the Manufacturing segment for the current period was $2.8 million, a reduction of $2.5 million or 47% over the comparative period. WesTower CDA, Stainless and the Alberta operations all experienced EBITDA shortfall driven by lower revenue. Strong EBITDA generated by Overlanders was only able to partially mitigate the shortfall of the other manufacturing segment companies.

Despite the relatively weak start to 2015 the Company remains confident that the strong operating company management and effective industry and geographic diversification within the segment has positioned the segment's operating companies, aside from the Alberta Operations, for a significant rebound through the balance of 2015, in particular with WesTower CDA.

HEAD-OFFICE

Head-office Costs	Three Months Ended March 31,	2015	2014	Variance	Variance %
Expenses		$ 2,943	$ 2,213	$ 730	33%

The head-office costs for the current period increased by $0.7 million or 33% over the comparative period. There was an increase in the professional fees incurred during the current year and the head-office team has grown from a year ago resulting in higher compensation costs.

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, 2015 compared to the same period in 2014. Consolidated net earnings for the current period is $0.9 million as compared to a net loss from continuing operations of $0.4 million and net earnings of $0.2 million in the comparative period.

Three Months Ended March 31,	2015	2014	Variance	Variance %
Depreciation and amortization	$ 18,515	$ 12,037	$ 6,478	54%

The Company's depreciation and amortization for the current year was $18.5 million, an increase of $6.5 million or 54% over the comparative period. The addition of Provincial in the current period resulted in additional depreciation and amortization of $4.6 million with no comparative. The rest of the Aviation segment also incurred a higher expense of $1.9 million for the current period as a result of capital expenditures made by the Aviation segment throughout the 2014 fiscal period contributing in higher depreciation in 2015.

The finalization of the purchase price allocation of the purchase consideration to acquire Provincial, including certain adjustments to the capital assets of Provincial and recognition of certain intangible assets, will result in additional depreciation and amortization at that time. The Company expects to finalize the purchase price for second quarter reporting.

Three Months Ended March 31,	2015	2014	Variance	Variance %
Finance costs - interest	$ 8,398	$ 5,097	$ 3,301	65%

The Company's interest incurred for the current period was $8.4 million, an increase of $3.3 million or 65% over the comparative period. The increase is mainly a result of additional interest costs on the Company's credit facility. The Company's comparative period results included the Discontinued Operations of WesTower US and the Company's credit facility cash interest costs of $1.4 million were allocated to Discontinued Operations for that period. The current period's credit facility interest costs include the cost of having amounts outstanding for funding the Company's acquisition of Provincial and other cash outlays, including amounts drawn for growth capital expenditures at Regional One. This resulted in additional credit facility interest of $2.2 million in the current period.

With the early redemption of the Company's Series I convertible debentures, the Company incurred an additional $0.9 million of non-cash accretion interest on its convertible debentures. In addition, cash interest on its convertible debentures increased by $0.2 million, mainly as a result of the March 2014 convertible debentures outstanding for only a portion of the comparative period because they were issued during that period.

Three Months Ended March 31,	2015	2014	Variance	Variance %
Acquisition Costs	$ 2,194	$ 40	$ 2,154	5385%

The acquisition costs incurred by the Company for the current period were $2.2 million compared to less than $0.1 million in the comparative period. The current period costs relate almost entirely to the closing of the Provincial acquisition in the period. It was the largest acquisition in the history of the Company and was close to three times larger than the next largest acquisition.

Three Months Ended March 31,	2015	2014	Variance	Variance %
Consideration liability fair value adjustment	$ -	$ (395)	$ 395	-100%

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

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

Three Months Ended March 31,	2015	2014	Variance	Variance %
Current income tax expense	$ 1,246	$ 343	$ 903	263%
Deferred income tax expense	(207)	1,221	(1,428)	-117%
Income tax expense	$ 1,039	$ 1,564	$ (525)	-34%

The Company's income tax expense on continuing operations for the current period was $1.0 million, a decrease of $0.5 million or 34% over the comparative period in 2014. The effective tax rate decreased to 53% from 129% in the comparable period as a result of two factors. Firstly, the effective tax rate in 2014 reflects the tax expense associated with intercompany transactions that were eliminated in computing the Company's consolidated net earnings whereas the corresponding tax benefit of the intercompany transactions were included in the Company's Discontinued Operations. Secondly, the decrease reflects a current period increase of income generated in Canada, which is subject to a lower tax rate than the US.

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

DISCONTINUED OPERATIONS

With the sale of WesTower US in the fourth quarter of 2014, the Company presents Discontinued Operations in the consolidated financial statements. The following summarizes the results of the Discontinued Operations in the comparative period ended March 31, 2014 (nil for the current period).

Period ended March 31,	2015	2014
Revenue	$ -	$ 131,420
EBITDA	-	1,464
Net earnings (loss) from discontinued operations	-	517
Free Cash Flow	-	1,465
Free Cash Flow less maintenance capital expenditures	-	1,120

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

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

5. SUMMARY OF QUARTERLY RESULTS

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

	2015				2014			2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue	$ 173,935	$ 138,726	$ 143,499	$ 134,219	$ 126,059	$ 141,370	$ 134,474	$ 128,025
EBITDA	31,080	26,151	27,872	22,262	17,993	24,322	23,872	23,658
Net earnings (loss) - continuing operations	934	(17,729)	5,172	1,282	(350)	3,338	5,314	5,172
Basic	0.04	(0.79)	0.23	0.06	(0.01)	0.15	0.25	0.24
Diluted	0.04	(0.79)	0.23	0.06	(0.01)	0.15	0.24	0.24
Adjusted net earnings (loss) - continuing operations(1)	3,651	5,915	6,061	2,990	(169)	3,709	5,610	5,980
Basic	0.16	0.26	0.27	0.14	(0.01)	0.17	0.26	0.28
Diluted	0.16	0.26	0.27	0.14	(0.01)	0.17	0.26	0.28
Free Cash Flow (FCF)	23,926	22,480	22,819	18,884	12,797	17,830	20,038	18,900
Basic	1.04	1.00	1.03	0.86	0.59	0.82	0.92	0.88
Diluted	0.88	0.84	0.86	0.73	0.54	0.69	0.83	0.73
FCF less maintenance capital expenditures	9,109	11,718	13,143	8,802	1,455	6,511	10,129	10,526
Basic	0.40	0.52	0.59	0.40	0.07	0.30	0.47	0.49
Diluted	0.39	0.50	0.54	0.40	0.07	0.30	0.47	0.45
From continuing & discontinuing operations								
Net earnings / (loss)	934	(1,580)	5,546	4,122	167	1,871	(205)	5,732
Basic	0.04	(0.07)	0.25	0.19	0.01	0.09	(0.01)	0.27
Diluted	0.04	(0.07)	0.25	0.19	0.01	0.09	(0.01)	0.27

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

6. LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, the Company had a net cash position of $68.3 million (December 31, 2014 of $15.0 million) and net working capital of $142.4 million (December 31, 2014 of $95.8 million), which represents a current ratio of 1.92 to 1 (December 31, 2014 of 1.93 to 1).

		March 31, 2015		December 31, 2014		Change
Cash and cash equivalents	$	68,271	$	14,968	$	53,303
Accounts receivable		107,329		82,575		24,754
Costs incurred plus recognized profits in excess of billings		9,622		11,507		(1,885)
Inventory		95,533		84,020		11,513
Prepaid expenses and deposits		15,398		6,249		9,149
Income taxes receivable		1,212		-		1,212
Accounts payable and accrued expenses		(126,029)		(83,531)		(42,498)
Income taxes payable		-		(1,809)		1,809
Deferred revenue		(16,639)		(8,009)		(8,630)
Billings in excess of costs incurred plus recognized profits		(11,260)		(9,079)		(2,181)
Current portion of long-term debt and finance leases		(1,036)		(1,107)		71
Net working capital	$	142,401	$	95,784	$	46,617

Working capital has increased by $46.6 million since the end of 2014 and is mostly attributable to the acquisition of Provincial which had $33.7 million of working capital as of March 31, 2015. Larger balances in accounts payable and cash were the major variants over the quarter and when netted together result in only a small change to total working capital when factoring in the addition of Provincial.

The increase in the cash balance in the first quarter over the comparable period in 2014 is attributable to delays experienced in harmonizing Provincial's banking into the EIC centralized banking system where cash balances are swept and applied against outstanding debt as well as higher cash balances in our US subsidiaries resulting from our international currency strategy to not repatriate funds to be employed in future operations. Cash levels are expected to return to historical norms in the second quarter.

At the beginning of the quarter, the Company completed its purchase of Provincial for $244.4 million, subject to customary post-closing adjustments, of which approximately 5% was paid through the issuance of 523,188 common shares of EIC. The Company paid $225.0 million to the vendors on closing and also paid cash towards the purchase of Shares in fulfilling certain obligations arising from the acquisition of Provincial. These amounts were financed through the Company's credit facility. During the quarter the Company made additional draws on the credit facility to support capital purchases, mainly supporting Regional One's CRJ-700 fleet purchase announced on October 21, 2014 and the early redemption of the Series I Convertible Senior Secured Debentures.

On February 9, 2015, the Company announced that it had entered into a new $450 million long-term debt facility with a four year term. EIC has been allocated $400 million of the available credit and EIIF Management USA Inc. has been allocated the remainder. The facility allows for borrowings to be denominated in either Canadian or US funds. Based on the amounts outstanding under the credit facility as at March 31, 2015, the Company has drawn $323.5 million, excluding the effect of foreign exchange, leaving approximately $200 million of funds available to the Company when also taking cash balances into consideration.

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

The Company's dividend reinvestment plan ("DRIP") continued during the first quarter of 2015 and the Company received $0.9 million for 44,042 Shares being issued in accordance with the DRIP.

The Company obtained additional cash through the means described above and also generated $23.9 million of Free Cash Flow during the first quarter of 2015, an 87% improvement from 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 2015, the Company declared dividends totaling $10.0 million in comparison to $9.1 million during the comparative period in 2014. This was a result of an increased number of Shares outstanding and the $0.005 increase in monthly dividend rate announced last November. The monthly dividend declared in any given month is paid to shareholders at the middle of the following month.

The following summarizes the changes in the Shares outstanding of the Company during the three months ended March 31, 2015:

	Date issued	Number of shares
Shares outstanding, beginning of period		22,507,341
Issued upon conversion of convertible debentures	various	5,000
Issued under dividend reinvestment plan (DRIP)	various	44,042
Issued to Provincial vendors	January 2, 2015	523,188
Issued under deferred share plan	February 23, 2015	21,749
Shares outstanding, end of period		23,101,320

The following summarizes the convertible debentures outstanding as at March 31, 2015 and the changes in the amount of convertible debentures outstanding during the three months ended March 31, 2015:

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

Par value	Balance, beginning of period	Issued	Converted	Redeemed / Matured	Balance, end of period
Series H	$ 21,993	$ -	$ (100)	$ -	$ 21,893
Series I	34,944	-	-	(34,944)	-
Series J	57,477	-	-	-	57,477
Unsecured Debentures - September 2012	57,500	-	-	-	57,500
Unsecured Debentures - March 2013	65,000	-	-	-	65,000
Unsecured Debentures - March 2014	39,988	-	-	-	39,988
Total	$ 276,902	$ -	$ (100)	$ (34,944)	$ 241,858

As a result of the acquisition of Provincial during the first quarter of 2015, the contractual commitments of the Company have increased from what was disclosed in the Company's 2014 annual MD&A. Provincial has a variety of equipment, building and land leases with future minimum lease payments totaling approximately $2 million over the next several years and totaling less than $20 million overall.

Normal Course Issuers Bid

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

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

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

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

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

7. RELATED PARTY TRANSACTIONS

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

8. CRITICAL ACCOUNTING ESTIMATES

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

During the first quarter of 2015, the Company closed the acquisition of Provincial and as a result has made significant assumptions and estimates around the allocation of the purchase consideration to the assets acquired and the liabilities assumed. The interim consolidated financial statements includes the excess purchase price beyond the assets and liabilities of Provincial allocated to goodwill on a provisional basis and will be completed as soon as the Company has gathered all the significant information considered necessary to finalize this allocation. This subsequent allocation will involve an allocation to the intangible assets identified by the Company, including intangible assets relating to customer contracts and relationships, trade name, operational certifications and backlog.

The allocations used within these interim consolidated financial statements are provisional and adjustments are expected to be finalized during the second quarter of 2015. In particular, adjustments are expected to capital assets, inventory, intangible assets, and related adjustments for deferred income taxes. The overall net of these adjustments is expected to decrease goodwill reported in connection with the acquisition.

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, 2015 that are discussed and analyzed in this report are described in detail in Note 3 of the Company's 2014 annual consolidated financial statements and Note 3 of the Company's interim condensed consolidated financial statements for the three months ended March 31, 2015.

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

a) Principles of Consolidation

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

b) Revenue Recognition – Aviation Revenues

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

c) *Accounting Standards Issued but not yet Effective*

IFRS 15 – Revenue

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

IFRS 9 – Financial Instruments

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

10. CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting in order to provide reasonable assurance with regards to the reliability of financial reporting and preparation of financial statements in accordance with IFRS, as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Consistent with the concept of reasonable assurance, the Company recognizes that all systems of internal controls, no matter how well designed, have inherent limitations. As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

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

Management has evaluated the design of the Company's internal controls over financial reporting as at March 31, 2015, including its preliminary review of internal controls over financial reporting for Provincial, and has concluded that the internal controls over financial reporting are effective. Management will continue to assess the internal controls at Provincial as this newly acquired company continues to integrate and enhance its processes.

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

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to management in a timely manner and that information required to be disclosed by the Company is reported within the time periods prescribed by applicable securities legislation. Management has concluded that disclosure controls and procedures were designed effectively as at March 31, 2015.

11. RISK FACTORS

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

12. OUTLOOK

Acquisition strategy

The Company's acquisition strategy remains focused on accretive opportunities that further strengthen and diversify the portfolio of operating companies. On January 2, 2015 the Company closed the acquisition of Provincial, the largest acquisition in the history of the Company and through it the Company entered into the aerospace sector, which is a dynamic growth platform for the Company. Provincial is now part of the consolidated group of companies within the Aviation segment.

In 2014 the Company expanded the business development and acquisitions team enabling the Company to examine opportunities to rebalance the income streams, not only through acquisition but through the growth and integration of our existing subsidiaries.

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. The Company 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 the Company's standards will be identified. As of March 31, 2015 the Company had approximately $200 million of available capital (ignoring the impact of foreign exchange) to fund further acquisition(s) and business development initiatives.

Aviation Segment

The Aviation segment includes: the five Legacy airlines, providing fixed and rotary wing, scheduled, charter, cargo, and medevac services in Manitoba, Ontario, Nunavut and Alberta; Regional One, a leading provider of aircraft and engine aftermarket parts to regional airline operators in the global community and; as of January 2, 2015, Provincial with three distinct business units: a scheduled airline, fixed base operations and aerospace.

Provincial operates its scheduled airline services in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia providing scheduled flights, charter and medevac services throughout the region. The aerospace business designs, modifies, maintains and operates custom sensor equipped aircraft. It has maritime surveillance and support operations in Canada, the Caribbean and the Middle East.

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

Provincial's maritime surveillance and support operations, which constitute the largest segment of Provincial's operations, are a new niche market for the Company and the revenue streams come from several different geographic areas around the world. The acquisition allows the Company to further diversify its revenue streams and cash flow by entering new product and geographical markets both within Canada and internationally.

As discussed in the commentary, both Provincial's and the Legacy airlines' operations were positively impacted by significantly reduced fuel prices. The Legacy airlines also benefited from a return to "normal" weather conditions in their operating regions during the period. If the weather conditions in central Canada sustain a return to 'normal', as they did through the first quarter, the Legacy airlines could see a return to traditional levels of fire suppression and evacuation services revenue that was largely absent in 2014.

In addition to these positive external factors, the Legacy airlines EBITDA improvement was also bolstered by ongoing management initiatives to improve efficiency and cost controls. Within the Legacy airlines group, the restructuring initiative at Bearskin implemented in the second quarter of 2014, continues to yield significantly reduced costs and improved EBITDA to the segment. The significant investments of growth capital expenditures in the Legacy airlines aircraft and ground infrastructure assets has yielded and will continue to yield ongoing revenue growth and margin improvements. The Legacy airlines group has begun services to certain communities in northwestern Ontario and will continue to look at growing the number of communities served in that region.

In the remainder of 2015 the Legacy airlines will move to build on the positive external factors and their improved operational strengths to pursue initiatives to grow market share within their existing markets and expand their operations into additional contiguous geographic markets.

Regional One continually monitors its inventory and lease portfolios to ensure a proper sales complement to grow and diversify its sales portfolio. Regional One's ongoing investment in the purchase of the twelve Bombardier CRJ-700 aircraft equipped with CF34-8C5B1 engines from Lufthansa CityLine continues to ramp up. Regional One has taken delivery of five of these aircraft as of the end of the first quarter with the remaining to be delivered over the next six to nine months. The acquired CRJ-700 aircraft has not contributed any EBITDA for Regional One as of the end of the first quarter. Returns from leasing or selling this portfolio of aircraft is expected to commence in the second quarter and continue going forward for several quarters. In addition to consistent demand for Regional One's parts and lease inventories, the Company anticipates additional growth in revenue and EBITDA as Regional One begins to monetize the Lufthansa CityLine aircraft. Over the last six quarters Regional One's performance has been strong and management remains confident that their current asset portfolio and pipeline of opportunities provides a good foundation for sustained growth and success. Given the nature of the business, individual quarters may experience some variability of customer demands that could lead to potentially fluctuating yield results than those experienced in the previous quarters. The recent and continuing depreciation of the Canadian dollar has, and will continue to have, a positive impact on the conversion of Regional One's US dollar results into the Company's Canadian reporting currency.

After delivering solid results in the first quarter, Provincial's scheduled and charter airline services are well positioned to adapt to changing demand within their operational region. Low commodity and energy prices negatively impact demand for airline services from natural resource related customers and reduce discretionary travel by provincial governments reliant on natural resource related royalties. To date, the softening in demand has been largely offset by the ongoing ramp up for air travel to support the construction of the Lower Churchill dam and related transmission line. It is anticipated that the demand for air travel service to the Lower Churchill project will continue to grow through the balance of 2015.

In addition to its existing aerospace customers Provincial is currently pursuing a significant number of growth opportunities within Canada and internationally. However, the procurement process for many of these opportunities can be very lengthy and complex making forecasting the impact and timing of any specific opportunity challenging.

The Company has already moved to realize on potential operational synergies from the Provincial acquisition. The Company has begun to "insource" heavy checks on Perimeter's DASH-8's and Calm Air's ATRs to Provincial's Aerospace services group. The first heavy check on a Perimeter DASH-8 by Provincial has already been completed. These mandated maintenance events that were previously outsourced to third party maintenance, repair and overhaul shops, will now be internalized.

Fuel price volatility can have a significant short-term impact on profitability. The unanticipated decline in fuel prices that began in the third quarter accelerated, along with the fall in crude oil prices, throughout the fourth quarter. Further changes in the price of fuel are impossible to accurately predict. Early in the first quarter of 2015, fuel price continued the decline that started late in 2014, however by the end of the quarter fuel prices had begun to increase significantly. Every $0.01 per liter change in the price of fuel has an approximately $0.5 million impact on the profitability of the Aviation segment. A significant minority of the fuel purchased has no bottom line effect because it is contractually passed on to the customer.

The Aviation segment is impacted by fluctuations in foreign currency as a result of the segment's dependency on aircraft, related parts and maintenance service costs for its fleet of aircraft as these costs are all primarily incurred in US dollars. The Canadian dollar exchange rate against the US dollar has declined significantly, impacting the aviation companies' parts and maintenance costs; however, 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.

Management believes that the segment will continue to benefit from the acquisition of Provincial and the recent capital investment in the Legacy airlines and Regional One as well as from recent operational restructuring and realignment in the Legacy airlines. After only one quarter management is confident that the addition of Provincial's airline, aerospace and aviation services markets and capabilities to the segment create significant opportunities for revenue growth, margin enhancement and tangible synergies to each of the segment companies.

<u>Manufacturing Segment</u>

The Manufacturing segment includes the operations of WesTower CDA, Stainless, Overlanders and the Alberta Operations. For the period both the segment's revenue and EBITDA declined from the comparative period.

Despite delays related to equipment shortages with their suppliers and harsh winter weather in Eastern Canada during the first quarter, the telecommunication companies in the Canadian market continue to execute their build plans. WesTower CDA expects the delays that impacted the current quarter to drive increased build activity throughout the remainder of 2015 as their customers attempt to get back on plan. There remains significant demand for both growth of the existing spectrum infrastructure along with strong demand for the build-out of the 700 mHz spectrum infrastructure awarded in the last Canadian government's spectrum auction. In addition to these major build-out programs, WesTower CDA continues to capitalize on opportunities with many individual projects across the country for a variety of non-telecommunications customers. WesTower CDA remains the dominant national supplier in Canada and is well positioned to meet the needs of the telecommunication companies throughout this build plan. Even though the first quarter's results for WesTower CDA were behind our expectation, management remains confident that the deferral of certain work and traditional higher volume seasonality in the last half of the year will allow WesTower CDA to improve its results over that time.

Stainless continues to deal with the impact of the lack of large field projects, which have historically had higher margins, on their revenue and EBITDA performance. Stainless is confident that, as the economic recovery in the US continues, the US market will see an increasing number of larger project bids. Stainless is well positioned to capture its market share as the economy recovers and capital spending accelerates. Continued demand for shop work has partially offset the reduced large field project work. Stainless has been able to adapt its production scheduling and incorporate innovative manufacturing processes to accommodate the increased shop volumes. Stainless has faced these types of challenges before and is experienced in managing through them. The recent and continuing depreciation of the Canadian dollar has, and will continue to have, a positive impact on the conversion of its US dollar results into the Company's Canadian reporting currency. Stainless started 2015 with an order book that was approximately 25% lower than what it started with going into fiscal 2014. Over the first quarter of 2015, Stainless has improved its booking ratio, bringing the backlog to a level comparable to January 2014 and exceeds March 31, 2014. Even though the mix between field and shop orders in the backlog is still not optimal, with too large of a proportion of shop work, the overall size of the order book puts Stainless in a better position going into the second quarter.

The precipitous decline in the price of oil in the last quarter of 2014 had a significant impact on the Alberta Operations sales through significant reductions in capital spending by nearly all North American energy related industries. As well, the dependence on purchasing much of its inventory from a US supplier has eroded margin due to the weakening Canadian dollar. This exchange rate driven cost pressure, together with weaker demand due to the impacts of lower oil prices on activity in the Alberta Operations markets has limited the ability of management to maintain margins through increased prices to customers. Despite these challenges the Alberta Operations have had continued success with their customized equipment sales in its traditional oil and gas market in Alberta. These customized products are very effective for the oil and gas industry but are new to Alberta Operation's recently expanded sales territories in North Dakota's and southeastern Saskatchewan's Bakken region. It is anticipated that establishing market recognition and demand for the customized equipment will take time to develop. Although the recent stability in the price of oil appears to have arrested the decline in demand the Alberta Operations experienced in the current period, the Company expects the weakness in the Alberta Operations markets to persist. Management remains vigilant in monitoring the demand for its products and will adapt prices and market strategy as required.

Overlanders continues to consistently generate strong revenue and EBITDA growth. The majority of the increased volume came from Overlanders' largest customer. During the current period Overlanders' has experience a significant increase in quote activities from both existing and new customers. Overlanders attributes this increase in demand to the recent rise in the US dollar exchange rate which is prompting manufacturers to seek Canadian suppliers as an alternative to higher cost US based suppliers. Overlanders also continues to benefit from greater efficiency and improved quality control with the recently added a new powder coating operation. The investment has also allowed Overlanders to offer clients an integrated, comprehensive manufactured component solution, creating a further competitive advantage over its competitors.

13. NON-IFRS FINANCIAL MEASURES

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

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

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

Adjusted net earnings		2015 Q1
Net earnings (loss) - continuing operations	$	934
Adjusting items, net of tax		
Acquisition costs		2,194
Intangible asset amortization		523
Adjusted net earnings (loss) - continuing operations	$	3,651

		2014 Q1
Net earnings (loss) - continuing operations	$	(350)
Adjusting items, net of tax		
Acquisition costs		40
Intangible asset amortization		390
Consideration liability fair value adjustment		(249)
Adjusted net earnings (loss) - continuing operations	$	(169)

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

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

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

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

ADDITIONAL INFORMATION

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	March 31 2015	December 31 2014
ASSETS		
CURRENT		
Cash and cash equivalents	$ 68,271	$ 14,968
Accounts receivable	107,329	82,575
Costs incurred plus recognized profits in excess of billings	9,622	11,507
Inventory	95,533	84,020
Prepaid expenses and deposits	15,398	6,249
Income taxes receivable	1,212	-
	297,365	199,319
OTHER ASSETS	10,993	9,110
CAPITAL ASSETS	468,426	364,914
INTANGIBLE ASSETS	45,403	42,760
DEFERRED INCOME TAX ASSETS	625	397
GOODWILL	269,843	98,603
	$ 1,092,655	$ 715,103
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 126,029	$ 83,531
Income taxes payable	-	1,809
Deferred revenue	16,639	8,009
Billings in excess of costs incurred plus recognized profits	11,260	9,079
Current portion of long-term debt and finance leases (Note 7)	1,036	1,107
	154,964	103,535
LONG-TERM DEBT AND FINANCE LEASES (Note 7)	334,105	16,636
OTHER LONG-TERM LIABILITIES	14,606	436
CONVERTIBLE DEBENTURES (Note 8)	222,019	255,092
DEFERRED INCOME TAX LIABILITY	46,084	39,811
	771,778	415,510
EQUITY		
SHARE CAPITAL (Note 9)	322,586	308,919
CONVERTIBLE DEBENTURES - Equity Component (Note 8)	12,381	13,877
CONTRIBUTED SURPLUS	1,613	124
DEFERRED SHARE PLAN (Note 13)	3,778	3,802
RETAINED EARNINGS		
Cumulative Earnings	147,191	146,257
Cumulative Dividends (Note 10)	(199,111)	(189,073)
	(51,920)	(42,816)
ACCUMULATED OTHER COMPREHENSIVE INCOME	32,439	15,687
	320,877	299,593
	$ 1,092,655	$ 715,103

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

Approved on behalf of the directors by:

Duncan Jessiman, Director
Signed

Donald Streuber, Director
Signed

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

For the periods ended March 31		2015		Restated 2014
REVENUE				
Aviation (Note 3)	$	133,458	$	78,349
Manufacturing		40,477		47,710
		173,935		126,059
EXPENSES				
Aviation expenses - excluding depreciation and amortization		84,960		52,702
Manufacturing expenses - excluding depreciation and amortization		32,150		37,159
General and administrative		25,745		18,205
		142,855		108,066
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)		31,080		17,993
Depreciation and amortization		18,515		12,037
Finance costs - interest		8,398		5,097
Acquisition costs		2,194		40
Consideration liability fair value adjustment		-		(395)
EARNINGS BEFORE INCOME TAXES		1,973		1,214
INCOME TAX EXPENSE				
Current		1,246		343
Deferred		(207)		1,221
		1,039		1,564
NET EARNINGS (LOSS) from continuing operations		934		(350)
Net earnings from discontinued operations (Note 17)		-		517
NET EARNINGS	$	934	$	167
EARNINGS (LOSS) PER SHARE - continuing operations (Note 12)				
Basic	$	0.04	$	(0.01)
Diluted	$	0.04	$	(0.01)
EARNINGS PER SHARE				
Basic	$	0.04	$	0.01
Diluted	$	0.04	$	0.01

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		2015		2014
NET EARNINGS	$	934	$	167
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax		18,984		9,374
Net gain (loss) on hedge of net investment in foreign operation		(2,232)		(4,061)
		16,752		5,313
COMPREHENSIVE INCOME	$	17,686	$	5,480

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)

						Retained Earnings			
	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Reserved Shares	Cumulative Earnings	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2014	$ 295,939	$ 12,216	$ 102	$ 2,619	$ 623	$ 138,002	$ (151,649)	$ 7,974	$ 305,826
Convertible debentures									
Converted into shares	168	(11)	-	-	-	-	-	-	157
Issued	-	1,798	-	-	-	-	-	-	1,798
Shares issued under dividend reinvestment plan	1,074	-	-	-	-	-	-	-	1,074
Deferred share plan vesting	-	-	-	274	-	-	-	-	274
Comprehensive income	-	-	-	-	-	167	-	5,313	5,480
Dividends declared	-	-	-	-	-	-	(9,136)	-	(9,136)
Balance, March 31, 2014	$ 297,181	$ 14,003	$ 102	$ 2,893	$ 623	$ 138,169	$ (160,785)	$ 13,287	$ 305,473
Balance, January 1, 2015	$ 308,919	$ 13,877	$ 124	$ 3,802	$ -	$ 146,257	$ (189,073)	$ 15,687	$ 299,593
Shares issued to acquisition vendors (Note 6)	12,138	-	-	-	-	-	-	-	12,138
Convertible debentures (Note 8)									
Converted into shares	101	(7)	-	-	-	-	-	-	94
Matured/Redeemed	-	(1,489)	1,489	-	-	-	-	-	-
Shares issued under dividend reinvestment plan (Note 9)	946	-	-	-	-	-	-	-	946
Deferred share plan vesting	-	-	-	458	-	-	-	-	458
Deferred share plan issuance	482	-	-	(482)	-	-	-	-	-
Comprehensive income	-	-	-	-	-	934	-	16,752	17,686
Dividends declared (Note 10)	-	-	-	-	-	-	(10,038)	-	(10,038)
Balance, March 31, 2015	$ 322,586	$ 12,381	$ 1,613	$ 3,778	$ -	$ 147,191	$ (199,111)	$ 32,439	$ 320,877

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	2015	2014
OPERATING ACTIVITIES		
Net earnings for the period	$ 934	$ 167
Items not affecting cash:		
Depreciation and amortization	18,515	13,162
Accretion of interest	2,101	1,205
Long-term debt discount	(82)	29
Loss (gain) on sale of disposal of capital assets	13	(1,264)
Deferred income tax expense	(207)	1,044
Deferred share program share-based vesting	458	274
Consideration fair value adjustment	-	(395)
	21,732	14,222
Changes in non-cash operating working capital items (Note 15)	(1,493)	(10,675)
	20,239	3,547
FINANCING ACTIVITIES		
Proceeds from (repayment of) long-term debt & finance leases, net of issuance costs	314,623	(16,493)
Proceeds from issuance of debentures, net of issuance costs	-	37,753
Redemption of convertible debentures	(34,944)	-
Issuance of shares, net of issuance costs	946	1,074
Cash dividends (Note 10)	(10,038)	(9,136)
	270,587	13,198
INVESTING ACTIVITIES		
Purchase of capital assets, net of disposals	(36,717)	(13,684)
Purchase of intangible assets	(57)	(27)
Repayment of (investment in) other assets	(81)	505
Cash outflow for acquisitions, net of cash acquired	(201,764)	-
Finance lease receivable payments, net of reserves	1,096	81
	(237,523)	(13,125)
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,303	3,620
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,968	23,168
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 68,271	$ 26,788
Supplementary cash flow information		
Interest paid	$ 8,282	$ 6,147
Income taxes (recovered) paid	$ 1,024	$ 397

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

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

1. ORGANIZATION

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

As at March 31, 2015, the principal wholly-owned operating subsidiaries of the Company are Perimeter Aviation LP ("Perimeter"), Keewatin Air LP ("Keewatin"), Calm Air International LP ("Calm Air"), Bearskin Lake Air Service LP ("Bearskin"), Custom Helicopters Ltd. ("Custom Helicopters"), 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders Manufacturing LP ("Overlanders"), Water Blast Manufacturing LP ("Water Blast"), WesTower Communications Ltd. ("WesTower CDA"), EIC Ireland Leasing Ltd. ("EIC Ireland"), R1 Canada LP ("Regional One Canada"), EIC Luxembourg Sarl ("EIC Luxembourg"), EIC Ireland Leasing No. Two Limited ("EIC Ireland Two"), Provincial Aerospace Ltd. ("Provincial") and EIIF Management USA Inc. ("EIIF USA"). Stainless Fabrication, Inc. ("Stainless"), Dallas Sailer Enterprises, Inc. ("Water Blast Dakota"), and Regional One, Inc. ("Regional One") are wholly owned subsidiaries of EIIF USA. Through the Company's subsidiaries, products and services are provided in two business segments: Aviation and Manufacturing.

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

On October 20, 2014, the Company completed the sale of WesTower Communications Inc. (the US operations of WesTower – "WesTower US") and within these interim condensed consolidated financial statements the operations of WesTower US are presented as Discontinued Operations for the prior period. To reflect this change in presentation, prior period comparatives have been restated from what was originally reported in the Company's interim condensed consolidated financial statements for the three months ended March 31, 2014.

2. BASIS OF PREPARATION

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) *Principles of Consolidation*

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

b) *Revenue Recognition – Aviation Revenues*

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

b) *Accounting Standards Issued but not yet Effective*

IFRS 15 – Revenue

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

IFRS 9 – Financial Instruments

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

During the first quarter of 2015, the Company closed the acquisition of Provincial and as a result has made significant assumptions and estimates around the allocation of the purchase consideration to the assets acquired and the liabilities assumed. The interim consolidated financial statements includes the excess purchase price beyond the assets and liabilities of Provincial allocated to goodwill on a provisional basis and will be completed as soon as the Company has gathered all the significant information considered necessary to finalize this allocation. This subsequent allocation will involve an allocation to the intangible assets identified by the Company, including intangible assets relating to customer contracts and relationships, trade name, operational certifications and backlog.

The allocations used within these interim consolidated financial statements are provisional and adjustments are expected to be finalized during the second quarter of 2015. In particular, adjustments are expected to capital assets, inventory, intangible assets, and related adjustments for deferred income taxes. The overall net of these adjustments is expected to decrease goodwill reported in connection with the acquisition.

6. ACQUISITIONS

Acquisition of Provincial Aerospace Ltd.

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

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

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

The results of operations are included in the Company's consolidated interim statement of operations within the Aviation segment for the period since the date of acquisition. During the first quarter of 2015, Provincial contributed third party revenues of $48.3 million, earnings before income tax of $5.4 million and total assets of $322.0 million.

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

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

The excess purchase price beyond the net assets acquired have been allocated to goodwill on a provisional basis and will be completed as soon as the Company has gathered all the significant information considered necessary to finalize this allocation. This subsequent allocation will involve an allocation to the intangible assets identified by the Company, including intangible assets relating to customer contracts and relationships, trade name, operational certifications and backlog. None of the goodwill acquired is expected to be deductible for tax purposes.

The allocations included below are provisional and adjustments are expected to be finalized during the second quarter of 2015. In particular, adjustments are expected to capital assets, inventory, intangible assets, and related adjustments for deferred income taxes. The overall net of these adjustments is expected to decrease goodwill reported in connection with the acquisition from that noted in the table below. Details of the provisional fair values of the net assets acquired at the time of the transaction are as follows:

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

Fair value of assets acquired:	
Cash	$ 23,236
Accounts receivable	24,902
Inventory	7,895
Prepaid expenses and deposits	4,255
Costs incurred plus recognized profits in excess of billings	321
Capital assets	77,907
Other assets	1,549
Intangible assets	1,365
	141,430
Less fair value of liabilities assumed:	
Accounts payable and accrued liabilities	34,797
Income taxes payable	2,791
Deferred revenue	7,654
Other long-term liabilities	12,488
Deferred income tax liabilities	7,809
Fair value of identifiable net assets acquired	75,891
Goodwill	168,502
Total purchase consideration	$ 244,393

7. LONG-TERM DEBT AND FINANCE LEASES

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

	March 31 2015	December 31 2014
Revolving term facility:		
Canadian dollar amounts drawn	$ 282,100	$ -
United States dollar amounts drawn (US$41,400 and US$13,900, respectively)	52,508	16,125
Total credit facility debt outstanding, principal value	334,608	16,125
less: unamortized transaction costs	(1,807)	(911)
less: unamortized discount on outstanding Banker's Acceptances	(82)	-
Net credit facility debt	332,719	15,214
Finance leases	2,422	2,529
Total net credit facility debt and finance leases	335,141	17,743
less: current portion of finance leases	(1,036)	(1,107)
Long-term debt and finance leases	$ 334,105	$ 16,636

The Company's credit facility is secured by a general security agreement over the assets of the Company, subject to customary terms, conditions, covenants and other provisions, and includes both financial and negative covenants. The Company is in compliance with all financial and negative covenants as at March 31, 2015.

During the first quarter of 2015, the allocation of the total credit available between EIC head office and EIIF USA was amended as part of the closing of the acquisition of Provincial. Total credit available to EIC increased to $320,000, while total credit available to

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EIIF USA decreased to $15,000. The total credit available to the Company remained unchanged at $335,000. Furthermore, in February 2015, the Company amended the terms of its credit facility which resulted in increasing the credit available to be $450,000 and extended the maturity to May 2019. With the changes, the amount of credit allocated to EIC and EIIF USA was changed to $400,000 and $50,000, respectively. No other significant changes were made to the terms included within the credit facility.

Interest expense recorded by the Company's continuing operations during the three months ended March 31, 2015 for the long-term debt and finance leases was $2,462 (2014 – $266). In the comparative period, the Company allocated interest expense of $1,366 to Discontinued Operations representing the portion of interest expense related to the operations of WesTower US up to the date of disposition.

Credit Facility

The following is the continuity of long-term debt for the three months ended March 31, 2015:

	Three Months Ended March 31, 2015				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar portion	$ -	$ 282,100	$ -	$ -	$ 282,100
United States dollar portion	16,125	33,812	-	2,571	52,508
	$ 16,125				$ 334,608

Subsequent to March 31, 2015 and before these interim condensed consolidated financial statements were authorized, the Company made principal repayments of US $4,500 towards outstanding senior debt.

8. CONVERTIBLE DEBENTURES

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

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Summary of the debt component of the convertible debentures:

	2015 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2015 Balance, End of Period
Series H	$ 21,276	$ -	$ 67	$ (94)	$ -	$ 21,249
Series I	34,390	-	554	-	(34,944)	-
Series J	54,917	-	165	-	-	55,082
Unsecured - 2012	54,068	-	151	-	-	54,219
Unsecured - 2013	61,447	-	140	-	-	61,587
Unsecured - 2014	37,495	-	78	-	-	37,573
						229,710
less: unamortized transaction costs						(7,691)
Convertible Debentures - Debt Component, end of period						222,019
less: current portion						-
Convertible Debentures - Debt Component (long-term portion)						$ 222,019

During the three months ended March 31, 2015, convertible debentures totaling a face value of $100 were converted by the holders at various times into 5,000 Shares of the Company (2014 – $159 face value into 11,516 Shares).

Interest expense recorded during the three months ended March 31, 2015 for the convertible debentures was $5,936 (2014 – $4,832).

The Series I debentures due January 31, 2016, were redeemed on March 31, 2015 pursuant to Section 4.2 of the trust indenture. This resulted in a payment of $35,269, comprising of $34,944 in principal plus accrued interest. The redemption was funded through a draw on the Company's senior credit facility. The related equity component was transferred to contributed surplus.

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 2015	December 31 2014
Series H - 2010	$ 1,181	$ 1,188
Series I - 2011	-	1,489
Series J - 2011	3,136	3,136
Unsecured Debentures - 2012	3,204	3,204
Unsecured Debentures - 2013	3,063	3,063
Unsecured Debentures - 2014	1,797	1,797
Convertible Debentures - Equity Component, end of period	$ 12,381	$ 13,877

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

9. SHARE CAPITAL

Changes in the Shares issued and outstanding during the three months ended March 31, 2015 are as follows:

	Number of Shares		2015 Amount
Share capital, beginning of period	22,507,341	$	308,919
Issued upon conversion of convertible debentures	5,000		101
Issued under dividend reinvestment plan	44,042		946
Issued to Provincial vendors on closing (Note 6)	523,188		12,138
Issued under deferred share plan	21,749		482
Share capital, end of period	23,101,320	$	322,586

10. DIVIDENDS DECLARED

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

Cumulative dividends during the three months ended March 31, 2015 and the comparative 2014 period are as follows:

Three Months Ended March 31		2015		2014
Cumulative dividends, beginning of period	$	189,073	$	151,649
Dividends during the period		10,038		9,136
Cumulative dividends, end of period	$	199,111	$	160,785

The amounts and record dates of the dividends during the three months ended March 31, 2015 and the comparative 2014 period are as follows:

					2015 Dividends					2014 Dividends
Month	Record date		Per Share		Amount	Record date		Per Share		Amount
January	January 30, 2015	$	0.145	$	3,342	January 31, 2014	$	0.14	$	3,039
February	February 27, 2015		0.145		3,347	February 28, 2014		0.14		3,043
March	March 31, 2015		0.145		3,349	March 31, 2014		0.14		3,054
Total		$	0.435	$	10,038		$	0.42	$	9,136

Subsequent to March 31, 2015 and before these interim condensed consolidated financial statements were authorized, the Company declared a dividend of $0.145 per Share for April 2015.

11. SEGMENTED AND SUPPLEMENTAL INFORMATION

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

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

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

"Head Office" used in the following segment tables is not a separate segment and is only presented to reconcile to 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, 2015			
	Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 133,458	$ 40,477	$ -	$ 173,935
Expenses	102,237	37,675	2,943	142,855
EBITDA	31,221	2,802	(2,943)	31,080
Depreciation and amortization				18,515
Finance costs - interest				8,398
Acquisition costs				2,194
Earnings before income tax				1,973
Current income tax expense				1,246
Deferred income tax expense				(207)
Net earnings from continuing operations				934
Net earnings from discontinued operations				-
Net earnings				$ 934

	Three Months Ended March 31, 2014			
	Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 78,349	$ 47,710	$ -	$ 126,059
Expenses	63,430	42,423	2,213	108,066
EBITDA	14,919	5,287	(2,213)	17,993
Depreciation and amortization				12,037
Finance costs - interest				5,097
Acquisition costs				40
Consideration liability fair value adjustment				(395)
Earnings before income tax				1,214
Current income tax expense				343
Deferred income tax expense				1,221
Net loss from continuing operations				(350)
Net earnings from discontinued operations				517
Net earnings				$ 167

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

								March 31, 2015
		Aviation		Manufacturing		Head Office		Consolidated
Total assets	$	823,958	$	143,869	$	124,828	$	1,092,655
Net capital asset additions		35,759		793		165		36,717

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

12. 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: deferred shares 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 debentures less the tax effect.

The computation for basic and diluted earnings per share for the three months ended March 31, 2015 and comparative period in 2014 are as follows:

Three Months Ended March 31		2015		2014
Net earnings (loss) from continuing operations	$	934	$	(350)
Effect of dilutive securities				
Convertible debentures		-		-
Diluted earnings (loss) from continuing operations	$	934	$	(350)
Basic weighted average number of shares		23,058,447		21,813,158
Effect of dilutive securities				
Deferred shares		370,727		162,987
Convertible debentures		-		-
Diluted basis average number of shares		23,429,174		21,976,145
Earnings (loss) per share from continuing operations:				
Basic	$	0.04	$	(0.01)
Diluted	$	0.04	$	(0.01)

13. DEFERRED SHARE PLAN

During the three months ended March 31, 2015, the Company granted deferred shares to certain personnel. The fair value of the deferred shares granted was $2,173 at the time of the grant and was based on the market price of the Company's Shares at that time. During the three months ended March 31, 2015, the Company recorded compensation expense of $458 for the Company's Deferred Share Plan within the general and administrative expenses of head-office (2014 - $274).

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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 $41,400 ($52,508) outstanding on its credit facility. The outstanding funds in USD results in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the USD portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries.

The Company`s investment in those subsidiaries with USD functional currencies are hedged partially by US$36,900 of the secured bank loan which mitigates the foreign currency translation risk arising from the subsidiary`s net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge during the three months ended March 31, 2015.

Interest Rates

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

The terms of the credit facility allow for the Company to choose the base interest rate between Prime, Bankers Acceptances or London Inter Bank Offer Rate ("LIBOR"). At March 31, 2015, US $34,900 was outstanding under US LIBOR, US $6,500 was outstanding under US Prime, $50,000 was outstanding under Prime, and $232,100 was outstanding under Bankers Acceptances.

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

Fair Value of Financial Instruments

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

Recurring measurements	Carrying Value March 31, 2015	Quoted prices in an active market Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Financial Liabilities				
Consideration liabilities - Other financial liabilities	$ (2,372)	$ -	$ -	$ (2,372)
Fair Value Disclosures				
Other assets - Loans and receivables	9,363	-	9,363	-
Other assets - Equity method investment	1,630	-	-	1,630
Long term debt - Other financial liabilities	(332,719)	-	-	(334,608)
Convertible debt - Other financial liabilities	(222,019)	(226,806)	-	-

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

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

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

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

Consideration Liability Summary For the periods ended	March 31 2015	December 31 2014
Opening	$ 2,162	$ 12,582
Accretion	8	102
Consideration liability fair value adjustment	-	(651)
Settled during the year	-	(10,393)
Translation loss	202	522
Ending	$ 2,372	$ 2,162

15. CHANGES IN WORKING CAPITAL ITEMS

The changes in non-cash operating working capital items during the three months ended March 31, 2015 and the comparative period in 2014 are as follows:

Period Ended March 31	2015	2014
Accounts receivable	$ 148	$ (30,775)
Costs incurred plus recognized profits in excess of billings	2,111	(12,546)
Inventory	(3,523)	(5,548)
Prepaid expenses	(4,894)	(414)
Accounts payable and accrued charges	446	15,363
Income taxes receivable/payable	(5,580)	(1,676)
Deferred revenue	2,456	250
Billings in excess of costs incurred plus recognized profits	701	15,735
Foreign currency impact	6,642	8,936
Net change in working capital items	$ (1,493)	$ (10,675)

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

16. INCOME TAX

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

17. DISCONTINUED OPERATIONS

During the fourth quarter of 2014, the Company sold the US operations of WesTower. As a result of this transaction, the Company's prior period results are presented with discontinued operations, which include the operational results of WesTower US and the allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US. The net gain on the disposition was recognized in the fourth quarter of 2014 and is therefore excluded from the table below. The following summarizes the results of the Discontinued Operations in the comparative period ended March 31, 2014 (nil for the current period).

For the periods ended	March 31, 2015	March 31, 2014
Revenue	$ -	$ 131,420
Expenses		
Manufacturing expenses - excluding depreciation and amortization	-	120,554
General and administrative	-	9,402
Operating profit before depreciation, amortization, finance costs and other	-	1,464
Depreciation and amortization	-	1,125
Finance costs - interest(1)	-	1,366
Earnings before tax	-	(1,027)
Current income tax expense (recovery)	-	(1,367)
Deferred income tax (recovery)(2)	-	(177)
Results from operating activities	$ -	$ 517

(1) The Company allocated interest expense to Discontinued Operations representing the portion of interest expense related to the Company's senior credit facility that was repaid as a result of the transaction. During the period ended March 31, 2014, the Company allocated interest expense of $1,366 to discontinued operations.

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

The following are the cash flows from the Company's Discontinued Operations for the periods ended March 31, 2015 and March 31, 2014:

CASH FLOWS from discontinued operations For the periods ended	March 31, 2015	March 31, 2014
Net cash from (used in) operating activities	$ -	$ (8,204)
Net cash from (used in) investing activities	-	(353)
Net cash from (used in) financing activities	-	515
CASH FLOWS from discontinued operations	$ -	$ (8,042)