Exchange Income Corporation

Third Quarter Report

For the three and nine months ended September 30, 2013

President & CEO's Message

The third quarter of 2013 was a challenging time for EIC. The extreme growth at WesTower US has led to increased expenses and unacceptably low profit margins. This in turn has caused profits and cash flow results for the Company as a whole that are in line with the guidance given in our October 7 News Release but in no way do they meet the expectations of our Board, management team or most importantly our shareholders. While we are disappointed with the results of this quarter, we are not discouraged. The challenges we face at WesTower US are attributable to managing explosive revenue growth rather than declining demand. By the end of 2013, sales in WesTower US will have reached approximately 400% of the level they were at when we purchased the company or approximately $500 million. The change in the scope of WesTower's operation presents opportunities over the longer term despite the short-term challenges we face digesting the rapid growth.

This is not the first time that a subsidiary of EIC has faced operating challenges; in fact we have gone through this on other occasions in the past. For example, in 2006, a new competitor entered into the Manitoba aviation marketplace, and in 2009 the worldwide recession had a dramatic effect on the demand for our manufactured products. While all businesses strive to avoid these challenges, the fact that they occur is the very reason for EIC's diversified strategy. When one of our businesses struggles, the others have the capability to carry the load and ensure that we are able to generate strong cash flows and maintain our dividend to shareholders. That was the case in each of the previous examples I cited and with time and effort the challenges faced were overcome, and EIC continued to grow and deliver increased profitability. The fact that we occasionally face difficulties in a subsidiary is not a reason to be concerned about our business model. Rather, as demonstrated several times over the last decade, it shows the value in our diverse stream of cash flows.

The challenges at WesTower US are somewhat different than what we have faced in the past. Firstly the sheer size of WesTower relative to EIC is much larger than previous challenges and secondly it is driven by extreme demand for our products, rather than a decline. Accordingly, we are moving quickly to improve the efficiencies at WesTower US, and making the necessary investments to take advantage of this opportunity. We have made significant strides in establishing new systems and operating protocols which will give our front line managers faster and better information to enable them to efficiently meet our customers' needs, while meeting our profitability expectations.

With challenge comes opportunity. The business conditions which have resulted in WesTower US experiencing tremendous growth and putting pressure on our margins have also caused it to grow from a niche player providing subcontract services to larger entities servicing the telecommunications sector, to a national self-performing general contractor meeting all of the customers' needs through its own capabilities while employing sub-contractors. While we are experiencing short term growth pains with this change, WesTower US has begun to open significant doors to future growth and diversity for the company. The demand for WesTower's services in the foreseeable future is excellent and we are equipping the company to take advantage of these opportunities.

Mike Jarvis, who has overseen WesTower since it was acquired by EIC, as well as for many years as a private company, has announced his retirement. We thank him for his dedication to the company and his vision and leadership in bringing the company to this new level. I am very excited that Steven Pickett will be joining WesTower as its new CEO. Mr. Pickett has a proven track record as a CEO in the telecommunications field. Mr. Pickett comes to WesTower with over 27 years of experience in the telecommunications industry. For a number of those years he has held a multitude of senior executive roles for Alcatel-Lucent. Most recently he has held the position of CEO for a network equipment solutions company which also provides network services globally. We look forward to his leadership of WesTower as we look to improve our current profitability and diversify our customer base.

Our aviation group experienced a slower third quarter particularly in the charter market. This was a short-term seasonal anomaly and the charter market has since returned to more normal levels. We remain excited about the fleet rationalization undertaken at Calm Air. We purchased an ATR 42 in 2013 and are in the process of acquiring the final aircraft in the makeover of its fleet being a third ATR72, which will be online in mid-2014 after undergoing substantial modification to upgrade its freighter capabilities. As a result of growing demand Perimeter has purchased a fifth Dash 8 to enable it to take advantage of out of province charter opportunities as well as meet the growing demands of our customers for scheduled service.

We have a 10 year track record of reliable performance and dividend growth. We pride ourselves that our dividend has been increased seven times over this period by a total of 56%. At no point has our dividend ever been suspended or reduced, and no such action is being contemplated as a result of the third quarter results. While the third quarter has been challenging as we make changes to better manage the growth achieved at WesTower, we are very excited about the future. It will take several quarters to return the margins at WesTower US to acceptable levels, but we have begun the process and look forward to seeing the results of these investments in people and processes in 2014.

Our balance sheet is strong, with capital available to move quickly when the right opportunity is discovered. We remain committed to our strategy of growth through disciplined acquisition. Over time we intend to return our operations to a better balance where one subsidiary does not have the significant influence on our results that WesTower currently has. Our formula has not changed; diversification and discipline will generate a solid business model and return for our shareholders. We thank our shareholders and employees for their ongoing support and look forward to releasing results more in line with our historical performance in the future.

Mike Pyle
President & CEO

Management's Discussion and Analysis

November 11, 2013

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") supplements the unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2013 ("Consolidated Financial Statements") of Exchange Income Corporation ("EIC" or "the Company"). All amounts are stated in thousands of Canadian dollars, except per share data, unless otherwise stated.

These interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements. This MD&A should be read in conjunction with the Consolidated Financial Statements of the Company for the three and nine months ended September 30, 2013 and its annual MD&A for the year ended December 31, 2012.

FORWARD-LOOKING STATEMENTS

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

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

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

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

NON-GAAP FINANCIAL MEASURES

EBITDA, Adjusted Net Earnings and Free Cash Flow are not recognized measures under the CICA Handbook ("GAAP") and are, therefore, defined below.

<u>EBITDA</u>: is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash expenses such as unrealized foreign exchange gains or losses and asset impairment, and any unusual non-operating one-time items such as acquisition costs. It is used by management to assess its consolidated results and the results of its operating segments. EBITDA is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures and income taxes. EBITDA is not a defined performance measure under GAAP and the Company's calculation of EBITDA may differ from similar calculations used by comparable entities.

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

<u>Free Cash Flow</u>: for the period is equal to cash flow from operating activities as defined by GAAP, 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 such as conversion costs.

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

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

ADDITIONAL INFORMATION

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

1. FINANCIAL HIGHLIGHTS

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

FINANCIAL PERFORMANCE	2013	per share basic	per share fully diluted	2012	per share basic	per share fully diluted
For the three months ended September 30						
Revenue	$ 267,327			$ 220,807		
EBITDA	15,612			30,332		
Net earnings (loss)	(205)	$ (0.01)	$ (0.01)	9,972	$ 0.49	$ 0.46
Adjusted net earnings	132	0.01	0.01	11,610	0.57	0.53
Free cash flow	15,434	0.71	0.68	24,059	1.17	0.94
Free cash flow less maintenance capital expenditures	5,362	0.25	0.25	16,199	0.79	0.69
Dividends declared	9,068	0.42		8,351	0.405	
For the nine months ended September 30						
Revenue	$ 762,579			$ 569,126		
EBITDA	58,173			68,856		
Net earnings	7,113	$ 0.33	$ 0.33	18,641	$ 0.94	$ 0.93
Adjusted net earnings	9,366	0.44	0.44	21,240	1.07	1.05
Free cash flow	48,482	2.27	2.00	56,047	2.82	2.25
Free cash flow less maintenance capital expenditures	21,880	1.03	1.03	32,573	1.64	1.48
Dividends declared	26,797	1.26		24,162	1.215	
FINANCIAL POSITION	**September 30, 2013**			**December 31, 2012**		
Working capital	$ 226,466			$ 156,561		
Capital assets	322,620			269,036		
Total assets	938,958			709,370		
Senior debt	178,849			69,809		
Equity	305,446			294,542		
SHARE INFORMATION	**September 30, 2013**			**December 31, 2012**		
Common shares outstanding	21,588,127			20,636,593		

2. OVERVIEW

EXCHANGE INCOME CORPORATION

The Company is a diversified, acquisition-oriented corporation focused on opportunities in the Manufacturing and Aviation segments. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows operating in niche markets in Canada and/or the United States. The objectives of the Company are:

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

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

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

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

(a) Aviation – providing scheduled airline and charter service and emergency medical services to communities located in Manitoba, Ontario, and Nunavut, including certain First Nations communities, operated by Calm Air, Keewatin, Perimeter, Bearskin, Custom Helicopters, Regional One and other aviation supporting businesses. Regional One, Inc. ("Regional One") was acquired on April 12, 2013 and is focused on supplying regional airline operators around the world with various after-market aircraft, engines, and component parts; and

(b) Manufacturing – providing a variety of metal manufacturing goods and metal related services in a variety of industries and geographic markets throughout North America. WesTower is a manufacturer, installer, and maintenance service provider of communication towers and sites in both Canada and the United States. Stainless manufactures specialized stainless steel tanks, vessels and processing equipment. Water Blast and Jasper Tank together make up the Alberta Operations. Water Blast specializes in the manufacturing of specialized heavy duty pressure washing and steam systems and Jasper Tank manufactures custom tanks for the transportation of various products, but primarily oil, gasoline and water. Water Blast is also the exclusive distributor in Alberta, British Columbia, 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 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.

Acquisition – Regional One

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

The acquisition price was US$94.9 million ($96.2 million) and was funded through a combination of US cash, the issuance of the Company's Common Shares ("Shares") and the recognition of consideration liabilities for future payments. At the time of closing, the Company paid US$45.1 million in cash ($45.8 million). Additionally the Company paid US$15.7 million ($15.9 million) to an escrow agent associated with future results being attained by Regional One and this is treated as a consideration liability on the Statement of Financial Position. The Company issued 494,656 Shares with a value of US$13.6 million ($13.8 million) and the recognized contingent consideration liabilities associated with future payments was US$20.5 million ($20.8 million). The Company also assumed debt within Regional One of US$1.6 million ($1.6 million) and paid it off at the time of closing. The acquisition price is subject to the finalization of working capital which is expected in the fourth quarter of 2013.

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

The acquisition has been immediately accretive to the Company's key financial metrics, including EBITDA, cash flows, earnings per share and Free Cash Flow. At its core, the acquisition allows us to further diversify our revenue streams and cash flow by entering new product and geographical markets. In addition, the acquisition provides a proxy for vertical integration into one of the major expense categories of our aviation segment, in essence providing a hedge against price increases in aircraft and parts. Over the past five years, Regional One has had an annual average growth rate of 25%. Consistent with the Company`s traditional acquisition criteria, Regional One was identified because it operates in a niche portion of a large industry with barriers to entry, has a solid management team in place with extensive industry expertise and its worldwide market presence provides a platform for further growth while fostering diversification of the Company`s cash flows by entering new geographical markets.

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

Prior Year's Acquisitions

The following acquisitions were made by the Company during the year ended December 31, 2012:

Acquisition – Custom Helicopters

On February 1, 2012, the Company closed the acquisition of the shares of Custom Helicopters Ltd. ("Custom"), a privately-owned provider of helicopter-based aviation services in Manitoba and Nunavut. The acquisition price of $28.4 million was funded through a combination of $24.2 million of cash through debt financing from the Company's credit facility and the issuance of Shares worth $4.2 million to the vendors of Custom (170,121 Shares).

The acquisition was immediately accretive to the Company's 2012 key financial metrics, including EBITDA, cash flows, earnings per share and Free Cash Flows. The Company's results include Custom since the closing date of the acquisition.

The acquisition of Custom expands the Company's existing Aviation segment to include helicopter operations. Custom has operated for over 30 years and currently has a fleet of 22 helicopters operating out of five bases: Winnipeg, Thompson, Gillam, and Garden Hill in Manitoba and Rankin Inlet in Nunavut. Custom operates light, intermediate and medium category helicopters on long- and short-term contracts to government agencies, utilities, First Nations groups, mining companies and other customers.

Acquisition costs of $0.4 million were incurred by the Company during fiscal 2012 associated with the acquisition.

Acquisition – Water Blast Dakota

On December 5, 2012, the Company acquired the shares of Dallas Sailer Enterprises Inc, a privately-owned retail distributor of Hotsy product in North Dakota. This is a tuck-in operation ("Water Blast Dakota") of EIC's Water Blast operations that gives EIC the Hotsy distribution rights for the State of North Dakota. The aggregate consideration of US$1.6 million ($1.6 million) consisted of US$1.4 million of cash and 8,487 Shares with a value of US$0.2 million. During the third quarter of 2013 the Company finalized the settlement of working capital that resulted in the collection of US$0.1 million from the vendor.

The Company was interested in the potential growth of the North Dakota market for the Hotsy product and custom manufactured units available through Water Blast production facility and experience. The State of North Dakota is transforming from an agricultural based economy with supporting elements from coal mining and national defense facilities into an oil and gas centered economy with support from the agricultural, coal and defense industries. The oil and gas industry there has similarities with the existing customer and industry base for the Water Blast operations servicing the Alberta oil and gas industry.

The advent of horizontal fracking technology has allowed the development of the massive Bakken oil deposit and is the driving force of this economic transformation. The Bakken deposit is an area centered in western North Dakota reaching north into south eastern Saskatchewan and west into eastern Montana. Also in the fourth quarter of 2012, EIC's existing Water Blast operations obtained the Hotsy distribution rights in the south eastern corner of Saskatchewan and has opened up a retail facility in Estevan, Saskatchewan. Based on these transactions Water Blast and Water Blast Dakota have the distribution rights for the majority of the geographic area for the Bakken oil deposit.

3. KEY PERFORMANCE INDICATORS

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

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

EBITDA

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

EBITDA	Three Months Ended		Nine Months Ended	
periods ending September 30	2013	2012	2013	2012
Earnings before income tax	$ (2,488)	$ 14,857	$ 8,153	$ 27,610
Depreciation and amortization	12,547	10,168	34,059	28,827
Finance costs - interest	5,824	3,454	15,126	10,176
Acquisition costs	1	2	1,669	392
Consideration liability fair value adjustment	(272)	-	(834)	-
Impairment loss	-	1,851	-	1,851
Total EBITDA	$ 15,612	$ 30,332	$ 58,173	$ 68,856

FREE CASH FLOW

FREE CASH FLOW	Three Months Ended		Nine Months Ended	
periods ending September 30	2013	2012	2013	2012
Cash flows from operations	$ (3,123)	$ 7,107	$ (12,615)	$ (15,342)
Change in non-cash working capital items	18,556	16,950	59,428	70,997
Acquisition costs	1	2	1,669	392
	$ 15,434	$ 24,059	$ 48,482	$ 56,047
per share - Basic	$ 0.71	$ 1.17	$ 2.27	$ 2.82
per share - Fully Diluted	$ 0.68	$ 0.94	$ 2.00	$ 2.25

Three Month Free Cash Flow

The Company generated Free Cash Flow of $15.4 million for third quarter of 2013, which is $8.6 million or 36% less than the $24.1 million generated in the comparative period in 2012. The decrease in Free Cash Flow is the result of a number of factors but primarily as a result of the decrease in the EBITDA generated by the Company.

The EBITDA generated by the Company decreased by $14.7 million or 49% in the third quarter of 2013 from the comparative period. The EBITDA in 2013 is analyzed in more detail in Section 4 – Analysis of Operations, however the largest impact in the third quarter the Company's WesTower business made a significant change in certain estimates pertaining to its US operations. The US operations of WesTower experienced lower gross margins as a result of project inefficiencies with higher than expected costs to complete the projects. This resulted in approximately $11 million of additional costs recorded by WesTower in the third quarter as a result of the change in estimate as further described in Section 4. Offsetting this EBITDA reduction was a cash tax recovery of $3.9 million for the third quarter as a result of lower earnings. The comparative period in 2012 included cash taxes of $3.6 million and the change increases Free Cash Flow by the variance of $7.5 million. Cash interest on the Company's debt items increased by $1.8 million and is mainly a result of higher levels of convertible debentures outstanding during the 2013 period. Other non-cash items changed in the 2013 period by $0.4 million and contributed an increase in Free Cash Flow.

On a basic per share basis, the decrease in absolute Free Cash Flow was the main factor contributing to the decrease on a per share basis but that was compounded by the higher base of the Company's shares outstanding. The combined impact resulted in Free Cash Flow of $0.71 per share for the third quarter of 2013, which is a decrease of $0.46 (or 39%) from the $1.17 per share in the 2012 comparable period. The average amount of Shares outstanding for the third quarter of 2013 was 5.7% higher than the comparative period in 2012. Explanations around the increase in Shares outstanding can be found in Section 6 – Liquidity and Capital Resources and the Company's 2012 Annual Report. On a fully diluted basis, the additional convertible debentures outstanding in 2013 impacted the decrease of $0.26 or 28% to $0.68 per share for the third quarter of 2013 over the $0.94 per share in the comparative period. The $57.5 million of principal from the September 2012 unsecured convertible debentures was included in only a portion of the comparative period and the $65.0 million of principal from the March 2013 unsecured convertible debentures was not outstanding in the 2012 comparative period at all.

As discussed in previous quarters, the Company has continued to invest in short-term external advisory services in association with WesTower's business process reengineering to support its growth. Included in Free Cash Flow are WesTower short-term external advisory costs of $1.6 million. If these short-term external advisory costs are excluded, Free Cash Flow would increase by an after-tax amount of $1.0 million, yielding Free Cash Flow of $16.4 million or $0.76 per share basic.

Nine Month Free Cash Flow

For the nine months ended September 30, 2013 the Company generated Free Cash Flow of $48.5 million, which is a decrease of $7.6 million or 13% over the $56.0 million generated in the comparative 2012 period. As described above the third quarter was behind the prior year, mainly as a result of the WesTower change in estimate adjustment, and this offsets the first six months of 2013 which generated an additional $1.1 million of Free Cash Flow over the comparative period.

The Company generated a decrease in EBITDA of $10.7 million for the nine months ended September 30, 2013 which is a 16% decrease over the comparative period. The decrease in EBITDA is analyzed in more detail in Section 4 – Analysis of Operations but was impacted negatively by the WesTower results. The lower EBITDA led to reduced taxable earnings and a cash tax recovery of $2.4 million for the nine month period in 2013. The comparative period in 2012 included cash taxes of $4.9 million and this change increases Free Cash Flow by the variance of $7.3 million. Cash interest on the Company's debt items increased by $3.8 million and is mainly a result of higher levels of convertible debentures outstanding during the 2013 period. Other non-cash items changed in the 2013 period by $0.4 million which added to the decrease in Free Cash Flow.

On a basic per share basis, the decrease in absolute Free Cash Flow was compounded by the higher share base, resulting in a combined decrease of $0.55 or 20% to $2.27 for the nine months ended September 30, 2013 (fully diluted decrease of 11% to $2.00) from the comparative period's $2.82 (2012 fully diluted $2.25). The decrease in absolute Free Cash Flow was the main factor contributing to the decrease.

Included in Free Cash Flow are WesTower short-term external advisory costs of $4.9 million. If these short-term external advisory costs are excluded, Free Cash Flow would increase by an after-tax amount of $3.0 million, yielding Free Cash Flow of $51.5 million or $2.42 per share basic.

FREE CASH FLOW LESS MAINTENANCE CAPITAL EXPENDITURES

FREE CASH FLOW LESS MAINTENANCE CAPITAL EXPENDITURES	Three Months Ended		Nine Months Ended	
periods ending September 30	2013	2012	2013	2012
Free Cash Flow	$ 15,434	$ 24,059	$ 48,482	$ 56,047
Maintenance Capital Expenditures	10,072	7,860	26,602	23,474
	$ 5,362	$ 16,199	$ 21,880	$ 32,573
per share - Basic	$ 0.25	$ 0.79	$ 1.03	$ 1.64
per share - Fully Diluted	$ 0.25	$ 0.69	$ 1.03	$ 1.48

Three Month Free Cash Flow Less Maintenance Capital Expenditures

The Company generated Free Cash Flow less maintenance capital expenditures of $5.4 million for the third quarter of 2013, which is a decrease of $10.8 million or 67% over the $16.2 million generated in the comparative period in 2012. The decline is due to both the $8.6 million (or 36%) decrease in Free Cash Flow described above for the third quarter and the increase in maintenance capital expenditures of $2.2 million or (28%) for the third quarter of 2013 as 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. This metric will not have the variability of the lumpy capital expenditures and therefore will give a better indication of the performance of the underlying operations and the trend in performance. Maintenance capital expenditures are variable under IFRS because overhaul maintenance for aircraft engines and airframe heavy checks that were previously accrued in advance are treated as capital expenditures when the event takes place under IFRS. Free Cash Flow less maintenance capital expenditures is still an important operating metric; however, it will be subject to lumpy quarterly and annual changes as a result of the maintenance capital expenditures and therefore needs to be evaluated over longer operating periods.

On a basic per share basis, Free Cash Flow less maintenance capital expenditures for the third quarter of 2013 decreased to $0.25 ($0.25 fully diluted) in comparison to $0.79 ($0.69 fully diluted) in the 2012 comparative period. The decrease of 68% (64% fully diluted) is due to the lower Free Cash Flow less maintenance capital expenditures generated by the Company compounded by an increased base of Shares outstanding for the Company during the 2013 period. The maintenance capital expenditure component of this metric is described further below and accounted for the $0.46 per share decrease from Free Cash Flow. The maintenance capital expenditures impact for the comparable period in 2012 was $0.38 per share.

Included in Free Cash Flow less maintenance capital expenditures are WesTower short-term external advisory costs of $1.6 million. If these short-term external advisory costs are excluded, Free Cash Flow less maintenance capital expenditures would increase by an after-tax amount of $1.0 million, yielding Free Cash Flow less maintenance capital expenditures of $6.4 million or $0.29 per share basic.

Nine Month Free Cash Flow Less Maintenance Capital Expenditures

The Company generated Free Cash Flow less maintenance capital expenditures of $21.9 million for the nine months ended September 30, 2013, which is a decrease of $10.7 million or 33% over the $32.6 million generated in the comparative period in 2012. The decline is mainly due to the $7.6 million (or 13%) decrease in Free Cash Flow described above and the maintenance capital expenditures increased by $3.1 million or 13% which are described in detail in the Capital Expenditures Section.

On a basic per share basis, Free Cash Flow less maintenance capital expenditures for the nine months ended September 30, 2013 decreased to $1.03 ($1.03 fully diluted) in comparison to $1.64 ($1.48 fully diluted) in the 2012 comparative period. The decrease of 37% (30% fully diluted) is due to the decrease in Free Cash Flow less maintenance capital expenditures generated by the Company compounded by an increased base of Shares outstanding for the Company during the 2013 period. The maintenance capital expenditure component of this metric is described further below and accounted for the $1.25 per share decrease from Free Cash Flow. The maintenance capital expenditures impact for the comparable period in 2012 was $1.18 per share.

Included in Free Cash Flow less maintenance capital expenditures are WesTower short-term external advisory costs of $4.9 million. If these short-term external advisory costs are excluded, Free Cash Flow less maintenance capital expenditures would increase by an after-tax amount of $3.0 million, yielding Free Cash Flow less maintenance capital expenditures of $24.9 million or $1.17 per share basic.

CAPITAL EXPENDITURES

CAPITAL EXPENDITURES	Three Months Ended		Nine Months Ended	
periods ending September 30	2013	2012	2013	2012
Cash maintenance capital expenditures	$ 9,791	$ 7,562	$ 25,554	$ 22,537
add: finance lease principal payments	281	298	1,048	937
Maintenance capital expenditures	10,072	7,860	26,602	23,474
Growth capital expenditures	18,960	6,900	32,803	30,064
	$ 29,032	$ 14,760	$ 59,405	$ 53,538
Maintenance capital expenditures per share - Basic	$ 0.46	$ 0.38	$ 1.25	$ 1.18
Growth capital expenditures per share - Basic	0.87	0.34	1.54	1.52
Total capital expenditures per share - Basic	$ 1.33	$ 0.72	$ 2.79	$ 2.70

Management characterizes capital expenditures as either maintenance capital expenditures or growth capital expenditures. Maintenance capital expenditures are those required to maintain the operations of the Company at its current level. Other capital expenditures are made to grow the enterprise and are expected to generate additional EBITDA. These other capital expenditures are classified as growth capital expenditures and are not considered by management in determining the cash flows required to sustain the current operations of the Company. The accounting for capital expenditures has changed significantly under IFRS as compared to Canadian generally accepted accounting principles before the adoption of International Financial Reporting Standards ("CGAAP"). The most significant change is that aircraft engine overhauls and airframe heavy checks were previously accrued as an expense and then removed from the accrued liability when the event occurred. Under IFRS, these events are treated as maintenance capital expenditures when the event occurs and there is no expense accrued in advance of the event. The result is that maintenance capital expenditures can now be very lumpy from period to period, both within the year and when analyzing to the comparative period in the prior year. It is important to note that the change from CGAAP to IFRS does not change the cash outflows to maintain the fleet. It does, however, make the period to period results less comparable.

Maintenance Capital Expenditures

For the third quarter of 2013 the Company spent $10.1 million on maintenance capital expenditures compared to $7.9 million in the comparable period, an increase of $2.2 million. The majority of this continues to be in the Aviation segment as it spent $8.4 million versus $1.7 million from the Manufacturing segment.

The maintenance capital expenditures in the Aviation segment will vary from period to period based on the timing of significant maintenance events, such as engine overhauls and heavy checks. The total maintenance capital expenditures in the Aviation segment for this period are at a level that is indicative of an average quarter. The expenditures at the various airlines are generally proportionate to the size and number of aircraft they operate but can fluctuate based on the timing of certain major events. Included in the Aviation segment's maintenance capital expenditures is the addition of Regional One which contributed to $1.1 million for the third quarter of 2013 with no comparable in 2012.

The Manufacturing segment's maintenance capital expenditures were mainly from WesTower which spent $1.4 million during the third quarter and includes $0.3 million of finance lease payments. The Manufacturing segment's capital expenditures are largely equipment and vehicles. The Company has finance leases for vehicles. These finance lease principal payments do not show up as part of the Free Cash Flow or the capital expenditures that tie into the statement of cash flows. In order to fully reflect the Free Cash Flow after maintenance capital expenditures as the cash flow generated, the Company has disclosed the finance lease principal payments and deducted this from the Free Cash Flow less maintenance capital expenditures calculation.

Total maintenance capital expenditures for the nine months ended September 30, 2013 totaled $26.6 million compared to $23.5 million in 2012, an increase of $3.1 million. The Aviation segment spent $23.3 million and the Manufacturing segment spent $3.3 million. The increase is driven by an additional $1.6 million for Regional One, which has no comparable in 2012, and the larger WesTower entity incurring maintenance capital expenditures of $2.7 million, an increase of $1.0 million over the comparative period.

Growth Capital Expenditures

For the third quarter of 2013 the Company spent $19.0 million on growth capital expenditures compared to $6.9 million in the comparable period, an increase of $12.1 million. The majority of the growth capital expenditures were in the Aviation segment which accounted for $18.5 million of the growth capital expenditures. Within this amount is $9.2 million of Regional One growth capital expenditures, with no comparable in 2012. Regional One has a focus on growing its lease portfolio and long-term sales portfolio and several profitable opportunities were executed in the third quarter. The other major growth capital expenditure during the quarter was $6.9 million on the acquisition of a Dash-8-300 by Perimeter, which will capitalize on charter growth opportunities in new markets. The aircraft is anticipated to be in operation by the end of the year. In addition there were continued expenditures of $1.0 million for Calm Air's fleet rationalization and $0.6 million on further ground infrastructure. The growth capital expenditures of the Manufacturing segment totaled $0.5 million which came almost entirely from WesTower's US and Canadian operations on equipment to support their growth and new technology to enable them to successfully build Long-Term Evolution ("LTE") sites.

Total growth capital expenditures for the nine months ended September 30, 2013 totaled $32.8 million compared to $30.1 million in 2012, an increase of $2.7 million. The Aviation segment spent $29.2 million and the Manufacturing segment spent $3.6 million. The aviation growth expenditures are net of insurance proceeds received for two helicopters that succumbed to heavy landing incidents. Consistent with the third quarter, growth capital expenditures were driven by aircraft and engine additions to Regional One's lease portfolio and Perimeter's expenditures on the new Dash-8-300, as well as additional expenditures related to Calm Air's fleet rationalization. During the nine months ended September 30, 2013 Calm Air has spent $5.2 million on the addition of an ATR 42 and $5.1 million on ground infrastructure. This includes infrastructure at the James Armstrong Richardson International Airport to support Calm Air's new heavy maintenance facility and infrastructure in the far north required to support Calm Air's fleet rationalization.

DIVIDENDS & PAYOUT RATIO

The amounts and record dates of the dividends declared during the nine months ended September 30, 2013 and the comparative period in 2012 were as follows:

			2013 Dividends			2012 Dividends
Month	Record date	Per Share	Amount	Record date	Per Share	Amount
January	January 31, 2013	$ 0.14	$ 2,901	January 31, 2012	$ 0.135	$ 2,390
February	February 28, 2013	0.14	2,905	February 29, 2012	0.135	2,423
March	March 29, 2013	0.14	2,911	March 30, 2012	0.135	2,740
April	April 30, 2013	0.14	2,985	April 30, 2012	0.135	2,749
May	May 31, 2013	0.14	3,011	May 31, 2012	0.135	2,753
June	June 28, 2013	0.14	3,016	June 29, 2012	0.135	2,756
July	July 31, 2013	0.14	3,019	July 31, 2012	0.135	2,781
August	August 30, 2013	0.14	3,023	August 31, 2012	0.135	2,783
September	September 30, 2013	0.14	3,026	September 28, 2012	0.135	2,787
Total		$ 1.26	$ 26,797		$ 1.215	$ 24,162

Actual dividends for the third quarter of 2013 totaled $9.1 million, which was an increase of $0.7 million or 9% from the comparative period in 2012 when the actual payouts were $8.4 million. Per share dividends for the third quarter of 2013 totaled $0.42, which was an increase of 4% over the dividends paid per share of $0.405 in the comparative period in 2012.

Actual dividends for the nine months ended September 30, 2013 totaled $26.8 million, which was an increase of $2.6 million or 11% from the comparative period in 2012 when the actual payouts were $24.2 million. Per share dividends for the nine month period of 2013 totaled $1.26, which was an increase of 4% over the dividends paid per share of $1.215 in the comparative period in 2012.

The increase in total dividends declared by the Company is therefore mainly a result of the increase in the Shares outstanding and the per share dividend increase of 4% (or $0.005) that started with the November 2012 declared dividend and that continued through the first nine months of 2013.

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

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

Payout Ratios	2013	Per share basic	Per share fully diluted	2012	Per share basic	Per share fully diluted
For the three months ended September 30						
Free Cash Flows		*59%*	*62%*		*35%*	*43%*
Free Cash Flows less maintenance capital expenditures		*168%*	*168%*		*51%*	*59%*
For the nine months ended September 30						
Free Cash Flows		*56%*	*63%*		*43%*	*54%*
Free Cash Flows less maintenance capital expenditures		*122%*	*122%*		*74%*	*82%*

The significant change in estimate for WesTower and the resulting decrease in EBITDA recorded in the third quarter of 2013 negatively impacted all the payout ratios for the quarter and the nine months ended September 30, 2013. The adjustment impacts the payout ratios for both Free Cash Flow and Free Cash Flow less maintenance capital expenditures. In addition, the Company increased dividends per share in the 2013 periods, which also negatively impacts the payout ratios.

The payout ratio is considered to be prudent and is reviewed by the Company's Board of Directors on a quarterly basis.

4. ANALYSIS OF OPERATIONS

Three Month Results

The following section analyzes the financial results of the Company's operations for the three months ended September 30, 2013 and the comparative 2012 period.

	Three Months Ended September 30, 2013				Three Months Ended September 30, 2012			
	Aviation	Manufacturing	Head-office(2)	Consolidated	Aviation	Manufacturing	Head-office(2)	Consolidated
Revenue	$ 82,806	$ 184,521	$ -	$ 267,327	$ 73,459	$ 147,348	$ -	$ 220,807
Expenses(1)	64,026	185,649	2,040	251,715	56,193	132,084	2,198	190,475
EBITDA	18,780	(1,128)	(2,040)	15,612	17,266	15,264	(2,198)	30,332
Depreciation and amortization				12,547				10,168
Finance costs - interest				5,824				3,454
Acquisition costs				1				2
Consideration liability fair value adjustment				(272)				-
Impairment loss				-				1,851
Earnings before taxes				(2,488)				14,857
Current income tax expense (recovery)				(3,943)				3,610
Deferred income tax expense				1,660				1,275
Net earnings (loss) for the period				$ (205)				$ 9,972

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.

On a consolidated basis, total revenue for the Company for the third quarter of 2013 increased by 21% or $46.5 million to $267.3 million when compared to the same period in 2012. The main drivers of the increase in consolidated revenue for 2013 is the organic growth in the Manufacturing segment, in particular at WesTower, and the acquisition of Regional One in the Aviation segment which has no comparative in 2012. The revenues for the Aviation segment increased by 13% to $82.8 million and the revenues for the Manufacturing segment increased by 25% to $184.5 million.

On a consolidated basis, EBITDA of the Company for the third quarter of 2013 was $15.6 million, a decrease of 49% or $14.7 million when compared to the same period in 2012. Several factors contributed to the change in consolidated EBITDA for 2013 but it is mainly the result of a change in estimate recorded at WesTower in the Manufacturing segment. The EBITDA for the Aviation segment increased by 9% to $18.8 million and the EBITDA for the Manufacturing segment decreased by 107% to a negative EBITDA of $1.1 million. Costs incurred at the head-office of the Company decreased by 7% to $2.0 million. Included in EBITDA are short-term external advisory costs incurred in WesTower totaling $1.6 million. Excluding these short-term external advisory costs would result in EBITDA of $0.5 million for the Manufacturing segment, a decrease of 97% when compared to the same period in 2012.

AVIATION SEGMENT

Aviation Segment	Three Months Ended September 30,	2013	2012	Variance	Variance %
Revenue		82,806	73,459	9,347	13%
Expenses		64,026	56,193	7,833	14%
EBITDA		18,780	17,266	1,514	9%

The Aviation segment generated revenues of $82.8 million and EBITDA of $18.8 million for the third quarter of 2013. Revenues generated by the Aviation segment in the third quarter increased by $9.3 million, or 13%, from $ 73.5 million in 2012 to $82.8 million in 2013 including $11.3 million generated from Regional One which was acquired April 12, 2013. Regional One contributed $3.3 million in EBITDA in the third quarter.

The Aviation segment's pre-existing entities' revenues decreased by $1.9 million, or 3%, from $73.4 million in the third quarter of 2012 to $71.5 million for 2013. Similar to the prior two quarters, the largest revenue decrease was experienced in passenger services. Revenues generated from passenger services decreased by approximately $2.3 million, or 4%. The decrease in passenger revenue is predominantly the result of increased competition in the Ontario market serviced by Bearskin, as well as decreased volumes in Calm Air's market. The third quarter was also impacted by a very weak charter season which was primarily driven by lower fire evacuation work; however, this is a short term anomaly and we continue to be confident with the growth opportunities for this market. These revenue declines were offset by moderate growth in both the medevac and cargo operations. The Company's rotary wing operations had a slow start to the year; however, rotary wing operation's in the third quarter of 2013 improved over the second quarter of 2013 generating revenues similar to the third quarter of 2012. The Company continues to diligently assess market conditions in all areas of its operation and has identified growth opportunities in new markets and geographical regions to offset the impact of competition and lower passenger volumes in certain markets.

Operational expenses for the Aviation segment increased by $7.8 million, or 14%, from $56.2 million in 2012 to $64.0 million in 2013 inclusive of $8.0 million of expenses generated from Regional One. The increase in expenses associated with Regional One was partly offset by a $0.2 million reduction in expenses from pre-existing operations. The segment experienced increased labour costs associated with adding a 4th Dash 8 in late 2012, combined with ramping up for the addition of a 5th Dash 8 which will go into service in the fourth quarter of 2013. There were also increases associated with new labour contracts across the segment. These increases in labour costs were more than offset by cost reductions in other areas including costs savings resulting from the implementation of Calm Air's fleet rationalization plan as discussed in previous reports.

EBITDA increased by $1.5 million, or 9%, from $17.3 million in 2012 to $18.8 million in 2013. Regional One contributed $3.3 million in EBITDA. EBITDA for the pre-existing aviation entities decreased by $1.8 million from $17.3 million in 2012 to $15.5 million in 2013. The EBITDA margin for the Aviation segment inclusive of Regional One decreased from 23.5% in 2012 to 22.7% in 2013. As discussed above, the Aviation segment was impacted by a very weak charter season in the third quarter of 2013 compared to the same quarter in 2012. Typically, the charter operation generates favorable margins throughout the summer months. The decline in charter activity, combined with increases in labor costs and infrastructure costs associated with growing the segment's Dash 8 operations, both put downward pressure on the margin.

MANUFACTURING SEGMENT

Manufacturing Segment	Three Months Ended September 30,	2013		2012		Variance	Variance %
Revenue	$	184,521	$	147,348	$	37,173	25%
Expenses		185,649		132,084		53,565	41%
EBITDA	$	(1,128)	$	15,264	$	(16,392)	-107%

The Manufacturing segment earned revenues of $184.5 million and an EBITDA loss of $1.1 million for the third quarter of 2013. This represents a $37.2 million increase in revenue and a $16.4 million decrease in EBITDA in comparison to the same period in 2012. The operations of WesTower were the main factor impacting the results for the segment. WesTower has experienced rapid growth in the last 18 months and this has put considerable pressure on the resources and systems at WesTower.

Revenues were up $37.2 million or 25% for the third quarter of 2013 over the comparable period. The increase is due to the organic growth of WesTower which generated an additional $39.0 million of revenues which was an increase of 31% over its revenues in the comparable period. The growth was largely driven by the demand for Long-Term Evolution ("LTE") network builds for the major telecom companies in the US, including AT&T, which generated approximately $95 million in turfing contract revenues for WesTower in the third quarter of 2013. The Canadian operations of WesTower were relatively stable with a 2% increase in revenues generated compared to the prior year's comparative.

The revenue increase at WesTower was offset by a decline in the remainder of the Manufacturing segment, which was driven by a decrease at Stainless from the comparable period in 2012. Consistent with the analysis in the second quarter report, the revenues generated by Stainless in the current quarter were in line with expectations but the 2012 comparable period included strong revenues driven by several large projects. These large projects can result in short term spikes in performance that will result in lumpy revenues when comparing periods. The revenues generated by the remainder of the Manufacturing segment were comparable to the prior year period with a small increase from the precision metal business.

WesTower's earnings are determined using the percentage of completion method. The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate during the period.

In the ordinary course of business, and at a minimum on a quarterly basis, management updates projected contract revenue, cost and profit or loss for each of our projects based on changes in facts, such as an approved scope change, and changes in estimates. Due to reduced profitability for certain projects completed during the third quarter management determined that certain forecasted estimates of projected contract revenues and costs should be adjusted and related margins reduced. This resulted in adding approximately US$11 million of additional expense into the third quarter.

The US operations of WesTower experienced lower gross margins as a result of project inefficiencies with higher than expected costs to complete the work, higher overhead costs and a higher level of material related revenues that have lower margins. Many of these inefficiencies were driven by procuring the resources, both internal and external, to meet customers' build plans. This has required a significant increase in the size of its employee base and the costs of hiring and training those new employees puts a cost burden on the operations. Rapid growth of the employee base has also resulted in high employee turnover, resulting in further training and hiring costs.

The combined impact of these items at WesTower had a significant negative impact on the third quarter EBITDA generated by the Manufacturing segment. As discussed above, the Company recorded an $11 million adjustment from a change in estimate in the third quarter of 2013 resulting in WesTower generating negative EBITDA of $4.7 million, which is $16.1 million lower than the comparative period in 2012. Short-term external advisory costs at WesTower accounted for $1.6 million of the EBITDA decrease.

The significance of the change in estimate made at WesTower combined with the advisory costs incurred were the main factors in the negative EBITDA of $1.1 million for the whole segment in the third quarter of 2013. The EBITDA generated by the entities outside of WesTower was $3.6 million, which is a decrease of $0.3 million from the comparative period and is mainly attributed to the lower volume of production at Stainless as explained above in the change in revenues.

HEAD-OFFICE

Head-office Costs	Three Months Ended September 30,	2013		2012		Variance	Variance %
Expenses	$	2,040	$	2,198	$	(158)	-7%

The head-office costs decreased in the third quarter of 2013 by $0.2 million or 7% over the comparative period in 2012. The decrease can be attributed mainly to personnel costs decreasing by $0.1 million, certain unrealized foreign exchange gains on US foreign currency balances as a result of the weakening of the Canadian currency using period-end rates, and other various general and administrative costs decreasing. Despite the increase in number of personnel at head-office, personnel costs have declined for the 2013 period as a result of certain performance related bonus accruals and the impact of the Company's period-end share price declining.

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 September 30, 2013 in comparison to the same period in 2012. Consolidated net loss for the three months ended September 30, 2013 was $0.2 million, a decrease of $10.2 million over the comparative period in 2012.

Three Months Ended September 30,	2013	2012	Variance	Variance %
Depreciation and amortization	$ 12,547	$ 10,168	2,379	23%

The depreciation and amortization for the Company increased by $2.4 million or 23% in the third quarter of 2013 over the comparative period in 2012. The change is attributable to the increase in capital asset depreciation recorded by the Company, in particular the Aviation segment. The addition of Regional One and the significant capital expenditures made by the Aviation segment throughout fiscal 2012 and during the first nine months of 2013 have contributed to higher depreciation in 2013. Amortization of intangible assets is relatively consistent between both periods with some increase in 2013 as a result of the additional amortization on the intangible assets recognized from the Regional One acquisition.

Three Months Ended September 30,	2013	2012	Variance	Variance %
Finance costs - interest	$ 5,824	$ 3,454	$ 2,370	69%

The Company incurred additional interest costs during the third quarter of 2013 of $2.4 million or 69% over the comparative period in 2012. The majority of the reason for the increase in 2013 is a result of additional interest costs on the Company's outstanding convertible debentures and resulted in an additional $2.1 million of finance costs. During fiscal 2012 the Company closed the offering of its September 2012 unsecured convertible debentures of $57.5 million with a 5.5% fixed interest rate and during the first quarter of 2013 the Company closed the offering of its March 2013 unsecured convertible debentures of $65.0 million with a 5.35% fixed interest rate. The September 2012 unsecured convertible debentures were outstanding for only a portion of the comparative period and the March 2013 unsecured convertible debentures were not outstanding in the comparative period at all. The combined additional interest from these two series within the 2013 results was $2.1 million. The interest from the other series of convertible debentures were relatively flat between both periods.

The Company's interest on long-term debt and finance leases increased by $0.3 million. The Company's credit facility incurred an additional $0.2 million of interest compared to the same period in 2012. Also, an additional $0.1 million of interest is the result of non-cash interest accretion on certain consideration liabilities associated with the acquisition of Regional One.

Three Months Ended September 30,	2013	2012	Variance	Variance %
Acquisition Costs	$ 1	$ 2	$ (1)	-50%

The Company incurred minimal acquisition costs during the third quarter of 2013, which is consistent with the comparable period in 2012. Minimal acquisition costs were incurred in both periods based on the timing of acquisitions closing.

Three Months Ended September 30,	2013	2012	Variance	Variance %
Consideration liability fair value adjustment	$ (272)	$ -	$ (272)	-

As a result of the structure of the consideration for the acquisition of Regional One in April 2013, there were contingent consideration liability balances recorded pertaining to the planned future payment of cash and Shares of the Company. Certain liabilities were recognized that will be settled by the Company through issuing shares and according to IFRS the value of these liabilities fluctuate in value based on the Company's share price up to the time they are settled or derecognized. The liability was valued as at the period-end share price which was lower than the prior quarter-end share price and this resulted in a gain of $0.3 million from reducing the liability recorded. Each period a fair value adjustment will be recorded as long as this liability is outstanding.

Three Months Ended September 30,	2013	2012	Variance	Variance %
Impairment Loss	$ -	$ 1,851	$ (1,851)	-100%

The Company recorded an impairment write-down during the 2012 comparative period in association with several aircraft within the Aviation segment. Calm Air entered into an arrangement at that time to sell its SAAB aircraft as part of its fleet renewal plan which resulted in an impairment write-down of $1,626 on these aircraft. Also, the Company recorded a $225 impairment write-down in the 2012 comparative period on a Beech 99 aircraft within Perimeter's fleet as a result of the decision to cease using the aircraft in its operations. The Company had no impairment write-downs in the 2013 period.

Three Months Ended September 30,	2013	2012	Variance	Variance %
Current income tax expense (recovery)	$ (3,943)	3,610	(7,553)	-209%
Deferred income tax expense	1,660	1,275	385	30%
Income tax expense (recovery)	$ (2,283)	$ 4,885	$ (7,168)	-147%

Income tax recovery for the third quarter of 2013 period was $2.3 million, representing a decrease of $7.2 million over the comparative period in 2012. The two primary reasons for the decrease in tax expense is due to a decrease in pre-tax income of $17.3 million, and an increase in the losses subject to tax in the US under a higher tax rate.

Current tax recovery is the expected tax receivable on losses for tax purposes incurred within Canadian and US subsidiaries that are corporations. During the period the taxable loss of these entities was $10.4 million resulting in an income tax recovery of $3.9 million.

The Company has the ability to offset much of the taxable income it generates with non-capital losses. During the 2013 period the Company used $4.8 million of non-capital losses and has approximately $113.2 million of non-capital losses available to offset future taxable income.

Nine Month Results

The following section analyzes the financial results of the Company's operations for the nine months ended September 30, 2013 and the comparative 2012 period.

	Nine Months Ended September 30, 2013				Nine Months Ended September 30, 2012			
	Aviation	Manufacturing	Head-office(2)	Consolidated	Aviation	Manufacturing	Head-office(2)	Consolidated
Revenue	$ 226,595	$ 535,984	$ -	$ 762,579	$ 211,625	$ 357,501	$ -	$ 569,126
Expenses(1)	181,352	517,133	5,921	704,406	171,605	322,112	6,553	500,270
EBITDA	45,243	18,851	(5,921)	58,173	40,020	35,389	(6,553)	68,856
Depreciation and amortization				34,059				28,827
Finance costs - interest				15,126				10,176
Acquisition costs				1,669				392
Consideration liability fair value adjustment				(834)				-
Impairment loss				-				1,851
Earnings before taxes				8,153				27,610
Current income tax expense (recovery)				(2,369)				4,882
Deferred income tax expense				3,409				4,087
Net earnings for the period				$ 7,113				$ 18,641

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.

On a consolidated basis, total revenue recognized by the Company for the nine months ended September 30, 2013 increased by 34% or $193.5 million to $762.6 million when compared to the same period in 2012. The main driver of the increase in consolidated revenue is due to the organic growth in the Manufacturing segment, in particular at WesTower and the acquisition of Regional One during the second quarter of 2013. The revenues for the Aviation segment increased by 7% to $226.6 million and the revenues for the Manufacturing segment increased by 50% to $536.0 million.

On a consolidated basis, EBITDA generated by the Company for the nine months ended September 30, 2013 was $58.2 million, a decrease of 16% or $10.7 million when compared to the same period in 2012. The main contributor to the decrease in EBITDA for 2013 is the decreased performance at WesTower in the Manufacturing segment. The EBITDA for the Aviation segment increased by 13% to $45.2 million and the EBITDA for the Manufacturing segment decreased by 47% to $18.9 million. Costs incurred at the head-office of the Company decreased by 10% to $5.9 million. Included in EBITDA are short-term external advisory costs incurred in WesTower totaling $4.9 million. Excluding these short-term external advisory costs would result in EBITDA of $23.8 million for the Manufacturing segment, a decrease of 33% when compared to the same period in 2012.

AVIATION SEGMENT

Aviation Segment	Nine Months Ended September 30,		2013		2012		Variance	Variance %
Revenue		$	226,595	$	211,625	$	14,970	7%
Expenses			181,352		171,605		9,747	6%
EBITDA		$	45,243	$	40,020	$	5,223	13%

The Aviation segment generated revenues of $226.6 million and EBITDA of $45.2 million for the nine months ending September 30, 2013. This represents a $15.0 million, or 7% increase in revenue, and a $5.2 million, or 13%, increase in EBITDA over the same period in 2012. Regional One, which was acquired April 2013, contributed $20.0 million in revenue and $6.9 million in EBITDA for the nine months ending September 30, 2013.

The Aviation segment's pre-existing entities experienced an overall decline in revenue of $5.0 million, or 2%, from $211.6 million to $206.6 million in the first nine months of 2013 compared to the same period in 2012 respectively. This decline is primarily driven by a decline in passenger services. Revenues generated from passenger services decreased by approximately $6.4 million, or 6%. As discussed in previous reports, the decrease in passenger revenue is predominantly the result of increased competition in the Ontario market serviced by Bearskin, as well as decreased volumes for Calm Air's market. This deterioration in revenue was partly offset by growth in charter and medevac operations. Although the third quarter was impacted by a weak charter season, this was a short term anomaly driven by lower fire evacuation work compared to the prior year, and charter revenue increased slightly for the nine months ending September 30, 2013 from the comparative period. This increase is driven primarily by growth in new markets. The segment's medevac operations experienced growth in the Baffin and Kivalliq regions during the first nine months of 2013, compared to the same period in 2012.

The Company has mitigated the declines in revenue experienced in its scheduled service operations by capitalizing on growth opportunities in its charter operations. As noted above, although the third quarter of 2013 experienced weakened charter activity, the Company has identified growth opportunities in new markets and geographical areas to further grow the charter operations to offset the impact of competition and lower passenger volumes in certain markets.

Operational expenses for the Aviation segment increased by $9.8 million, or 6%, from $171.6 million in 2012 to $181.4 million in 2013 inclusive of $13.1 million of expenses generated from Regional One. The increase in expenses associated with Regional One were partly offset by a $3.3 million, or 2% reduction in expenses from pre-existing operations from $171.6 million in 2012, to $168.3 million in 2013. The decrease is primarily driven by fewer fleet hours resulting in lower variable operating costs such as reduced fuel and maintenance costs. This is in addition to cost reductions resulting from the implementation of Calm Air's fleet rationalization plan as discussed in previous reports. These cost reductions were partly offset by increased labour costs. Factors contributing to the increased labour costs are consistent with the third quarter discussion above and include increases associated with adding a 4th Dash 8 in late 2012, combined with ramping up for a 5th Dash 8, which will come on line in the fourth quarter of 2013. Furthermore, there were increases associated with labour contracts across the segment.

EBITDA increased by $5.2 million, or 13%, from $40.0 million in 2012 to $45.2 million in 2013. Regional One contributed $6.9 million in EBITDA for the nine months ending September 30, 2013. The pre-existing aviation entities experienced a $1.7 million, or 4%, decline in EBITDA, from $40.0 million in 2012 to $38.3 million in 2013. The EBITDA margin inclusive of Regional One increased from 18.9% in 2012 to 20.0% in 2013. The improvement in EBITDA margin is the direct result of the addition of Regional One which yields higher margins than those historically experienced in the pre-existing aviation entities. Although the EBITDA margin was impacted by the weak charter season in the third quarter, EBITDA margins for the nine months ending for the pre-existing entities were relatively flat.

MANUFACTURING SEGMENT

Manufacturing Segment	Nine Months Ended September 30,	2013	2012	Variance	Variance %
Revenue		$ 535,984	$ 357,501	$ 178,483	50%
Expenses		517,133	322,112	195,021	61%
EBITDA		$ 18,851	$ 35,389	$ (16,538)	-47%

During the nine months ended September 30, 2013 the Manufacturing segment earned revenues of $536.0 million and EBITDA of $18.9 million. This represents a $178.5 million increase in revenue and a decrease in EBITDA of $16.5 million in comparison to the same period in 2012.

Consistent with the discussion of the three month period the increase in revenues for the segment is attributable mainly to WesTower whose revenue increased by $184.1 million, partially offset by a decline in the revenues of Stainless. The revenue growth at WesTower comes from the increased demand of LTE network builds in the US for the major telecom companies and in particular the revenue generated from the turfing contract with AT&T which was only starting to ramp up at the beginning of 2012 while it was fully operational throughout 2013. The 2012 comparable period was particularly strong for Stainless' business as a result of some large field projects. The revenue levels during the 2013 period were more in line with expectations without those large field contracts that were being processed in the comparative period.

The EBITDA generated by the Manufacturing segment decreased by 47% and this was also impacted mainly by the operations of WesTower. As described in the three month discussion, WesTower recorded some significant estimate adjustments that negatively impacted EBITDA. The US operations of WesTower have experienced lower gross margins through most of 2013 as a result of project inefficiencies with higher than expected costs to complete the work, higher overhead costs and a higher level of material related revenues all of which contribute to lower margins. Due to the reduced profitability certain forecasted estimates of projected revenues and costs were adjusted and resulted in reduced margins. WesTower has also incurred short-term external advisory costs of $4.9 million in 2013 associated with improving processing efficiencies and internal controls required as a result of the pressure on resources and systems being experienced from the rapid growth experienced over the last 18 months and these advisory costs were not incurred in the comparative period. These factors led to negative EBITDA generated by WesTower in the third quarter when the change in estimate was recorded which explains the majority of the nine month year to date decrease of $14.7 million for that entity. Stainless and the Alberta operations also generated a lower amount of EBITDA in 2013. The reduction for Stainless' EBITDA resulted from fewer large field projects in 2013 as compared to 2012. The Alberta operations experienced decreased EBITDA as a result of unseasonal weather patterns during the beginning of 2013 and some additional costs incurred with the expansion to additional markets in North Dakota and southeastern Saskatchewan.

HEAD-OFFICE

Head-office Costs	Nine Months Ended September 30,	2013	2012	Variance	Variance %
Expenses		$ 5,921	$ 6,553	$ (632)	-10%

The head-office costs for the Company decreased by $0.6 million or 10% to total $5.9 million for the nine month period ended September 30, 2013. The decrease is attributed to declines in personnel costs and foreign exchange gains netted within head office costs. The head-office team grew throughout the second half of fiscal 2012 and is reflective of the growth in the size of the consolidated group of companies within EIC. Despite the increase in number of personnel at head-office, personnel costs declined for the 2013 period due to a decline in performance related bonus accruals.

OTHER NON-EBITDA ITEMS

The following analyzes the changes in the other non-EBITDA income statement items that impacted net earnings for the nine months ended September 30, 2013 in comparison to the same period in 2012. Consolidated net earnings for the nine months ended September 30, 2013 were $7.1 million, a decrease of $11.5 million over the comparative period in 2012.

	Nine Months Ended September 30,	2013	2012	Variance	Variance %
Depreciation and amortization		$ 34,059	$ 28,827	$ 5,232	18%

The Company's depreciation and amortization for the nine months ended September 30, 2013 increased by $5.2 million or 18% over the comparative period in 2012. The change is attributable to the increase in capital asset depreciation recorded by the Company, in particular the Aviation segment. The addition of Regional One and the significant capital expenditures made by the Aviation segment throughout fiscal 2012 and during the first nine months of 2013 have contributed to higher depreciation throughout 2013. Excluding Regional One, amortization of intangible assets is relatively consistent between both periods.

Nine Months Ended September 30,		2013		2012		Variance	Variance %
Finance costs - interest	$	15,126	$	10,176	$	4,950	49%

The Company incurred additional interest costs during the nine months ended September 30, 2013 of $5.0 million or 49% over the comparative period in 2012. Consistent with the explanation for the three month period, the increase in 2013 is mainly a result of additional interest costs on the Company's outstanding convertible debentures. An additional $5.1 million of costs were incurred by the Company and can be attributed to the September 2012 unsecured convertible debentures of $57.5 million with a 5.5% fixed interest rate and the March 2013 unsecured convertible debentures of $65.0 million with a 5.35% fixed interest rate. The September 2012 unsecured convertible debentures were outstanding for only a portion of the comparative period and the March 2013 unsecured convertible debentures were not outstanding in the comparative period at all. The interest from the other series of convertible debentures were relatively flat between both periods with a decrease of $0.1 million in 2013.

The Company's interest on long-term debt and finance leases remained flat with an increase of $0.2 million relating to non-cash interest accretion on certain consideration liabilities associated with the acquisition of Regional One offset by $0.2 million of interest capitalized by the Company as part of the maintenance facility and buildings being constructed by Calm Air.

Nine Months Ended September 30,		2013		2012		Variance	Variance %
Acquisition Costs	$	1,669	$	392	$	1,277	326%

The acquisition costs incurred by the Company during the nine months ended September 30, 2013 related almost solely to the external costs incurred for the Regional One acquisition, which closed early in April. The costs incurred in 2012 pertain to the closing of the Custom acquisition, which closed in February 2012, along with external costs incurred on some other potential acquisitions and due diligence activities. In comparison, the Regional One acquisition was larger and more complex than the Custom acquisition and resulted in higher acquisition costs being incurred during the 2013 period.

Nine Months Ended September 30,		2013		2012		Variance	Variance %
Consideration liability fair value adjustment	$	(834)	$	-	$	(834)	-

As discussed for the three month discussion, the structure of the agreement for the acquisition of Regional One in April 2013 resulted in some contingent consideration liability balances being recorded pertaining to the planned future payment of cash and shares of the Company. Certain liabilities were recognized that will be settled by the Company through issuing shares and according to IFRS the value of these liabilities fluctuate in value based on the Company's share price up to the time of when they are settled or derecognized. Within the second quarter a portion of the liability was settled and the Company issued shares to the vendor and based on the timing of that issuance, the share price decreased and resulted in a gain of $0.4 million. The remaining gain recorded relates to period end fair value adjustments where the liability was valued as at the period-end share price, which was also lower than the acquisition closing date share price and resulted in an additional gain of $0.4 million from reducing the liability recorded. Each period a fair value adjustment will be recorded as long as this liability is outstanding.

Nine Months Ended September 30,		2013		2012		Variance	Variance %
Impairment Loss	$	-	$	1,851	$	(1,851)	-100%

The Company recorded an impairment write-down during the 2012 comparative period in association with several aircraft within the Aviation segment. Calm Air entered into an arrangement at that time to sell its SAAB aircraft as part of its fleet renewal plan which resulted in an impairment write-down of $1,626 on these aircraft. Also, the Company recorded a $225 impairment write-down in the 2012 comparative period on a Beech 99 aircraft within Perimeter's fleet as a result of the decision to cease using the aircraft in its operations. The Company had no impairment write-downs in the 2013 period.

Nine Months Ended September 30,	2013	2012	Variance	Variance %
Current income tax expense (recovery)	$ (2,369)	$ 4,882	$ (7,251)	-149%
Deferred income tax expense	3,409	4,087	(678)	-17%
Income tax expense	$ 1,040	$ 8,969	$ (7,929)	-88%

The Company's income tax expense for the nine months ended September 30, 2013 was $1.0 million, a decrease of $7.9 million or 88% over the comparative period in 2012. The two main reasons for the decrease in tax expense are a decrease in net income before tax and an increase in the losses subject to tax in the US under a higher tax rate.

Current income tax recovery is the expected tax receivable on losses for purposes incurred within Canadian and US subsidiaries that are corporations. During the period the income subject to tax of those subsidiaries decreased by $6.8 million resulting in the current tax recovery.

The Company has the ability to offset much of the taxable income it generates with non-capital losses. During the 2013 period the Company used $12.7 million of non-capital losses and it has $113.2 million of non-capital losses available to offset future taxable income.

5. SUMMARY OF QUARTERLY RESULTS

			2013				2012	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	$ 267,327	$ 275,680	$ 219,572	$ 231,447	$ 220,807	$ 201,636	$ 146,683	$ 147,780
EBITDA	15,612	24,968	17,593	25,642	30,332	24,463	14,061	20,734
Net earnings (loss)	(205)	5,732	1,586	6,710	9,972	7,759	910	6,914
Basic	(0.01)	0.27	0.08	0.32	0.49	0.38	0.05	0.40
Diluted	(0.01)	0.27	0.08	0.32	0.46	0.37	0.05	0.38
Free cash flow (FCF)	15,434	19,636	13,412	20,729	24,059	20,821	11,167	17,470
Basic	0.71	0.92	0.65	1.00	1.17	1.02	0.61	1.00
Diluted	0.68	0.76	0.56	0.76	0.94	0.82	0.54	0.83
FCF less maintenance capital expenditures	5,362	11,061	5,457	13,432	16,199	12,508	3,866	9,845
Basic	0.25	0.52	0.26	0.65	0.79	0.61	0.21	0.57
Diluted	0.25	0.46	0.26	0.57	0.69	0.55	0.21	0.50

6. LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2013, the Company had a net cash position of $15.9 million (December 31, 2012 of $4.2 million) and net working capital of $226.5 million (December 31, 2012 of $156.6 million), which represents a current ratio of 2.0 to 1 (December 31, 2012 of 1.9 to 1).

	September 30, 2013	December 31, 2012	Change
Cash and cash equivalents	$ 15,891	$ 4,166	$ 11,725
Accounts receivable	150,665	134,508	16,157
Costs incurred plus recognized profits in excess of billings	171,816	120,968	50,848
Inventory	98,333	63,865	34,468
Prepaid expenses and deposits	12,879	6,219	6,660
Taxes receivable	4,753	-	4,753
Accounts payable and accrued expenses	(171,179)	(125,614)	(45,565)
Income taxes payable	-	(7,218)	7,218
Deferred revenue	(10,706)	(8,582)	(2,124)
Billings in excess of costs incurred plus recognized profits	(40,400)	(30,346)	(10,054)
Current portion of long-term debt and finance leases	(1,130)	(1,405)	275
Current portion of convertible debentures	(4,456)	-	(4,456)
Net working capital	$ 226,466	$ 156,561	$ 69,905

The Company's working capital at the end of the third quarter of 2013 included Regional One, which was not part of the year-end 2012 comparative. As at September 30, 2013 Regional One added working capital of $30.9 million, consisting mainly of accounts receivable and inventory. The Company's pre-existing entities had a net increase of $39.0 million in working capital over year-end 2012 which is primarily attributed to the growth in WesTower. During the 2013 period the Company utilized its credit facility to fund WesTower working capital needs for the growth of its US operations.

The Company closed the offering of its March 2013 Unsecured Series 5.35% seven year convertible debentures with a par value of $65.0 million, including $5.0 million from the over-allotment option, and generated net proceeds of $61.8 million. The funds generated were used by the Company in making payments against its outstanding credit facility balance in anticipation of the closing of the Regional One acquisition subsequent to the first quarter in April 2013. The debentures have a seven year term with a 5.35% fixed interest rate paid semi-annually. The conversion price for these debentures is $41.60. During the third quarter the Company amended the trust indenture to remove certain terms of these March 2013 unsecured debentures and the same terms within the September 2012 unsecured debentures. The amendment removed the cash conversion feature that gave the Company the ability to force a debentureholder to be paid out in cash based on market pricing around the time of conversion versus issuing shares. Under IFRS this feature caused the debentures to contain an embedded derivative and the potential volatility that is created from valuing the embedded derivative is not considered to have value for the Company. As a result, the cash conversion feature and the related immaterial embedded derivatives in each of these debenture series was removed effective July 26, 2013.

The acquisition of Regional One closed during the second quarter on April 12, 2013 and the Company drew funds from its credit facility for the cash consideration of the purchase price. At the time of closing, the Company paid US$60.8 million, issued 494,656 shares with a US$13.6 million value, and recognized consideration liabilities of US$20.5 million for future payments. The Company also assumed debt within Regional One of US$1.6 million and paid it off at the time of closing. The recognized consideration liabilities include certain contingent future payments of both cash and issuance of shares within the share purchase agreement. The price of the shares used for both the shares issued at the time of closing and in the future was negotiated between the Company and the vendors. However, IFRS requires that shares issued be valued at the share price at the time of issuance and as a result certain differences exist. As well, subsequent to closing, any change in the Company's share price impacts the value of the liability and will be recorded through the Company's statement of income in the period of the change even though there is no impact on the maximum number of shares to be issued in accordance with the share purchase agreement. Included in the cash consideration paid was US$15.7 million funded to an escrow agent and being held pursuant to the terms of an escrow agreement which require certain financial results to be achieved for the release of such funds. Under IFRS this contingent consideration is not considered to fulfill the contingent liability and therefore the cash held in escrow remains as the cash of the Company until those funds are released to the vendors or returned to the Company. During the second quarter some of those contingent requirements were fulfilled and US$9.1 million was released to the vendors.

During the nine months ended September 30, 2013 the Company made several payments and draws on its credit facility. Near the end of March 2013 the Company used the net proceeds from the March 2013 unsecured debenture offering to repay the debt outstanding under the US portion of the Company's credit facility. As described above, the Company used its credit facility to pay a portion of the Regional One purchase consideration and it also made other draws for a variety of capital expenditures and working capital requirements. Since acquiring Regional One the Company has drawn US$12.0 million to fund its growth opportunities to acquire assets, including aircraft, engines and various parts. Overall the Company has had a net increase in the amount outstanding in its credit facility by US$67.2 million and $38.5 million in Canadian funds during the 2013 period.

Upon the closing of the Regional One acquisition, the Company amended its credit facility which resulted in the total amount of credit available under the credit facility increasing and extending the term of the revolving credit facility to mature in April 2017. The total credit available under the facility is $335 million, with $258 million allocated to EIC and $77 million allocated to EIIF Management USA Inc. ("EIIF USA") (prior to the amendment the total credit available was $235 million consisting of $160 million allocated to EIC and $75 million to EIIF USA). The facility allows for borrowings to be denominated in either Canadian or US funds. Based on the amounts outstanding under the credit facility as at September 30, 2013, the Company has $173.6 million drawn, excluding the impact of foreign exchange, leaving approximately $161 million of credit available to the Company at that time under the amended credit facility. Subsequent to the end of the third quarter the Company has drawn an additional $11.2 million out of its credit facility for working capital requirements.

The finance leases of WesTower's operations continue and the Company made principal payments of $1.0 million Canadian during the first nine months of 2013. Also during this period, WesTower entered into new finance leases with a capital asset value and principal amount of $0.7 million. The Company's cash flow statement does not show the non-cash transaction when a new finance lease is recognized on the balance sheet. Instead, the principal portion of the lease payments are shown as a cash outflow within financing activities and the interest portion is recorded through net income and operating activities.

The Company's dividend reinvestment plan ("DRIP") continued during the nine months ended September 30, 2013 and the Company received $3.1 million for 122,963 Shares being issued in accordance with the DRIP.

The Company obtained additional cash through the means described above and also generated $48.5 million of Free Cash Flow during the first nine months of 2013. 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 nine months of 2013 the Company declared dividends totaling $26.8 million in comparison to $24.2 million during comparative period in 2012. This was a result of an increased number of Shares outstanding and an increase in the monthly dividend rate between the two periods. During the 2012 comparative period the monthly dividend declared per share was $0.135 and during the first nine months of 2013 the dividend was $0.14 per share per month. 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 nine months ended September 30, 2013:

	Date issued	Number of shares
Shares outstanding, beginning of period		20,636,593
Issued for Regional One vendors on closing	April 12, 2013	494,656
Issued under vesting of Reserved Shares	April 25, 2013	28,746
Issued for Regional One vendors on contingent liability payment	May 31, 2013	178,552
Issued upon conversion of convertible debentures	various	126,617
Issued under dividend reinvestment plan (DRIP)	various	122,963
Shares outstanding, end of period		21,588,127

The following summarizes the convertible debentures outstanding as at September 30, 2013 and the changes in the amount of convertible debentures outstanding during the nine months ended September 30, 2013:

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Series F - 2009	N/A	April 8, 2014	10.0%	$ 10.75
Series G - 2009	EIF.DB.A	September 30, 2014	7.5%	$ 14.50
Series H - 2010	EIF.DB.B	May 31, 2017	6.5%	$ 20.00
Series I - 2011	EIF.DB.C	January 31, 2016	5.75%	$ 26.00
Series J - 2011	EIF.DB.D	May 31, 2018	6.25%	$ 30.60
Unsecured Debentures - 2012	EIF.DB.E	September 30, 2019	5.50%	$ 36.80
Unsecured Debentures - 2013	EIF.DB.F	March 31, 2020	5.35%	$ 41.60

Par value	Balance, beginning of period	Issued	Converted	Matured	Balance, end of period
Series F	$ 1,189	$ -	$ (45)	$ -	$ 1,144
Series G	4,817	-	(1,083)	-	3,734
Series H	23,053	-	(937)	-	22,116
Series I	34,965	-	(21)	-	34,944
Series J	57,480	-	(3)	-	57,477
Unsecured Debentures - September 2012	57,500	-	-	-	57,500
Unsecured Debentures - March 2013	-	65,000	-	-	65,000
Total	$ 179,004	$ 65,000	$ (2,089)	$ -	$ 241,915

7. RELATED PARTY TRANSACTIONS

The related party transactions that the Company entered into during the nine months ended September 30, 2013 are consistent with those described in the Company's MD&A for the year ended December 31, 2012 with the exception of new transactions as a result of the acquisition of Regional One. Consistent with a number of the other operating entities of the Company, the operation facilities of the business acquired are owned by the vendor of the acquired business. The vendor is considered a related party because of his continued involvement in the management of the business as the president of Regional One. These leases are considered to be at market terms and recognized in the consolidated financial statements at the exchange amounts. The total costs incurred in 2013 since the acquisition closed in April 2013 under these leases was US$0.2 million and the lease term maturities are April 2018 subject to Regional One's option to extend the term of the leases for two additional periods of five years. The expense is recorded within general and administrative expenses and is paid monthly, therefore no balance exists on the Company's statement of financial position.

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, 2012.

9. ACCOUNTING POLICIES

The accounting policies of the Company used in the determination of the results for these interim consolidated financial statements for the three and nine months ended September 30, 2013 and 2012 that are discussed and analyzed in this report are described in detail in Note 3 of the Company's 2012 consolidated financial statements and Note 3 of the Company's interim condensed consolidated financial statements for the nine months ended September 30, 2013.

FUTURE ACCOUNTING STANDARDS

Accounting standards issued but not yet effective

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments was issued in October 2010. This Standard is the first step in the process to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities, and is likely to affect the Corporation's accounting for its financial assets. The Standard is not applicable until annual periods beginning on or after January 1, 2015, but is available for early adoption. The Company has not fully assessed the impact of adopting IFRS 9; however, it anticipates that its impact will be limited.

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 GAAP.

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

Management has evaluated the design and operation of the Company's internal controls over financial reporting as of September 30, 2013, and based on that evaluation has concluded that such internal controls over financial reporting are not effective, due to the following material weaknesses:

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

Due to ongoing process and system changes in response to WesTower's increased growth, a weakness exists in the design of internal controls over financial reporting since it was not reasonably practical to complete an assessment of the design due to the timing of the implementation of the changes. Management is actively working with WesTower to enhance their control processes to respond to the increased level of business. Management continues to take the necessary steps to assess and advance the integration of these changes in a monitored environment by continuing to work closely with WesTower to ensure appropriate controls are being designed and implemented. Entity level controls are employed to compensate, where possible, to reduce the exposure for a material misstatement as processes continue to be developed. To further mitigate the impact of this weakness, management has engaged external advisors to perform an overall independent assessment of the business which will include key processes and controls within WesTower and all the subsidiaries of the Company.

Management has limited the scope of design of internal controls over financial reporting to exclude the evaluation of the design of controls at Regional One, purchased April 12, 2013, as it has not determined its impact, if any, on the Company's internal controls over financial reporting.

Regional One had revenue of $20.0 million and EBITDA of $6.9 million included in the consolidated results of the Company for the period ended September 30, 2013 since the acquisition closed on April 12, 2013. As at September 30, 2013, it had current assets and current liabilities of $35.5 million and $4.6 million, respectively.

There have been no other material changes to the Company's internal controls during the 2013 year that would have materially affected or are likely to materially affect the internal controls over financial reporting.

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to management in a timely manner and that information required to be disclosed by the Company is reported within the time periods prescribed by applicable securities legislation. Due to the substantial overlap between internal controls over financial reporting and disclosure controls and procedures, management has concluded that disclosure controls and procedures as at September 30, 2013 were not effective.

11. RISK FACTORS

The Company and its subsidiaries are subject to a number of business risks. These risks relate to the structure of the Company and to the operations at the subsidiary entities. There were no changes to the Company's principal risks and uncertainties from those reported in the Company's MD&A for the year ended December 31, 2012 except as follows:

Acquired New Industries

With the acquisition of Regional One closing in April, the Company is exposed to the risk of having operations in a new industry commencing in the second quarter of 2013. For the Regional One acquisition, the Company is exposed to a different area of the aviation industry. Regional One provides a variety of aircraft, engines and related aftermarket parts to regional airline operators around the world. Demand levels for and the availability of the assets offered by Regional One can fluctuate over time, which can impact the revenue generated and the cost incurred to obtain these aftermarket assets. The revenue transactions entered into by Regional One can include leasing arrangements, consignment sales and direct sales which can be over multiple years and cover a significant portion of the asset's useful life.

12. OUTLOOK

Acquisition strategy

During the 2013 period the Company completed the acquisition of Regional One. It is the largest acquisition in the history of the Company and is part of the consolidated group of companies within the Aviation segment commencing the second quarter of 2013 when the deal closed.

At the time of closing the Regional One acquisition, the Company amended its credit facility. Based on the debt drawn as of September 30, 2013, the Company has approximately $161 million of available capital under its $335 million senior credit facility (ignoring foreign currency).

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.

Aviation Segment

During the third quarter of 2013, the Company operated five aviation companies providing fixed and rotary wing, scheduled, charter, freight, and medevac services within Alberta, Manitoba, Ontario, and Nunavut. In April 2013, the Company added to its aviation segment by acquiring Regional One, a Miami, Florida based company that provides aircraft, engines and related aftermarket aircraft parts to regional airline operators in the global economy. This acquisition creates further diversification of the Company's revenue streams by expanding into new product and geographical markets. The addition of Regional One also provides a proxy for vertical integration into one of the major expense categories of our aviation segment.

Although the third quarter was impacted by a very weak charter season it is merely a short-term anomaly and we continue to be confident with the prospects of our aviation segment. The business foundation of our aviation segment remains strong and intact.

The Company's aviation transportation subsidiaries act as lifelines by supplying critical medical, cargo, and transportation services into communities that have limited access by ground. The remoteness of many of the communities serviced by the aviation segment makes demand relatively inelastic, mitigating the impact of changes in the economic climate. There are multiple years left on our three key contracts with the Government of Nunavut. One contract provides passenger transportation to medical patients and government workers and the other two provide medevac services to the central and eastern regions as a sole service provider. These contracts provide EIC with a strong base level of service in the North. Non-contracted services represent the majority of revenues in the aviation transportation subsidiaries and there are no significant new competitors expected in our key markets.

The Company monitors its expenses and costs structure on an ongoing basis. Volatility or increases in fuel prices are beyond the Company's control and may have a significant impact in the short term on the profitability of aviation transportation operations. In the long term most of the Company's aviation holdings either 'pass through' the cost of fuel to the customer base or have the ability to add a fuel surcharge to equalize the incremental cost of the fuel. While most of the Company's aviation transportation subsidiaries are able to eventually pass along price increases, the Company and its subsidiaries are mindful of the impact price increases have on the communities they serve. The Company's airlines providing services to government agencies and other contract customers have provisions whereby fuel is a flow through cost, mitigating the exposure from fuel cost changes.

We continue to invest in technology to increase efficiencies and operational performance. This is evidenced by the investment the Company began in late 2012 to introduce enhanced GPS technology for its 19 seat aircraft, which includes a glass cockpit. This technology takes advantage of the latest navigational equipment and provides enhanced safety and efficiency in difficult flying conditions. The upgrade program is expected to reduce the number of weather related aborted landings leading to improved customer service and reduced costs associated to weather related redirection of flights. The capital expenditures related to this upgrade will continue throughout 2013 and into 2014.

We have also invested in our aviation infrastructure to provide enhanced productivity and customer service. The most significant investment was the construction of a new hangar for Calm Air in Winnipeg. Calm Air moved into this new facility in late June 2013. This hangar will include a heavy maintenance facility to support the maintenance on the Company's larger aircraft that are currently being serviced by third parties. The heavy maintenance facility will not only lead to reduced costs, but more importantly, will enhance the availability of our aircraft. It is anticipated that this heavy maintenance facility will be operational in the third quarter of 2014. We have also added infrastructure in the North, including warehouses and a medevac hangar, to support, streamline and extend hours of service to our customers. The extended operating hours will yield improved efficiency and also support higher service levels to our key freight customers. A Dash 8-300 aircraft was acquired during the third quarter but the Company has been performing maintenance on the aircraft to bring it up to the Company's operating standards. The aircraft will be added to Perimeter's fleet allowing it to capitalize on additional growth opportunities and is expected to be put into operations sometime in the last half of the fourth quarter of 2013.

The positive impacts of Calm Air's fleet and operational rationalization have started to materialize. The fleet rationalization has reduced the aircraft type which has already generated positive results by lowering operating costs driven by greater efficiency in labour, maintenance, and inventory. The Company added one more ATR-42 to Calm Air's fleet which came on line early in the third quarter of 2013 and will add a third ATR-72 in the fourth quarter of 2013, which will come on line in mid-2014. The Company will enhance the freight capability of one of its ATR aircraft by adding a large door to accommodate larger freight. This conversion, originally targeted for the fourth quarter of 2013, has been postponed until the second quarter of 2014. This will enable Calm Air to retire its sole Hawker leading to further efficiencies from reduced aircraft types.

The Company continues to diligently assess market conditions in all areas of its operation and is focused on identifying growth opportunities in new markets and geographical regions. Its Ontario market continues to experience a reduction in scheduled service operations as a result of increased competition in that region. The Company is responding to these changes in demand by re-evaluating where its assets will best be utilized in the Ontario market. The rotary wing operation was negatively impacted by reduced work in the mineral exploration market leading to soft revenues in the third quarter; however, the quarter ended strong with increased fire evacuation work. The Alberta market continues to be strong for Perimeter where it offers charter services and continues to grow its service capabilities in its traditional market.

Adding to the strength of the segment is the diversity and growth potential of Regional One. Regional One continually monitors its inventory and lease portfolios to ensure a proper sales complement and to diversify and grow its sales portfolio. The company has a strong pipeline of inventory and capital asset acquisition opportunities that will ensure the continued flow of assets available in the market and contribute to the growth of its operations. Regional One's management is at different stages of due diligence and procurement for additional assets and has recently closed multiple parts and aircraft deals with a value of approximately US$17 million. We are optimistic that the asset base will grow throughout the remainder of 2013. Regional One is focused on growing its next generation of products including Bombardier Q400, and CRJ700/900 products. The Q400 and CRJ700/900 series are larger variants of the earlier models. There is a strong demand for serviceable engines for these aircraft models as well as CRJ700/900 rotable components based on the lifespan of this aircraft type.

Consistent with past disclosure, the Aviation segment experiences seasonality. The first quarter is the seasonally slowest quarter of the year followed by the fourth. The Aviation segment's financial performance in the winter months, particularly in the North, is always subject to the possibility of significant unforeseeable disruption due to periodic and sometimes prolonged adverse weather conditions beyond the control of the Company.

Manufacturing Segment

The demand for WesTower's services continues to be bolstered by the strong demand for network capacity, driven by new product introductions requiring increased bandwidth. This demand continues to drive the revenues of WesTower US, leading to a five-fold increase in revenues from the time of acquisition in 2011 to the approximately $500 million US run rate for 2013. The majority of this growth has occurred in the last 18 months and has been primarily the result of the addition of the AT&T turf contract. As part of this contract, WesTower's US operations have evolved from a subcontractor to a self-performing general contractor for AT&T.

This contract was a considerable increase in the scope of services provided to AT&T, the geography of operations, and the absolute size of operations. WesTower US continued to adhere to its stringent safety and quality values while dealing with this considerable growth. This has resulted in a continued strong relationship with AT&T, leading to additional work and markets being awarded to WesTower US as part of the turf contract. However this growth and customer focus has come at the expense of profitability in certain markets.

The margin decline came to a forefront in Q3 2013, when expected revenue scope increases at WesTower US did not materialize and cost overruns were greater than expected. This resulted in management revising its estimates on projects, resulting in an $11 million negative adjustment recorded entirely in the third quarter. This adjustment brings the year to date EBITDA margins on WesTower US to less than 2%, which is significantly below expectations for this business.

The performance is a result of both the inevitable cost inefficiencies tied to growth of this magnitude and the need to enhance our management structure and processes to operate at this new level. The company has taken significant steps to address the required management structure and processes, including engaging the assistance of external advisors. A key focus has been on developing the right organizational structure and management tools to support the company at its current size and scope, as well as to support future growth. This has required the organization to reengineer processes and tools for the front line management to help them manage the projects with a renewed focus on profitability, while still supporting WesTower's core values of quality and safety. The use of external advisors at WesTower US ended effective October 31, 2013.

Throughout the next series of quarters, management will continue to develop and implement these systems, processes and tools to increase the margins and profitability of the company. As part of the evolution of WesTower, a new CEO will be joining WesTower in the fourth quarter to replace the retiring CEO. Steven Pickett, the new CEO, has a proven track record as a CEO in the telecommunications field with over 27 years of experience in the telecommunications industry. For a number of those years he has held a multitude of senior executive roles for Alcatel-Lucent. Most recently he has held the position of CEO for a network equipment solutions company which also provides network services globally. In addition to the new CEO, WesTower has added individuals to its senior management team with significant construction and project management experience at large national and international firms. This leadership group will continue to ensure that the management processes, systems and tools are reengineered to support a much larger WesTower as it continues to evolve into a turnkey supplier to its customers.

WesTower Canada continues to capitalize on opportunities and generate strong margins as it supports the increased activity levels of the three national telecom carriers as well as regional telecom carriers in all regions, as those carriers continue to aggressively upgrade and build out their networks. This activity is expected to continue into 2014. Though there was a slowdown in eastern Canada in the first half of 2013 and for a part of the third quarter, there was a noticeable increase in activity in the latter half of the third quarter and this higher activity level is expected to continue for the remainder of 2013.

For the foreseeable future, management expects to see no slowdown in demand for the services provided by WesTower. As a result of the increasing demand to satisfy the data needs being driven by products such as smart phones, tablets and other mobile devices, as well as new technologies all needing wireless spectrum to operate, the telecom service industry in North America will experience rapid growth in infrastructure related projects as carriers roll out build schedules to upgrade their networks to meet the demand. AT&T's recently announced transaction to sell and lease some of its wireless towers to Crown Castle is not expected to have a material impact on WesTower's US operations.

Stainless is experiencing strong demand for its products and continues to see opportunities in multiple geographic and industry markets. Stainless is in discussion with several of its existing clients and expects them to release new bids later in 2013 or early 2014. In the third quarter of 2012, Stainless was completing a very large field project which resulted in it having strong revenue numbers for that quarter, while revenue this year was lower it was still a very positive quarter for Stainless. The market for its products remains competitive with customers demanding lower pricing and shorter cycle times. In response management at Stainless is continuing to focus on maintaining its strong customer relationships and implementing best practices in order to get better efficiencies which help it build a strong order book in a challenged economy.

The quarter was challenging for our Alberta based operations as the business activity in Alberta, southern Saskatchewan and North Dakota was slower than expected. This was in part caused by lower drilling rig activity resulting from significant rain and flooding occurring in these areas. The new operations in Saskatchewan and North Dakota are continuing to implement best practices used in the other locations and to establish a strong customer base to support future growth. Towards the end of the quarter activity in several areas began to increase.

The precision metal business in British Columbia continues to focus on maintaining its strong customer relationships and expanding its customer base in the British Columbia lower mainland. The company sees ongoing overcapacity in the area and expects strong market competition from competitors. However, the company will continue to build its order book by providing customers with solutions through engineering, quality control and timely delivery.

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	September 30 2013	December 31 2012
ASSETS		
CURRENT		
Cash and cash equivalents	$ 15,891	$ 4,166
Accounts receivable	150,665	134,508
Costs incurred plus recognized profits in excess of billings	171,816	120,968
Inventory	98,333	63,865
Prepaid expenses and deposits	12,879	6,219
Income taxes receivable	4,753	-
	454,337	329,726
OTHER ASSETS (Note 3)	6,648	-
CAPITAL ASSETS	322,620	269,036
INTANGIBLE ASSETS	45,474	28,393
DEFERRED INCOME TAX ASSETS	3,712	8,699
GOODWILL	106,167	73,516
	$ 938,958	$ 709,370
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 171,179	$ 125,614
Income taxes payable	-	7,218
Deferred revenue	10,706	8,582
Billings in excess of costs incurred plus recognized profits	40,400	30,346
Current portion of long-term debt and finance leases (Note 6)	1,130	1,405
Current portion of convertible debentures (Note 7)	4,456	-
	227,871	173,165
LONG-TERM DEBT AND FINANCE LEASES (Note 6)	177,719	68,404
OTHER LONG-TERM LIABILITIES (Note 3)	1,300	-
CONVERTIBLE DEBENTURES (Note 7)	214,903	161,046
DEFERRED INCOME TAX LIABILITY	11,719	12,213
	633,512	414,828
EQUITY		
SHARE CAPITAL (Note 8)	292,892	268,494
CONVERTIBLE DEBENTURES - Equity Component (Note 7)	12,252	9,304
CONTRIBUTED SURPLUS - Matured Debentures	102	102
DEFERRED SHARE PLAN (Note 12)	2,310	1,575
RESERVED SHARES	623	1,234
RETAINED EARNINGS		
Cumulative Earnings	136,131	129,018
Cumulative Dividends (Note 9)	(142,557)	(115,760)
	(6,426)	13,258
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 14)	3,693	575
	305,446	294,542
	$ 938,958	$ 709,370

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 September 30	Three Months Ended 2013	Three Months Ended 2012	Nine Months Ended 2013	Nine Months Ended 2012
REVENUE				
Aviation	$ 82,806	$ 73,459	$ 226,595	$ 211,625
Manufacturing	184,521	147,348	535,984	357,501
	267,327	220,807	762,579	569,126
EXPENSES				
Aviation expenses - excluding depreciation and amortization	54,050	48,486	152,971	147,595
Manufacturing expenses - excluding depreciation and amortization	172,068	122,787	476,557	297,233
General and administrative	25,597	19,202	74,878	55,442
Depreciation and amortization	12,547	10,168	34,059	28,827
	264,262	200,643	738,465	529,097
EARNINGS BEFORE THE FOLLOWING	3,065	20,164	24,114	40,029
Finance costs - interest	5,824	3,454	15,126	10,176
Acquisition costs	1	2	1,669	392
Consideration liability fair value adjustment	(272)	-	(834)	-
Impairment loss	-	1,851	-	1,851
EARNINGS BEFORE INCOME TAXES	(2,488)	14,857	8,153	27,610
INCOME TAX EXPENSE (RECOVERY) (Note 16)				
Current	(3,943)	3,610	(2,369)	4,882
Deferred	1,660	1,275	3,409	4,087
	(2,283)	4,885	1,040	8,969
NET EARNINGS (LOSS) FOR THE PERIOD attributable to common shareholders	$ (205)	$ 9,972	$ 7,113	$ 18,641
EARNINGS PER SHARE (Note 11)				
Basic	$ (0.01)	$ 0.49	$ 0.33	$ 0.94
Diluted	$ (0.01)	$ 0.46	$ 0.33	$ 0.93

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 September 30	Three Months Ended 2013	Three Months Ended 2012	Nine Months Ended 2013	Nine Months Ended 2012
NET EARNINGS (LOSS) FOR THE PERIOD	$ (205)	$ 9,972	$ 7,113	$ 18,641
OTHER COMPREHENSIVE INCOME (LOSS),				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax (Note 14)	(4,836)	(1,411)	4,520	(1,296)
Net gain (loss) on hedge of net investment in foreign operation	3,090	-	(1,402)	-
	(1,746)	(1,411)	3,118	(1,296)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (1,951)	$ 8,561	$ 10,231	$ 17,345

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in thousands of Canadian dollars)

	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Reserved Shares	Retained Earnings: Cumulative Earnings	Retained Earnings: Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2012	$ 194,049	$ 6,516	$ 102	$ 1,435	$ 1,851	$ 103,667	$ (83,043)	$ 1,060	$ 225,637
Shares issued to acquisition vendors	4,241	-	-	-	-	-	-	-	4,241
Prospectus offering	55,689	-	-	-	-	-	-	-	55,689
Convertible debentures									
Converted into shares	6,330	(588)	-	-	-	-	-	-	5,742
Issued	-	3,438	-	-	-	-	-	-	3,438
Shares issued under dividend reinvestment plan	2,874	-	-	-	-	-	-	-	2,874
Shares issued under First Nations community partnership agreements	495	-	-	-	-	-	-	-	495
Deferred share plan vesting	-	-	-	415	-	-	-	-	415
Deferred share plan issuance	5	-	-	(5)	-	-	-	-	-
Shares issued under vesting of reserved shares	617	-	-	-	(617)	-	-	-	-
Comprehensive income	-	-	-	-	-	18,641	-	(1,296)	17,345
Dividends declared (Note 9)	-	-	-	-	-	-	(24,162)	-	(24,162)
Balance, September 30, 2012	$ 264,300	$ 9,366	$ 102	$ 1,845	$ 1,234	$ 122,308	$ (107,205)	$ (236)	$ 291,714
Balance, January 1, 2013	$ 268,494	$ 9,304	$ 102	$ 1,575	$ 1,234	$ 129,018	$ (115,760)	$ 575	$ 294,542
Shares issued to acquisition vendors (Note 4)	18,592	-	-	-	-	-	-	-	18,592
Convertible debentures									
Converted into shares (Note 8)	2,066	(115)	-	-	-	-	-	-	1,951
Issued (Note 7)	-	3,063	-	-	-	-	-	-	3,063
Shares issued under dividend reinvestment plan (Note 8)	3,129	-	-	-	-	-	-	-	3,129
Deferred share plan issuance	-	-	-	735	-	-	-	-	735
Shares issued under vesting of reserved shares	611	-	-	-	(611)	-	-	-	-
Comprehensive income	-	-	-	-	-	7,113	-	3,118	10,231
Dividends declared (Note 9)	-	-	-	-	-	-	(26,797)	-	(26,797)
Balance, September 30, 2013	$ 292,892	$ 12,252	$ 102	$ 2,310	$ 623	$ 136,131	$ (142,557)	$ 3,693	$ 305,446

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 September 30	Three Months Ended 2013	Three Months Ended 2012	Nine Months Ended 2013	Nine Months Ended 2012
OPERATING ACTIVITIES				
Net earnings for the period	$ (205)	$ 9,972	$ 7,113	$ 18,641
Items not affecting cash:				
Depreciation and amortization	12,547	10,168	34,059	28,827
Accretion of interest	1,272	658	3,058	1,889
Long-term debt discount (paid) accretion	(20)	(13)	(56)	(58)
Foreign exchange (gain) / loss on debt (unrealized)	608	126	(38)	40
Loss/(gain) on sale of disposal of capital assets	(420)	(113)	(633)	(37)
Deferred income tax	1,660	1,275	3,409	4,087
Deferred share program share-based vesting	263	133	735	415
Impairment loss	-	1,851	-	1,851
Consideration fair value adjustment	(272)	-	(834)	-
	15,433	24,057	46,813	55,655
Changes in non-cash operating working capital items (Note 15)	(18,556)	(16,950)	(59,428)	(70,997)
	(3,123)	7,107	(12,615)	(15,342)
FINANCING ACTIVITIES				
Proceeds from (repayment of) long-term debt & finance leases, net of issuance costs	46,892	(33,870)	104,383	579
Proceeds from issuance of debentures, net of issuance costs	(60)	54,646	61,826	54,646
Proceeds from issuance of shares, net of issuance costs	1,646	936	3,740	58,464
Cash dividends / distributions (Note 9)	(9,068)	(8,351)	(26,797)	(24,162)
	39,410	13,361	143,152	89,527
INVESTING ACTIVITIES				
Purchase of capital assets, net of disposals	(28,746)	(14,459)	(58,314)	(50,202)
Purchase of intangible assets	(5)	(3)	(43)	(2,399)
Investment in other assets	-	-	(5,775)	-
Cash outflow for acquisitions (Note 4)	-	(219)	(55,411)	(24,286)
Cash acquired in acquisitions (Note 4)	-	19	731	2,171
	(28,751)	(14,662)	(118,812)	(74,716)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,536	5,806	11,725	(531)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,355	5,138	4,166	11,475
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 15,891	$ 10,944	$ 15,891	$ 10,944
Supplementary cash flow information				
Interest paid	$ 5,576	$ 2,046	$ 12,445	$ 7,716
Income taxes paid	$ 1,437	$ 1,599	$ 9,858	$ 3,556

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)

1. ORGANIZATION

Exchange Income Corporation ("EIC" or the "Company") is a diversified, acquisition-oriented corporation focused on acquisition opportunities in the industrial products and aviation sectors, 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 in Canada and/or the United States. The Company is incorporated in Canada and the address of the registered office is 1067 Sherwin Road, Winnipeg, Manitoba, Canada R3H 0T8.

As at September 30, 2013, the principal wholly-owned operating subsidiaries of the Company are Perimeter Aviation LP ("Perimeter"), Keewatin Air LP ("Keewatin"), Calm Air International LP ("Calm Air"), Bearskin Lake Air Service LP ("Bearskin"), Custom Helicopters Ltd. ("Custom"), 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders Manufacturing LP ("Overlanders"), Water Blast Manufacturing LP ("Water Blast"), WesTower Communications Ltd. ("WesTower CDA"), and EIIF Management USA Inc. ("EIIF USA"). Stainless Fabrication, Inc. ("Stainless"), WesTower Communications Inc. (the US operations of WesTower – "WesTower US"), Dallas Sailer Enterprises, Inc. ("Water Blast Dakota"), and Regional One, Inc. ("Regional One") are wholly owned subsidiaries of EIIF USA. Through the Company's subsidiaries, products and services are provided in two business segments: Aviation and Manufacturing. On September 20, 2013, EIC USA LLC ("EIC USA") was liquidated and dissolved into the Company.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are for the nine months ended September 30, 2013, 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, 2012, which have been prepared in accordance with IFRS as issued by the IASB. These interim condensed consolidated financial statements are presented in thousands of Canadian dollars, except per share information.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Company for issue on November 11, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) *Principles of Consolidation*

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Perimeter, Keewatin, Calm Air, Bearskin, Custom, 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders, Water Blast, WesTower CDA, 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) *Business Combinations*

The Company's acquisitions have been accounted for using the acquisition method of accounting. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair values of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair values of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The intangible assets acquired that require critical accounting estimates are customer contracts, customer relationships, customer lists, certifications and trade names. To determine the fair value of these customer based intangible assets (excluding trade names), the Company adopted the excess earning method. This valuation technique values the intangible assets based on the capitalization of the earnings, which are calculated to be in excess of what a reasonable amount of earnings would be on the tangible assets used to generate the earnings. Significant assumptions include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates. To determine the fair value of the trade name intangible asset, the Company adopted the royalty relief method. This valuation technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates and anticipated average income tax rates. In certain circumstances the Company also has to consider the differences between the acquisition of a business and the purchase of assets depending on the terms of an acquisition contract. Certain judgments can be made in this determination which impacts the valuation and recognition of assets acquired and liabilities assumed. When an asset acquisition occurs the identifiable assets acquired and liabilities assumed are allocated the cost of the acquisition and no goodwill or gain on a bargain purchase would be recognized.

c) *Changes in accounting policies*

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11, Joint Arrangements and IAS 28R, Investments in Associates and Joint Ventures

IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The standards did not affect the Company as it did not have any investment in associates or joint arrangements.

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. EIC adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income

EIC has early adopted the amendments to IAS 1 effective December 31, 2012. These amendments required EIC to group other comprehensive income items by those that will be reclassified subsequently to net earnings and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

d) *Hedges of a net investment in foreign operation*

The Company applies hedge accounting to certain foreign currency differences arising between the functional currency of the foreign operation and the Company's presentation currency, regardless of whether the net investment is held directly or through an intermediate parent.

Financial Liabilities

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective.

Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposure associated with its net investment in a foreign operation. Gains and losses on such derivative instruments are recognized in other comprehensive income to the extent the hedge is effective (Note 14).

On initial designation of the derivative or financial liability as a hedging instrument, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. To the extent that the hedge is ineffective, such differences are recognized in the statement of income. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to the statement of income as part of the gain or loss on disposal.

e) *Revenue Recognition*

The Company recognizes revenue on various types of transactions. The Aviation segment recognizes revenue on the provision of flight, flight ancillary services, and the sale and/or lease of aircraft and aftermarket parts. The Manufacturing segment recognizes revenue on the sales of manufacturing products and services.

<u>Aviation Revenues</u>

The Company records flight revenue at the time when the flight has been completed. Tickets sold but for which the customer has not flown are reflected on the consolidated statement of financial position as deferred revenue and recognized as flight revenue when the service is provided or when the ticket expires. Perimeter offers a customer loyalty program where a customer receives a loyalty point as a percentage of each ticket purchased. The award points are recognized as a separately identifiable component of the initial sale of the ticket, by allocating the fair value of the consideration received between the award points and the sale of the ticket. The fair value of the award points is deferred and is recognized as revenue on redemption of the award by the participant to whom the award is issued. The Company performs regular evaluations on the deferred revenue liability for passenger tickets purchased in advance within the Aviation segment's operating entities. These evaluations may result in adjustments being recognized as revenue. Due to the complexity of the pricing and systems, historical experience, and other factors including refunds, exchanges and unused tickets, certain amounts are recognized as revenue based on estimates. Events and circumstances may result in actual results that are different from estimates.

The Company recognizes aviation part sales revenue when the title has been passed to the customer, at the time the effective control of the product and the risks and rewards of ownership have been passed to the buyer. Payments received in advance are recorded as deferred revenue until the product has been delivered to the customer. In addition, the Company recognizes revenue from consignment sales in the same manner as discussed above. These sales have the characteristics of principal sales and are therefore recorded at the gross amount in revenue, with the payment to the consignor recorded as cost of sales.

Revenue from leasing of aircraft and aircraft equipment is recognized as revenue straight-line over the terms of the applicable lease agreements. Certain of the Company's lease contracts call for billings in advance. Rentals received, but unearned are deferred and recorded as deferred revenue on the statement of financial position. As part of terms of applicable lease agreements, customers are often required to make security deposits. These deposits are recorded as a liability on the statement of financial position within "Other Long-Term Liabilities".

The Company, as a dealer of certain aircraft and related components, may enter into a finance lease with customers. In such circumstances, the Company records a gross profit from the lease equivalent to the present value of the lease payments reduced by any down payments less the cost basis of the related asset. Discounted interest is earned over the term of the lease and recognized using the effective interest method. Long-term lease receivables relating to sales-type leases are recorded on the statement of financial position within "Other Assets".

Certain fuel sales transactions within the Aviation segment's aviation support entities have the characteristics of agent sales and as a result revenues are recorded based on the net amount retained which is the difference between the amount billed to a customer less the amount paid to the supplier. The amount receivable from the customer and the amount owing to the fuel supplier are not reported on a net basis.

Manufacturing Revenues

The Company recognizes manufacturing product revenue when the title has been passed to the customer, at the time the effective control of the product and the risks and rewards of ownership have been passed to the buyer, excluding revenues recognized by Stainless and WesTower as described below on long-term contracts. Payments received in advance are recorded as deferred revenue until the product has been delivered to the customer. Non-refundable deposits, however, are recorded as revenue when they are received from the customer.

Revenues from long-term contracts associated with manufacturing products are recognized on a percentage-of-completion basis. The operations of Stainless and WesTower within the Manufacturing segment include these contracts. 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.

The Company presents two lines on the statement of financial position pertaining to long-term contracts revenue recognition. A current asset and current liability are recorded that represent the difference between the revenues recognized and the amounts billed to the customers of these long-term contracts. The current asset is called "Costs incurred plus recognized profits in excess of billings" and the current liability is called "Billings in excess of costs incurred plus recognized profits". Amounts billed to customers are presented as Accounts Receivable.

f) Expenses

Aviation expenses – excluding depreciation and amortization

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

Manufacturing expenses – excluding depreciation and amortization

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

g) *Aviation Inventory*

Cost for aviation parts and components is established based upon the price paid for the inventory, including any costs of purchase, costs of conversion and other costs to bring such inventories to their present location and condition. Inventory carrying value is determined using the average cost to sales percentage and applying that percentage to Regional One inventory at expected selling prices. The average cost to sales percentage is based on historical profitability or from contracted rates under certain procurement arrangements. Remanufactured inventory cost is based upon the price paid for the cores and also includes expenses incurred for freight, direct manufacturing costs and overhead, as applicable.

For all inventory, carrying value is recorded at the lower of cost and net realizable value.

Critical Judgments on Aviation Inventory

The Company may purchase certain aircraft and aircraft components in the normal course of the operations at Regional One. The Company must assess whether such tangible assets should be recognized as either inventory or capital assets depending on the anticipated use of such assets. The determination is based on available cycle times related to aviation components and whether such assets are expected to be used in more than one period, in which case they would be classified as capital assets and amortized over their useful lives. The Company reviews it tangible assets on a regular basis to assess whether reclassifications are required between capital assets and inventory and the related accounting implications.

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

4. ACQUISITIONS

Acquisition of Regional One

The Company announced on February 28, 2013 that it had signed a stock purchase agreement to acquire all outstanding shares of Regional One and closed the acquisition on April 12, 2013. Regional One is a leading provider of aircraft and engine aftermarket parts to regional airline operators around the world. The operations of Regional One include the direct sale and leasing to regional airline operators and performing consignment sales transactions. Its specialty is based around regional turbo-prop and turbo-jet aircraft, engines and rotable parts. This acquisition creates further diversification of the Company's revenue streams by expanding into new product and geographical markets. Secondly, the addition of Regional One provides a proxy for vertical integration into one of the major expense categories of our aviation segment.

The results of operations are included in the Company's consolidated statement of income since the date of acquisition and Regional One is part of the Aviation segment. For the approximate five and a half months of operations during the 2013 period since Regional One was acquired, it contributed revenues of approximately $20.0 million, earnings before income taxes $1.8 million (including internal costs of $2.2 million) and has total assets of approximately $120.9 million as at September 30, 2013.

The acquisition price was US$94.9 million ($96.2 million) and was funded through a combination of cash, the issuance of Shares and the recognition of consideration liabilities for future payments. At the time of closing, the Company paid US$45.1 million in cash ($45.8 million). Additionally the Company paid US$15.7 million ($15.9 million) to an escrow agent for contingent consideration associated with future results being attained by Regional One and this is treated as a consideration liability on the Statement of Financial Position. The Company issued 494,656 Shares with a value of US$13.6 million ($13.8 million) and the recognized contingent consideration liabilities associated with future payments was US$20.5 million ($20.8 million). The Company also assumed debt within Regional One of US$1.6 million and paid it off at the time of closing.

The recognized consideration liabilities are presented within Accounts Payable and Accrued Liabilities on the Statement of Financial Position. These liabilities include certain contingent payments and future payments of both cash and issuance of shares within the share purchase agreement. The price of the shares used for both the shares issued at the time of closing and in the future was negotiated between the Company and the vendors. However, IFRS requires that shares issued be valued at the share price at the time of issuance and as a result certain differences exist. As well, subsequent to closing any change in the Company's share price impacts the value of the liability and will be recorded through the Company's statement of income in the period of the change even though there is no impact on the maximum number of shares to be issued in accordance with the share purchase agreement.

Included in the cash consideration paid, US$15.7 million was paid to an escrow agent and the terms of that escrow agreement are based on certain financial results being achieved. Under IFRS this contingent consideration is not considered to fulfill the contingent liability and therefore the cash held in escrow remains as the cash of the Company until those funds are released to the vendors or returned to the Company.

During the second quarter and subsequent to the closing date, the Company released US$9.1 million ($9.4 million) of the cash held in escrow, paid US$0.5 million in cash ($0.5 million), and issued 178,552 of Shares with a value of US$4.7 million ($4.9 million) as partial settlement of certain contingent consideration liabilities that were recognized on closing. As at September 30, 2013 the Company's cash position on the balance sheet included US$6.6 million of cash held in escrow which is expected to be released to the vendors within the first anniversary of the closing date. As a result of this payment and the adjustment to fair value the remaining consideration liabilities associated with the Company's share price, the Company recorded a gain of $834 during 2013 in the Statement of Income.

The settlement of the working capital is expected to be finalized during the fourth quarter of 2013 and the tables below include the estimated working capital settlement excess of US$10.5 million owing to the vendors and the Company paid US$2.7 million at closing as advancement on this estimated liability.

Consideration given:		
Cash	$	45,770
Issue of 494,656 Shares of the Company at a price of $27.80 per share		13,751
Contingent consideration liabilities		36,708
Total purchase consideration	$	96,229

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Details of the preliminary fair values of the net assets acquired at the time of the transaction are as follows:

Fair value of assets acquired:	
Cash	$ 731
Accounts receivable	8,343
Inventory	15,226
Prepaid expenses and deposits	1,558
Capital assets	25,917
Other assets	806
Intangible assets	18,123
	70,704
Less fair value of liabilities assumed:	
Accounts payable and accrued liabilities	2,043
Long-term debt	1,612
Deferred revenue	903
Other long-term liabilities	1,172
Fair value of identifiable net assets acquired	64,974
Goodwill	31,255
Total purchase consideration	$ 96,229

Of the $18,123 acquired intangible assets, $12,465 was assigned to trade name and $5,658 was assigned to customer relationships. All the intangibles acquired are subject to amortization with the exception of the trade name which is considered to have indefinite life.

The goodwill is attributable mainly to the assembled workforce of Regional One and the synergy opportunities that will be derived on sourcing and pricing through Regional One for aircraft, engines and parts requirements of the existing Aviation segment entities. All of the goodwill and intangible assets acquired are deductible for tax purposes.

5. INTANGIBLE ASSETS & GOODWILL

As described in Note 4 – Acquisitions, the Company acquired intangible assets totaling $18,123 and goodwill totaling $31,255 with the acquisition of Regional One on April 12, 2013. Included in the acquired intangible assets was $12,465 associated with the trade name of Regional One and $5,658 assigned to customer relationships.

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6. LONG-TERM DEBT AND FINANCE LEASES

The following summarizes the Company's long-term debt and finance leases as at September 30, 2013 and December 31, 2012:

	September 30 2013	December 31 2012
Revolving term facility		
Canadian dollar amounts drawn	$ 39,250	$ 750
United States dollar amounts drawn (US$134,397 and US$67,150, respectively)	138,228	66,808
Total credit facility debt outstanding, principal value	177,478	67,558
less: unamortized transaction costs	(1,081)	(616)
less: unamortized discount on outstanding Banker's Acceptances	(56)	-
Net credit facility debt	176,341	66,942
Finance leases	2,508	2,867
Total net credit facility debt and finance leases	178,849	69,809
less: current portion of finance leases	(1,130)	(1,405)
Long-term debt and finance leases balance	$ 177,719	$ 68,404

Interest expense recorded during the three and nine months ended September 30, 2013 for the long-term debt and finance leases was $1,206 and $2,702, respectively (2012 – $895 and $2,734, respectively).

Credit Facility

The following is the continuity of long-term debt for the nine months ended September 30, 2013:

	Nine Months Ended September 30, 2013				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar portion	$ 750	$ 44,800	$ (6,300)	$ -	$ 39,250
United States dollar portion	66,808	146,011	(76,498)	1,907	138,228
	67,558	190,811	(82,798)	1,907	177,478

During the second quarter, the Company's senior credit facility was amended in association with the closing of the acquisition of Regional One (Note 4). The total credit available under the facility was amended. The total credit available is allocated between both EIC head office and EIIF USA. The total credit available under the facility is $335,000, with $258,000 allocated to EIC and $77,000 allocated to EIIF USA (prior to the amendment the total credit available was $235,000 consisting of $160,000 allocated to EIC and $75,000 to EIIF USA). The facility allows for borrowings to be denominated in either Canadian or US funds. The credit facility includes a revolving operating line of credit up to a maximum of $15,000. Also at the time of the amendment the term of the credit facility was extended two years, to April 2017, as part of the revolving four year credit facility.

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7. CONVERTIBLE DEBENTURES

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Series F - 2009	N/A	April 8, 2014	10%	$ 10.75
Series G - 2009	EIF.DB.A	September 30, 2014	7.5%	$ 14.50
Series H - 2010	EIF.DB.B	May 31, 2017	6.5%	$ 20.00
Series I - 2011	EIF.DB.C	January 31, 2016	5.75%	$ 26.00
Series J - 2011	EIF.DB.D	May 31, 2018	6.25%	$ 30.60
Unsecured Debentures - 2012	EIF.DB.E	September 30, 2019	5.5%	$ 36.80
Unsecured Debentures - 2013	EIF.DB.F	March 31, 2020	5.35%	$ 41.60

Summary of the debt component of the convertible debentures:

	2013 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Repaid on Maturity	2013 Balance, End of Period	December 31, 2012 Balance
Series F	$ 1,162	$ -	$ 16	$ (45)	$ -	$ 1,133	$ 1,162
Series G	4,665	-	31	(1,032)	-	3,664	4,665
Series H	21,787	-	133	(854)	-	21,066	21,787
Series I	33,534	-	313	(17)	-	33,830	33,534
Series J	53,706	-	437	(3)	-	54,140	53,706
Unsecured - 2012	52,933	-	400	-	-	53,333	52,933
Unsecured - 2013	-	60,504	257	-	-	60,761	-
						227,927	167,787
less: unamortized transaction costs						(8,568)	(6,741)
Convertible Debentures - Debt Component, end of period						219,359	161,046
less: current portion						(4,456)	-
Convertible Debentures - Debt Component (long-term portion)						$ 214,903	$ 161,046

During the nine months ended September 30, 2013, convertible debentures totaling a face value of $2,089 were converted at various times into 126,617 Shares of the Company (2012 – $6,487 face value into 366,211 Shares). Interest expense recorded during the three and nine months ended September 30, 2013 for the convertible debentures was $4,618 and $12,424, respectively (2012 – $2,559 and $7,442, respectively).

March 2013 Unsecured Convertible Debenture Offering

The Company issued the $65 million Seven Year 5.35% Convertible Unsecured Subordinated Debentures in March 2013. These debentures bear interest at the rate of 5.35% per annum payable semi-annually in arrears, in cash, on March 31 and September 30 of each year. The maturity of the debentures is March 31, 2020. Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date at a conversion price of $41.60.

At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days ending five days prior to the maturity date. The Company also has the ability to convert these unsecured debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. After March 31, 2016, but prior to March 31, 2018, the Company has the option to redeem these debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. On and after March 31, 2018 but prior to the maturity date the Company has the option to redeem these debentures without any weighted average market price thresholds. If the Company elects to redeem the debentures, the debentureholders have the option to convert the debentures into Shares of the Company at the conversion price.

Transaction costs of $3,174 were incurred during the nine months ended September 30, 2013 in relation to the issuance of these debentures.

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The two most recent convertible debenture offerings (seven year 5.50% Convertible Unsecured Subordinated Debentures due September 30, 2019 and seven year 5.35% Convertible Unsecured Subordinated Debentures due March 31, 2020) contained a cash conversion option that would have allowed the Company to pay cash to the holder in lieu of Shares of the Company. Effective July 26, 2013, the Company amended the terms of these debentures to remove the Company's cash conversion option. The Company determined that the embedded derivative associated with such instruments was immaterial.

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:

	September 30 2013	December 31 2012
Series F - 2009	$ 58	$ 61
Series G - 2009	111	176
Series H - 2010	1,191	1,238
Series I - 2011	1,489	1,489
Series J - 2011	3,136	3,136
Unsecured Debentures - 2012	3,204	3,204
Unsecured Debentures - 2013	3,063	-
Convertible Debentures - Equity Component, end of period	$ 12,252	$ 9,304

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

8. SHARE CAPITAL

Changes in the Shares issued and outstanding during the nine months ended September 30, 2013 are as follows:

	Number of Shares	2013 Amount
Share capital, beginning of period	20,636,593	$ 268,494
Issued for Regional One vendors on closing (Note 4)	494,656	13,751
Issued for Regional One vendors on contingent liability payment	178,552	4,841
Issued under vesting of reserved shares	28,746	611
Issued upon conversion of convertible debentures	126,617	2,066
Issued under dividend reinvestment plan (DRIP)	122,963	3,129
Share capital, end of period	21,588,127	$ 292,892

9. DIVIDENDS DECLARED

The Company's policy is to make dividends to shareholders equal to cash flows from operations after making allowances for debt servicing requirements, working capital, and for growth and capital expenditure requirements as deemed prudent by its Board of

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Directors.

Cumulative dividends during the nine months ended September 30, 2013 and the comparative 2012 period are as follows:

Nine Months Ended September 30		2013		2012
Cumulative dividends, beginning of period	$	115,760	$	83,043
Dividends during the period		26,797		24,162
Cumulative dividends, end of period	$	142,557	$	107,205

The amounts and record dates of the dividends during the nine months ended September 30, 2013 and the comparative 2012 period are as follows:

Month	Record date		Per Share		2013 Dividends Amount	Record date		Per Share		2012 Dividends Amount
January	January 31, 2013	$	0.14	$	2,901	January 31, 2012	$	0.135	$	2,390
February	February 28, 2013		0.14		2,905	February 29, 2012		0.135		2,423
March	March 29, 2013		0.14		2,911	March 30, 2012		0.135		2,740
April	April 30, 2013		0.14		2,985	April 30, 2012		0.135		2,749
May	May 31, 2013		0.14		3,011	May 31, 2012		0.135		2,753
June	June 28, 2013		0.14		3,016	June 29, 2012		0.135		2,756
July	July 31, 2013		0.14		3,019	July 31, 2012		0.135		2,781
August	August 30, 2013		0.14		3,023	August 31, 2012		0.135		2,783
September	September 30, 2013		0.14		3,026	September 28, 2012		0.135		2,787
Total		$	1.26	$	26,797		$	1.215	$	24,162

Subsequent to September 30, 2013 and before these interim condensed consolidated financial statements were authorized, the Company declared a dividend of $0.14 per Share for October 2013.

10. SEGMENTED AND SUPPLEMENTAL INFORMATION

The Company's reportable business segments include strategic business units that offer different products and services. The Company has two reportable business segments: Aviation and Manufacturing. The Aviation segment provides airline services to communities in Manitoba, Ontario, and Nunavut. On April 12, 2013, the Company acquired Regional One (Note 4) which provides aircraft and aircraft aftermarket parts to regional airline operators around the world. The results for Regional One have been included in the Aviation segment starting in the second quarter of 2013. The Manufacturing segment consists of niche specialty metal manufacturers in markets throughout Canada and the United States.

The Company evaluates each segment's performance based on EBITDA. The Company's method of calculating EBITDA may differ from that of other entities and therefore may not be comparable to measures utilized by them. There are no inter-segment revenues, and segment revenues presented in the tables below are from external customers.

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

Due to the seasonal nature of the operations of each of the Company's segments, the results of operations for the interim periods reported are not necessarily indicative of the results to be expected for the year. The Aviation segment has historically had strongest revenues in the second and third quarters when demand tends to be highest, relatively modest in the fourth quarter and at 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 in the Manufacturing segment, the seasonality of the Manufacturing segment is relatively flat throughout the fiscal period.

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	Three Months Ended September 30, 2013				Three Months Ended September 30, 2012			
	Aviation	Manufacturing	Company	Consolidated	Aviation	Manufacturing	Company	Consolidated
Revenue	$ 82,806	$ 184,521	$ -	$ 267,327	$ 73,459	$ 147,348	$ -	$ 220,807
EBITDA	18,780	(1,128)	(2,040)	15,612	17,266	15,264	(2,198)	30,332
Depreciation and amortization				12,547				10,168
Finance costs - interest				5,824				3,454
Acquisition costs				1				2
Consideration liability fair value adjustment				(272)				-
Impairment loss				-				1,851
Earnings before tax				$ (2,488)				$ 14,857

	Nine Months Ended September 30, 2013				Nine Months Ended September 30, 2012			
	Aviation	Manufacturing	Company	Consolidated	Aviation	Manufacturing	Company	Consolidated
Revenue	$ 226,595	$ 535,984	$ -	$ 762,579	$ 211,625	$ 357,501	$ -	$ 569,126
EBITDA	45,243	18,851	(5,921)	58,173	40,020	35,389	(6,553)	68,856
Depreciation and amortization				34,059				28,827
Finance costs - interest				15,126				10,176
Acquisition costs				1,669				392
Consideration liability fair value adjustment				(834)				-
Impairment loss				-				1,851
Earnings before tax				$ 8,153				$ 27,610

	September 30, 2013				December 31, 2012			
	Aviation	Manufacturing	Company	Consolidated	Aviation	Manufacturing	Company	Consolidated
Total assets	$ 366,586	$ 449,925	$ 122,447	$ 938,958	$ 267,443	$ 331,526	$ 110,401	$ 709,370
Net capital asset additions	52,425	5,876	13	58,314	56,965	6,150	141	63,256

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent by the weighted average number of Shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential common shares. The Company has one category of dilutive potential common shares: convertible debentures. For the convertible debentures, the convertible debt is assumed to have been converted into common shares and the net income is adjusted to eliminate the interest expense from the convertible debt less the tax effect.

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The computation for basic and diluted earnings per share for the three and nine months ended September 30, 2013 and comparative periods in 2012 are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	2013	2012	2013	2012
Net earnings for the period, available to common shareholders	$ (205)	$ 9,972	$ 7,113	$ 18,641
Dilutive effect of convertible debentures	3,371	1,868	9,069	5,433
Add back impact from anti-dilutive factors	(3,371)	-	(9,069)	(4,014)
Diluted earnings for the period	$ (205)	$ 11,840	$ 7,113	$ 20,060
Basic weighted average number of Shares	21,703,471	20,534,768	21,338,867	19,842,354
Dilutive effect of convertible debentures	7,832,672	5,118,105	7,399,826	5,060,415
Add back impact from anti-dilutive factors	(7,832,672)	-	(7,399,826)	(3,292,230)
Diluted basis average number of Shares	21,703,471	25,652,873	21,338,867	21,610,539
Earnings per share:				
Basic	$ (0.01)	$ 0.49	$ 0.33	$ 0.94
Diluted	$ (0.01)	$ 0.46	$ 0.33	$ 0.93

12. DEFERRED SHARE PLAN

During the nine months ended September 30, 2013 the Company granted deferred shares to certain personnel. The fair value of the deferred shares granted was $1,440 at the time of the grant and was based on the market price of the Company's Shares at that time. During the nine months ended September 30, 2013, the Company recorded compensation expense of $735 for the Company's Deferred Share Plan within the general and administrative expenses of head-office (2012 - $415).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The following describes the risk management areas that are significantly changed from December 31, 2012.

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 $134,397 outstanding on its credit facility (Canadian equivalent of $138,228). 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 Manufacturing and Aviation segment subsidiaries, in particular, the operations of WesTower US, Stainless and Regional One throughout the United States.

The Company`s investment in EIIF USA is hedged partially by US$74,500 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 period, the Company also entered into a currency swap in order to hedge a portion of the net investment in EIC USA. The hedge contracted the Company to convert US$60,000 into $61,398 Canadian equivalent. The swap was settled on September 20, 2013. As a result, a $474 loss on the hedge was recorded within other comprehensive income (loss) for the nine months ended September 30, 2013. The Company`s investments in other subsidiaries are not hedged. As part of the settlement of the swap, EIC USA was liquidated and dissolved on September 20, 2013.

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Interest Rates

The Company is subject to the risk that future cash flows associated with the credit facility outstanding (Note 6) will fluctuate due to fluctuations in interest rates and the degree of volatility of the rates. The Company manages this risk and seeks financing terms in individual arrangements that are most advantageous.

The terms of the credit facility allow for the Company to choose the base interest rate between Prime, Bankers Acceptances or London Inter Bank Offer Rate ("LIBOR"). At September 30, 2013, US $133,600 was outstanding under US LIBOR, US $797 was outstanding under USD Prime and $39,250 was outstanding under Bankers Acceptances.

The interest rates of the convertible debentures (Note 7) have fixed interest rates.

Fair Value of Financial Instruments

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

Recurring measurements	September 30, 2013	Quoted prices in an active market Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Financial Liabilities				
Consideration liabilities	$ (21,934)	-	(21,934)	-
	$ (21,934)	$ -	$ (21,934)	$ -

The Company valued the level 2 consideration liabilities based on the present value of estimated cash outflows using observable yield curves and the observable fair market value of its equity, as applicable.

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, other long-term liabilities, long term debt and convertible debentures. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their carrying values due to their short term nature. Management had determined that the fair value of its long term debt approximates its carrying value as such debt is subject to floating interest rates and current market conditions as it was recently amended (Note 6). Furthermore, management had determined that the fair value of its other long-term liabilities approximates carrying value as such was recorded at fair value on acquisition date.

Management estimated the fair value of the convertible debentures based on valuation techniques taking into account market rates of interest, the condition of any related collateral, the current conditions in credit markets and the current estimated credit margins applicable to the Company based on recent transactions. The estimated fair value of its convertible debentures is $234,834 (December 31, 2012 $168,600) and a carrying value of $219,359 (December 31, 2012 $161,046).

The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. During the nine months ended September 30, 2013 there were no such transfers.

14. OTHER COMPREHENSIVE INCOME (LOSS)

During the three and nine months ended September 30, 2013 the Company had other comprehensive loss of $4,836 (net of $243 tax) and income of $4,520 (net of $50 tax), respectively, that relates to foreign currency translation adjustments of the operations of Stainless, Water Blast Dakota, Regional One and the US operations of WesTower from US dollars to the Canadian dollar reporting currency (2012 – loss of $1,411, net of $82 tax, and loss of $1,296, net of $76 tax, respectively).

In addition, during three and nine months ended September 30, 2013 the Company had other comprehensive income of $3,090 (net of $417 tax) and loss of $1,402 (net of $189 tax), respectively, that relates to the Company's foreign currency hedge of US $134,500 net investment in EIC USA and EIIF USA. On September 20, 2013, the foreign currency swap was settled in conjunction with EIC USA being liquidated and dissolved into the Company. Included in these amounts for the three and nine months ended September 30, 2013 are income of $1,398 and loss of $474, respectively, on the foreign currency swap and income of $1,692 and loss of $928, respectively, on the US $74,500 long term debt used to hedge a portion of the net investment in EIIF USA. The currency swap, as described in Note 13, has not experienced ineffectiveness prior to settlement on September 20, 2013.

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

15. CHANGES IN WORKING CAPITAL ITEMS

The changes in non-cash operating working capital items during the three and nine months ended September 30, 2013 and the comparative periods in 2012 are as follows:

	Three Months Ended		Nine Months Ended	
Periods Ended September 30	2013	2012	2013	2012
Accounts receivable	$ (2,926)	$ (5,862)	$ (7,813)	$ (34,574)
Costs incurred plus recognized profits in excess of billings	(1,632)	(25,475)	(50,848)	(72,181)
Inventory	(7,592)	(9,806)	(19,242)	(15,861)
Prepaid expenses	2,157	(176)	(5,102)	(2,122)
Accounts payable and accrued charges	(1,128)	20,150	21,611	50,760
Income taxes payable	(5,275)	3,438	(11,971)	1,338
Deferred revenue	909	723	1,221	1,877
Billings in excess of costs incurred plus recognized profits	(2,293)	661	10,054	(74)
Foreign currency adjustments	(776)	(603)	2,662	(160)
Net change in working capital items	$ (18,556)	$ (16,950)	$ (59,428)	$ (70,997)

16. INCOME TAX

Income tax expense is recognized based on management's best estimate of the weighted annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's consolidated effective tax rate for the nine months ended September 30, 2013 was 12.8% (nine months ended September 30, 2012: 32.5%). The change in the effective tax rate is detailed in the following table:

Nine Months Ended September 30	2013	2012
Earnings before provision for income taxes	$ 8,153	$ 27,610
Combined Canadian federal and provincial tax rates	27.0%	27.0%
Income tax expense at statutory rates	$ 2,201	$ 7,455
Increase (decrease) in taxes resulting from:		
Permanent differences	(452)	348
Change in statutory rates	(11)	(232)
Impact of foreign tax rate differences	(691)	1,266
Non-taxable capital gains	(27)	-
Other	20	132
Provision for income taxes	$ 1,040	$ 8,969