Exchange
Income
Corporation

Second Quarter Financial Statements & Notes

For the six months ended

June 30, 2022

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

As at	June 30 2022	December 31 2021
ASSETS		
CURRENT		
Cash and cash equivalents	$ 60,270	$ 75,408
Accounts receivable	415,331	301,767
Amounts due from customers on construction contracts	29,943	27,705
Inventory	325,682	255,451
Prepaid expenses and deposits	98,370	40,127
Income taxes receivable	9,387	-
	938,983	700,458
OTHER ASSETS (Note 7)	108,201	66,658
CAPITAL ASSETS	1,198,291	1,070,573
RIGHT OF USE ASSETS	100,809	83,439
INTANGIBLE ASSETS	173,538	180,664
GOODWILL	726,424	486,875
	$ 3,246,246	$ 2,588,667
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	$ 374,733	$ 267,635
Income taxes payable	-	4,577
Deferred revenue	71,850	53,171
Amounts due to customers on construction contracts	28,617	30,556
Current portion of convertible debentures	-	98,808
Current portion of right of use lease liability	22,008	20,603
	497,208	475,350
DEFERRED REVENUE	508	1,857
OTHER LONG-TERM LIABILITIES	18,016	16,271
LONG-TERM DEBT (Note 8)	1,256,738	707,611
CONVERTIBLE DEBENTURES (Note 9)	396,906	393,408
LONG-TERM RIGHT OF USE LEASE LIABILITY	82,395	69,397
DEFERRED INCOME TAX LIABILITY	146,992	124,498
	2,398,763	1,788,392
EQUITY		
SHARE CAPITAL (Note 10)	899,404	852,821
CONVERTIBLE DEBENTURES - Equity Component (Note 9)	14,017	17,607
CONTRIBUTED SURPLUS	16,635	13,046
DEFERRED SHARE PLAN	15,589	16,010
RETAINED EARNINGS		
Cumulative Earnings	601,955	568,212
Cumulative Dividends	(707,773)	(662,319)
Cumulative impact of share cancellation under the NCIB	(26,122)	(26,122)
	813,705	779,255
ACCUMULATED OTHER COMPREHENSIVE INCOME	33,778	21,020
	847,483	800,275
	$ 3,246,246	$ 2,588,667

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

Approved on behalf of the directors by:

Duncan Jessiman, Director
Signed

Donald Streuber, Director
Signed

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2022**	2021	**2022**	2021
REVENUE				
Aerospace & Aviation	**$ 352,354**	$ 197,934	**$ 633,946**	$ 381,077
Manufacturing	**176,663**	124,136	**295,297**	241,739
	529,017	322,070	**929,243**	622,816
EXPENSES				
Aerospace & Aviation expenses - excluding depreciation and amortization	**234,239**	106,445	**418,309**	210,581
Manufacturing expenses - excluding depreciation and amortization	**121,060**	91,962	**214,231**	180,332
General and administrative	**58,663**	42,602	**114,692**	86,720
	413,962	241,009	**747,232**	477,633
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION, FINANCE COSTS AND OTHER (Note 4)	**115,055**	81,061	**182,011**	145,183
Depreciation of capital assets	**39,476**	34,939	**76,367**	65,682
Amortization of intangible assets	**5,776**	3,868	**8,617**	8,319
Finance costs - interest	**15,211**	11,178	**30,063**	22,569
Depreciation of right of use assets	**7,411**	6,098	**13,947**	12,222
Interest expense on right of use lease liabilities	**935**	811	**1,687**	1,684
Acquisition costs	**4,449**	379	**4,904**	483
EARNINGS BEFORE INCOME TAXES	**41,797**	23,788	**46,426**	34,224
INCOME TAX EXPENSE (RECOVERY)				
Current	**3,508**	4,975	**4,745**	11,069
Deferred	**8,299**	2,307	**7,938**	(478)
	11,807	7,282	**12,683**	10,591
NET EARNINGS	**$ 29,990**	$ 16,506	**$ 33,743**	$ 23,633
NET EARNINGS PER SHARE (Note 13)				
Basic	**$ 0.76**	$ 0.44	**$ 0.86**	$ 0.65
Diluted	**$ 0.73**	$ 0.43	**$ 0.84**	$ 0.63

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

Exchange Income Corporation

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

Attributable to common shareholders	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2022**	2021	**2022**	2021
NET EARNINGS	**$ 29,990**	$ 16,506	**$ 33,743**	$ 23,633
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to the Statement of Income				
Cumulative translation adjustment, net of tax expense (recovery) for the three months ended June 30 of nil and $(5), respectively, and net of tax expense (recovery) for the six months ended June 30 of nil and $(9), respectively	**20,045**	(8,733)	**10,691**	(16,205)
Net gain (loss) on hedge of net investment in foreign operations net of tax expense (recovery) for the three months ended June 30 of $(46) and $220, respectively and net of tax expense (recovery) for the six months ended June 30 of $nil and $240, respectively	**(5,877)**	2,576	**(3,075)**	4,774
Net gain (loss) on hedge of restricted share plan, net of tax recovery for the three months ended June 30 of $(40) and $(35), respectively and net of tax expense for the six months ended June 30 of $72 and $56, respectively	**(164)**	(97)	**196**	152
Net gain on interest rate swap, net of tax expense for the three months ended June 30 of $621 and $280, respectively and net of tax expense for the six months ended June 30 of $1,829 and $905, respectively	**1,679**	757	**4,946**	2,448
	15,683	(5,497)	**12,758**	(8,831)
COMPREHENSIVE INCOME	**$ 45,673**	$ 11,009	**$ 46,501**	$ 14,802

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

Exchange Income Corporation

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, in thousands of Canadian dollars)

					Retained Earnings				
	Share Capital	Convertible Debentures - Equity Component	Contributed Surplus - Matured Debentures	Deferred Share Plan	Cumulative Earnings	Cumulative Dividends	Cumulative impact of share repurchases under NCIB	Accumulated Other Comprehensive Income (Loss)	**Total**
Balance, January 1, 2021	$ 731,343	$ 13,214	$ 9,837	$ 16,893	$ 499,624	$ (576,932)	$ (26,122)	$ 18,089	$ 685,946
Prospectus offering	84,946	-	-	-	-	-	-	-	84,946
Shares issued under dividend reinvestment plan (Note 10)	5,402	-	-	-	-	-	-	-	5,402
Shares issued under First Nations community partnership agreements	79	-	-	-	-	-	-	-	79
Deferred share plan vesting (Note 14)	-	-	-	670	-	-	-	-	670
Shares issued under ESPP (Note 10)	1,223	-	-	-	-	-	-	-	1,223
Comprehensive income (loss)	-	-	-	-	23,633	-	-	(8,831)	14,802
Dividends declared	-	-	-	-	-	(41,780)	-	-	(41,780)
Balance, June 30, 2021	**$ 822,993**	**$ 13,214**	**$ 9,837**	**$ 17,563**	**$ 523,257**	**$ (618,712)**	**$ (26,122)**	**$ 9,258**	**$ 751,288**
Balance, January 1, 2022	$ 852,821	$ 17,607	$ 13,046	$ 16,010	$ 568,212	$ (662,319)	$ (26,122)	$ 21,020	**$ 800,275**
Shares issued to acquisition vendors	36,921	-	-	-	-	-	-	-	**36,921**
Convertible debentures (Note 9)									
Converted into shares	7	(1)	-	-	-	-	-	-	**6**
Matured/Redeemed	-	(3,589)	3,589	-	-	-	-	-	**-**
Shares issued under dividend reinvestment plan (Note 10)	7,350	-	-	-	-	-	-	-	**7,350**
Deferred share plan vesting (Note 14)	-	-	-	606	-	-	-	-	**606**
Deferred share plan issuance	1,027	-	-	(1,027)	-	-	-	-	**-**
Shares issued under ESPP (Note 10)	1,278	-	-	-	-	-	-	-	**1,278**
Comprehensive income	-	-	-	-	33,743	-	-	12,758	**46,501**
Dividends declared (Note 11)	-	-	-	-	-	(45,454)	-	-	**(45,454)**
Balance, June 30, 2022	**$ 899,404**	**$ 14,017**	**$ 16,635**	**$ 15,589**	**$ 601,955**	**$ (707,773)**	**$ (26,122)**	**$ 33,778**	**$ 847,483**

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)

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2022**	2021	**2022**	2021
OPERATING ACTIVITIES				
Net earnings for the period	**$ 29,990**	$ 16,506	**$ 33,743**	$ 23,633
Items not affecting cash:				
Depreciation of capital assets	**39,476**	34,939	**76,367**	65,682
Amortization of intangible assets	**5,776**	3,868	**8,617**	8,319
Depreciation of right of use assets	**7,411**	6,098	**13,947**	12,222
Accretion of interest	**1,623**	1,756	**5,467**	3,548
Gain on disposal of capital assets	**(312)**	(3,064)	**(561)**	(3,616)
Deferred income tax expense (recovery)	**8,299**	2,307	**7,938**	(478)
Deferred share program share-based vesting	**308**	299	**606**	670
	92,571	62,709	**146,124**	109,980
Changes in non-cash current and long-term working capital (Note 16)	**(57,290)**	(23,362)	**(85,789)**	(2,367)
	35,281	39,347	**60,335**	107,613
FINANCING ACTIVITIES				
Proceeds from long-term debt, net of issuance costs (Note 8)	**391,893**	4,350	**536,945**	22,848
Repayment of long-term debt (Note 8)	**(5,535)**	(89,151)	**(12,073)**	(89,151)
Long-term debt discount	**(498)**	(6)	**(531)**	(2)
Payment of matured debentures	**-**	-	**(99,992)**	-
Principal payments on right of use lease liabilities	**(7,615)**	(5,799)	**(14,149)**	(11,536)
Issuance of shares, net of issuance costs	**4,094**	87,276	**8,628**	90,485
Cash dividends (Note 11)	**(23,334)**	(21,533)	**(45,454)**	(41,780)
	359,005	(24,863)	**373,374**	(29,136)
INVESTING ACTIVITIES				
Purchase of capital assets	**(118,344)**	(54,007)	**(172,165)**	(110,497)
Proceeds from disposal of capital assets	**35,648**	586	**53,920**	13,483
Purchase of intangible assets	**(507)**	(1,341)	**(1,039)**	(2,344)
Investment in other assets	**(9,645)**	803	**(17,346)**	(3,401)
Cash outflow for acquisitions, net of cash acquired	**(312,837)**	-	**(312,837)**	-
Payment of contingent acquisition consideration and working capital settlements	**-**	-	**(598)**	-
	(405,685)	(53,959)	**(450,065)**	(102,759)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(11,399)**	(39,475)	**(16,356)**	(24,282)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**69,319**	83,711	**75,408**	69,862
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,350**	(772)	**1,218**	(2,116)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 60,270**	$ 43,464	**$ 60,270**	$ 43,464
Supplementary cash flow information				
Interest paid	**$ 10,006**	$ 11,702	**$ 21,560**	$ 19,158
Income taxes paid	**$ 8,281**	$ 4,658	**$ 17,935**	$ 13,079

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

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

1. ORGANIZATION

Exchange Income Corporation ("EIC" or the "Corporation") is a diversified, acquisition-oriented corporation focused on opportunities in the aerospace, aviation, and manufacturing sectors. The business plan of the Corporation is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The Corporation is incorporated in Canada and the address of the registered office is 101 – 990 Lorimer Boulevard, Winnipeg, Manitoba, Canada R3P 0Z9.

As at June 30, 2022, the principal operating subsidiaries of the Corporation are Calm Air International LP, Perimeter Aviation LP (including its operating division, Bearskin Airlines), Keewatin Air LP, Custom Helicopters Ltd., Regional One Inc., EIC Aircraft Leasing Limited, Provincial Aerospace Ltd., CANLink Aviation Inc. ("MFC Training"), Carson Air Ltd., Quest Window Systems Inc., WesTower Communications Ltd., Ben Machine Products Company Incorporated, Stainless Fabrication, Inc., LV Control Mfg. Ltd., Water Blast Manufacturing LP, Overlanders Manufacturing LP, and Northern Mat & Bridge. Regional One Inc., Quest USA Inc., Stainless Fabrication Inc., and Crew Training International, Inc., are wholly owned subsidiaries of EIIF Management USA Inc. Through the Corporation's subsidiaries, products and services are provided in two business segments: Aerospace & Aviation and Manufacturing.

The Corporation's interim results are impacted by seasonality factors. The Aerospace & Aviation segment has historically had the strongest revenues in the second and third quarters when demand tends to be highest, relatively modest in the fourth quarter and the lowest in the first quarter as communities serviced by certain of the airlines are less isolated with the use of winter roads for transportation during the winter. With the diversity of the Manufacturing segment, the seasonality of the segment is relatively flat throughout the fiscal period except for Northern Mat. Northern Mat's business is also subject to seasonable variability, where the second and third quarters have the highest demand, the fourth quarter is slower and the first quarter is the slowest.

SARS-CoV-2 ("COVID-19")

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which resulted in governments around the world imposing severe travel restrictions and social distancing measures to limit the spread of the virus. At different times during the pandemic, travel restrictions and required quarantine periods materially impacted the subsidiaries within the Aerospace & Aviation segment, most notably passenger traffic and demand for the Corporation's leased aircraft and aftermarket parts. In the Manufacturing segment, social distancing, additional actions to keep our employees safe and required COVID-19 employee absenteeism reduced manufacturing efficiency and reduced throughput in the production facilities. These impacts, among others as a result of COVID-19, reduced Revenue, Cash Flows from Operations (before the impact of working capital), and Net Earnings.

In 2022, the continued lessening of restrictions and thus increase in travel around the world has reduced the negative impacts for the Aerospace & Aviation segment compared to previous periods impacted by the pandemic where the restrictions were more stringent. The impact on the Manufacturing segment has shifted from production inefficiencies due to employee absenteeism to varying levels of supply chain constraints, direct material price increases, delays in deliveries, and labour challenges. The Corporation is unable to predict with accuracy the duration of the virus, actions governments will take, or customer sentiment going forward. The development and deployment of vaccines and the lessening of restrictions could continue to result in more travel around the world.

2. BASIS OF PREPARATION

The Corporation prepares its interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") – Part I as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part I of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to interim financial statements, including IAS 34, Interim Financial Reporting. These interim condensed consolidated financial statements are presented in thousands of Canadian dollars, except per share information and share data.

In accordance with IFRS, these financial statements do not include all the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2021. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These interim condensed consolidated financial statements were approved by the Board of Directors of the Corporation for issue on August 11, 2022.

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 with the addition of those noted below. Note 3 of the Corporation's 2021 audited financial statements includes a comprehensive listing of the Corporation's significant accounting policies.

Revenue Recognition

Manufacturing Segment

i. Sales and Rentals of Mats and Bridges

Northern Mat earns revenues from mat and bridge sales and rentals, and equipment services, based on pre-determined rates. Revenue is recognized when the asset is delivered to the customer on sales of assets and for rentals is recognized based on the rental agreement with the customer, which usually calls for daily rental rates. Revenue is measured based on consideration specified in a contract with a customer. Contracts are generally short-term in nature and are not considered to have a significant financing component.

ii. Capital Assets

Capital Assets are recorded at historical cost less accumulated depreciation and include rental mats and bridges. Depreciation is recognized on a straight-line basis. New categories of assets as a result of the Northern Mat acquisition are detailed below.

Rental Mats	5 years
Rental Bridges	50 years

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 Corporation's critical accounting estimates and judgments from those described in the most recent annual financial statements except as noted below.

<u>Measurement and Presentation of Capital Assets and Inventory</u>

The Corporation manufactures access mats at Northern Mat. In addition, Northern Mat purchases bridges from third parties. Upon completion of the mats, or acquisition of the bridges, management must assess the intended use of those assets. If the asset will be rented to third parties, the asset is included within capital assets and depreciated over its useful life. If the asset will be sold to a third party, the asset is recorded in inventory. If management's intention for use of the mats and bridges changes from the initial classification, those assets are reclassified based on management's new intended use of the asset.

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

6. ACQUISITIONS

Northern Mat & Bridge ("Northern Mat")

On May 10, 2022, the Corporation acquired the shares of Northern Mat. Northern Mat, headquartered in Calgary, Alberta, specializes in providing safe, cost-effective temporary access products and solutions for industries across Canada including transmission & distribution, pipeline, oil & gas, wind, potash, forestry, LNG and more. Northern Mat's products and services deliver safe access to otherwise impassable terrain for reasons such as poor ground conditions, weather, sensitive farm/grass lands and traditional land use areas. Northern Mat's access solutions serve to ensure that large infrastructure projects can access environmentally sensitive areas and return those areas to same the condition as before the project began construction.

The components of the consideration paid to acquire Northern Mat are outlined in the table below.

Consideration given:		
Cash, including initial working capital settlement	**$**	**302,565**
Issuance of 863,256 shares of the Corporation at $40.54 per share		**35,000**
Contingent consideration - earn out		**4,465**
Total purchase consideration	**$**	**342,030**

The purchase price included an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments. The preliminary purchase price allocation will be finalized in 2022 when the final settlement of working capital and other post closing adjustments occur. The purchase included net working capital of $41.1 million, capital assets of $78.6 million, and goodwill of $215.1 million.

Advanced Paramedics Ltd. ("APL")

On May 10, 2022, the Corporation acquired the shares of APL. APL, located in Peace River, Alberta, specializes in providing air and ground ambulance services for primary care, community care, Provincial and Federal Governments, First Nations, and industrial customers throughout Alberta. APL has the largest Air Ambulance medical crew in Alberta with 18 years of Air Ambulance experience with Alberta Health Services.

The components of the consideration paid to acquire APL are outlined in the table below.

Consideration given:		
Cash	**$**	**13,000**
Issuance of 49,326 shares of the Corporation at $40.54 per share		**2,000**
Estimated working capital settlement		**662**
Total purchase consideration	**$**	**15,662**

The purchase price included an initial payment of cash and the issuance of common shares to the vendors, net of normal closing adjustments. The preliminary purchase price allocation will be finalized in 2022 when the final settlement of working capital and other post closing adjustments occur. The purchase included capital assets of $1.2 million and goodwill of $13.7 million.

7. OTHER ASSETS

The other assets of the Corporation consist of the following:

		June 30 2022		December 31 2021
Long-term prepaid expenses and security deposits	**$**	**2,330**	$	2,193
Long-term receivables		**3,585**		3,953
Long-term holdback receivables		**1,792**		717
Equity method investments		**71,171**		47,798
Other investments - Fair value through OCI (Note 14)		**6,352**		11,029
Derivative financial instruments - Fair value through profit and loss (Note 14)		**22,971**		405
Loan to Nunatsiavut Group of Companies ("NGC")		**-**		563
Total other assets	**$**	**108,201**	$	66,658

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

8. LONG-TERM DEBT

The following summarizes the Corporation's long-term debt as at June 30, 2022, and December 31, 2021:

	June 30 2022	December 31 2021
Revolving term facility:		
Canadian dollar amounts drawn	**$ 250,000**	$ 190,000
United States dollar amounts drawn (US$784,400 and US$410,697 respectively)	**1,010,778**	520,681
Total credit facility debt outstanding, principal value	**1,260,778**	710,681
less: unamortized transaction costs	**(3,656)**	(2,907)
less: unamortized discount on outstanding Banker's Acceptances	**(384)**	(163)
Long-term debt	**$ 1,256,738**	$ 707,611

The Corporation's credit facility is secured by a general security agreement over the assets of the Corporation, subject to customary terms, conditions, covenants, and other provisions, and includes both financial and negative covenants. The Corporation is in compliance with all financial and negative covenants as at June 30, 2022.

Interest expense recorded by the Corporation during the three and six months ended June 30, 2022, for long-term debt was $8,266 and $13,319 respectively (2021 – $5,181 and $10,640 respectively).

Credit Facility

The following is the continuity of long-term debt for the six months ended June 30, 2022:

	Six Months Ended June 30, 2022				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar amounts	$ 190,000	$ 398,000	$ (338,000)	$ -	$ 250,000
United States dollar amounts	520,681	478,468	(12,073)	23,702	1,010,778
	$ 710,681				$ 1,260,778

In the table above, withdrawals and repayments include the impact of entering into cross currency swaps with members of the Corporation's lending syndicate whereby an exchange of Canadian and US denominated debt occurs. There is no impact on cash flow and therefore the impact has been netted on the Statement of Cash Flow. More information on the cross currency swaps can be found in Note 15.

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

9. CONVERTIBLE DEBENTURES

Series - Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Unsecured Debentures - 2018	EIF.DB.J	June 30, 2025	5.35%	$ 49.00
Unsecured Debentures - 2019	EIF.DB.K	March 31, 2026	5.75%	$ 49.00
Unsecured Debentures - July 2021	EIF.DB.L	July 31, 2028	5.25%	$ 52.70
Unsecured Debentures - December 2021	EIF.DB.M	January 15, 2029	5.25%	$ 60.00

Summary of the debt component of the convertible debentures:

	2022 Balance, Beginning of Period	Debentures Issued	Accretion Charges	Debentures Converted	Redeemed / Matured	2022 Balance, End of Period
Unsecured Debentures - 2017	**98,810**	**-**	**1,190**	**(8)**	**(99,992)**	**-**
Unsecured Debentures - 2018	**77,402**	**-**	**401**	**-**	**-**	**77,803**
Unsecured Debentures - 2019	**83,883**	**-**	**245**	**-**	**-**	**84,128**
Unsecured Debentures - July 2021	**137,958**	**-**	**363**	**-**	**-**	**138,321**
Unsecured Debentures - December 2021	**110,161**	**-**	**233**	**-**	**-**	**110,394**
						410,646
less: unamortized transaction costs						**(13,740)**
Convertible Debentures - Debt Component, end of period						**$ 396,906**

During the six months ended June 30, 2022, convertible debentures totaling a face value of $8 were converted by the holders at various times into 155 shares of the Corporation (2021 - $nil and nil shares).

On February 11, 2022, the Corporation redeemed its 5 year 5.25% convertible debentures which were to mature on December 31, 2022. On the redemption date, the remaining outstanding debentures in the principal amount of $99,992 were redeemed by the Corporation.

Interest expense recorded during the three and six months ended June 30, 2022, for the convertible debentures was $6,945 and $16,744 respectively (2021 – $5,925 and $11,786 respectively).

Convertible Debentures Equity Component

Since all the outstanding convertible debentures contain a conversion feature available to the debenture-holder to convert debenture principal into shares of the Corporation, 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 applied to non-convertible debentures at the time the convertible debentures were issued. The difference between the principal amount of the convertible debentures and the present value of interest and principal payments over the life of the convertible debentures is accreted over the term of the convertible debentures through periodic charges to the debt component, such that, on maturity, the debt component equals the principal amount of the convertible debentures outstanding.

Summary of the equity component of the convertible debentures:

	June 30 2022	December 31 2021
Unsecured Debentures - 2017	**-**	3,590
Unsecured Debentures - 2018	**3,866**	3,866
Unsecured Debentures - 2019	**2,497**	2,497
Unsecured Debentures - July 2021	**4,241**	4,241
Unsecured Debentures - December 2021	**3,413**	3,413
Convertible Debentures - Equity Component, end of period	**$ 14,017**	$ 17,607

All convertible debentures outstanding at June 30, 2022, represent direct unsecured debt obligations of the Corporation.

On February 25, 2022, the Corporation received approval from the TSX for the renewal of its Normal Course Issuers Bid ("NCIB") to purchase up to $8,050 principal amount of 7 year 5.35% convertible unsecured subordinated debentures of EIC (June 2018), $8,625 principal amount of 7 year 5.75% convertible unsecured subordinated debentures of EIC (March 2019), $14,375 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (July 2021); and $11,500 principal amount of 7 year 5.25% convertible unsecured subordinated debentures of EIC (December 2021), representing 10% of the public float of each series of Securities at February 14, 2022. Purchases of Securities pursuant to the NCIB can be made through the facilities of the TSX during the period commencing on March 1, 2022 and ending on February 28, 2023. Daily purchases will be limited to $7 principal amount of Debentures (June 2018), $11 principal amount of Debentures (March 2019), $70 principal amount of Debentures (July 2021) and $60 principal amount of Debentures (December 2021), other than block purchase exemptions.

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

During the six months ended June 30, 2022, the Corporation did not make any purchases under its convertible debenture NCIB and therefore has the full amounts detailed above available for repurchase.

10. SHARE CAPITAL

Changes in the shares issued and outstanding during the six months ended June 30, 2022, are as follows:

	Number of Shares		2022 Amount
Share capital, beginning of period	**38,740,389**	**$**	**852,821**
Issued upon conversion of convertible debentures	**155**		**7**
Issued under dividend reinvestment plan	**177,815**		**7,350**
Issued under employee share purchase plan	**31,096**		**1,278**
Issued under deferred share plan	**45,353**		**1,027**
Shares issued to Northern Mat & Bridge vendors on closing (Note 6)	**863,256**		**34,931**
Shares issued to Advanced Paramedics Ltd vendors on closing (Note 6)	**49,326**		**1,990**
Share capital, end of period	**39,907,390**	**$**	**899,404**

On February 25, 2022, the Corporation received approval from the TSX for the renewal of its NCIB to purchase up to an aggregate of 3,580,512 Common Shares, representing 10% of the issued and outstanding shares at January 31, 2022. Purchases of shares pursuant to the renewed NCIB can be made through the facilities of the TSX during the period commencing on March 1, 2022, and ending on February 28, 2023. The maximum number of shares that can be purchased by the Corporation daily is limited to 20,179 shares, other than block purchase exemptions.

During the six months ended June 30, 2022, the Corporation did not make any purchases under its common share NCIB and therefore has the full 3,580,512 shares available for repurchase.

On May 10, 2022, the Corporation issued 863,256 shares as part of the acquisition of Northern Mat (Note 6) and 49,326 shares as part of the acquisition of APL (Note 6).

11. DIVIDENDS DECLARED

The Corporation pays cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Corporation's Board of Directors regularly examines the dividends paid to shareholders.

The amounts and record dates of the dividends during the six months ended June 30, 2022, and the comparative 2021 period are as follows:

Month	Record date		Per Share		2022 Dividends Amount	Record date		Per Share		2021 Dividends Amount
January	January 31, 2022	$	**0.19**	$	**7,366**	January 29, 2021	$	0.19	$	6,744
February	February 28, 2022		**0.19**		**7,372**	February 26, 2021		0.19		6,748
March	March 31, 2022		**0.19**		**7,382**	March 31, 2021		0.19		6,755
April	April 29, 2022		**0.19**		**7,387**	April 30, 2021		0.19		7,146
May	May 31, 2022		**0.20**		**7,965**	May 31, 2021		0.19		7,189
June	June 30, 2022		**0.20**		**7,982**	June 30, 2021		0.19		7,198
Total		**$**	**1.16**	**$**	**45,454**		$	1.14	$	41,780

After June 30, 2022, and before these interim condensed consolidated financial statements were authorized, the Corporation declared a monthly dividend of $0.20 per share for July 2022.

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

Subsequent to the end of the period, on August 11, 2022, the Corporation increased its dividend to 0.21 per month, a 5% increase. The increase is effective for the August dividend, which will be paid to shareholders in September.

12. SEGMENTED AND SUPPLEMENTAL INFORMATION

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

The Corporation's operating business segments include strategic business units that offer different products and services. The Corporation has two operating business segments: Aerospace & Aviation and Manufacturing. The Aerospace & Aviation segment provides airline services to communities in Manitoba, Ontario, Nunavut, British Columbia, Alberta, and Eastern Canada and provides aircraft and engine aftermarket parts to regional airline operators around the world. In addition, Provincial's aerospace business designs, modifies, maintains, and operates custom sensor-equipped aircraft. MFC Training provides pilot training services. The Manufacturing segment consists of niche, specialty manufacturers in markets throughout Canada and the United States including Northern Mat, which in addition to its manufacturing capabilities, rents its fleet of mats and bridges to provide access solutions to its customers.

The Corporation evaluates each segment's performance based on Adjusted Earnings before Interest, Taxes, Depreciation, and Amortization ("Adjusted EBITDA"). The Corporation's method of calculating Adjusted EBITDA may differ from that of other corporations and therefore may not be comparable to measures utilized by them. The Corporation's method of calculating Adjusted EBITDA is consistent with the Corporation's Operating Profit before Depreciation, Amortization, Finance Costs, and Other presented in the interim condensed consolidated Statement of Income. All inter-segment and intra-segment revenues are eliminated, and all segment revenues presented in the tables below are from external customers.

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

	Three Months Ended June 30, 2022			
	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 352,354	$ 176,663	$ -	$ 529,017
Expenses	266,774	137,697	9,491	413,962
Adjusted EBITDA	85,580	38,966	(9,491)	115,055
Depreciation of capital assets				39,476
Amortization of intangible assets				5,776
Finance costs - interest				15,211
Depreciation of right of use assets				7,411
Interest expense on right of use lease liabilities				935
Acquisition costs				4,449
Earnings before income taxes				41,797
Current income tax expense				3,508
Deferred income tax expense				8,299
Net Earnings				$ 29,990

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

	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
				Three Months Ended June 30, 2021
Revenue	$ 197,934	$ 124,136	$ -	$ 322,070
Expenses	129,371	104,410	7,228	241,009
Adjusted EBITDA	68,563	19,726	(7,228)	81,061
Depreciation of capital assets				34,939
Amortization of intangible assets				3,868
Finance costs - interest				11,178
Depreciation of right of use assets				6,098
Interest expense on right of use lease liabilities				811
Acquisition costs				379
Earnings before income taxes				23,788
Current income tax expense				4,975
Deferred income tax expense				2,307
Net Earnings				$ 16,506

	Aerospace & Aviation	**Manufacturing**	**Head Office**	**Consolidated**
				Six Months Ended June 30, 2022
Revenue	**$ 633,946**	**$ 295,297**	**$ -**	**$ 929,243**
Expenses	**485,507**	**245,418**	**16,307**	**747,232**
Adjusted EBITDA	**148,439**	**49,879**	**(16,307)**	**182,011**
Depreciation of capital assets				**76,367**
Amortization of intangible assets				**8,617**
Finance costs - interest				**30,063**
Depreciation of right of use assets				**13,947**
Interest expense on right of use lease liabilities				**1,687**
Acquisition costs				**4,904**
Earnings before income taxes				**46,426**
Current income tax expense				**4,745**
Deferred income tax expense				**7,938**
Net Earnings				**$ 33,743**

	Aerospace & Aviation	Manufacturing	Head Office	Consolidated
				Six Months Ended June 30, 2021
Revenue	$ 381,077	$ 241,739	$ -	$ 622,816
Expenses	259,692	203,919	14,022	477,633
Adjusted EBITDA	121,385	37,820	(14,022)	145,183
Depreciation of capital assets				65,682
Amortization of intangible assets				8,319
Finance costs - interest				22,569
Depreciation of right of use assets				12,222
Interest expense on right of use lease liabilities				1,684
Acquisition costs				483
Earnings before income taxes				34,224
Current income tax expense				11,069
Deferred income tax recovery				(478)
Net Earnings				$ 23,633

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

		For the period June 30, 2022		
	Aerospace & Aviation	**Manufacturing**	**Head Office (1)**	**Consolidated**
Total assets	**$ 2,128,447**	**$ 1,012,395**	**$ 105,404**	**$ 3,246,246**
Net capital asset additions	**105,587**	**11,725**	**933**	**118,245**

		For the year ended December 31, 2021		
	Aerospace & Aviation	Manufacturing	Head Office (1)	Consolidated
Total assets	$ 1,921,682	$ 580,841	$ 86,144	$ 2,588,667
Net capital asset additions	216,752	5,305	71	222,128

Note 1) Includes corporate assets not directly attributable to operating segments. Such unallocated assets include corporate cash that is part of the Corporation's mirror banking arrangements.

Revenues

The following table provides disaggregated information about revenue from contracts with customers. Management believes that disaggregation by type of sale is most appropriate. The purpose of this disclosure is to provide information about the nature of the Corporation's contracts and the timing, amount, and uncertainties associated with customer contracts.

		Three Months Ended		Six Months Ended	
Revenue Streams	Periods ended June 30	**2022**	2021	**2022**	2021
Aerospace & Aviation Segment					
Sale of goods - point in time		**$ 101,971**	$ 35,856	**$ 171,319**	$ 66,206
Sale of services - point in time		**221,454**	160,673	**394,773**	313,178
Sale of services - over time		**28,929**	1,405	**67,854**	1,693
Manufacturing Segment					
Sale of goods and services - point in time		**68,240**	24,162	**95,482**	47,887
Sale of goods and services - over time		**108,423**	99,974	**199,815**	193,852
Total revenue		**$ 529,017**	$ 322,070	**$ 929,243**	$ 622,816

13. EARNINGS PER SHARE

Basic earnings per share for the Corporation is calculated by dividing the Net Earnings by the weighted average number of common shares outstanding during the period.

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

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

The computation for basic and diluted earnings per share for the three and six months ended June 30, 2022, and the comparative for the 2021 period are as follows:

	Three Months Ended		Six Months Ended	
Periods Ended June 30	**2022**	2021	**2022**	2021
Net earnings	**$ 29,990**	$ 16,506	**$ 33,743**	$ 23,633
Effect of dilutive securities				
Convertible debenture interest	**5,069**	-	**-**	-
Diluted Net Earnings	**$ 35,059**	$ 16,506	**$ 33,743**	$ 23,633
Basic weighted average number of shares	**39,431,654**	37,148,707	**39,112,144**	36,332,992
Effect of dilutive securities				
Deferred Shares	**830,613**	987,089	**830,613**	987,089
Convertible debentures	**8,047,432**	-	**-**	-
Diluted basis weighted average number of shares	**48,309,699**	38,135,796	**39,942,757**	37,320,081
Net Earnings per share:				
Basic	**$ 0.76**	$ 0.44	**$ 0.86**	$ 0.65
Diluted	**$ 0.73**	$ 0.43	**$ 0.84**	$ 0.63

14. EMPLOYEE BENEFITS

Deferred Share Plan

During the six months ended June 30, 2022, the Corporation granted 30,765 (2021 – 30,607) deferred shares to certain personnel. The fair value of the deferred shares granted was $1,296 (2021 - $1,214) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three and six months ended June 30, 2022, the Corporation recorded a compensation expense of $308 and $606, respectively, for the Corporation's Deferred Share Plan within the general and administrative expenses of head office (2021 - $299 and $670, respectively).

Restricted Share Plan

During the six months ended June 30, 2022, the Corporation granted 152,924 (2021 – 121,408) restricted shares to certain personnel. The fair value of the restricted share units granted was $6,047 (2021 - $4,881) at the time of the grant and was based on the market price of the Corporation's shares at that time. During the three and six months ended June 30, 2022, the Corporation recorded compensation expense of $1,500 and $2,640, respectively for the Corporation's Restricted Share Plan within the general and administrative expenses of head office (2021 - $1,347 and $2,389, respectively), with a corresponding liability recorded in Accounts Payable and Accrued Expenses.

Employee Share Purchase Plan

Certain employees of the Corporation participate in an Employee Share Purchase Plan ("ESPP"). Under the ESPP, employees make contributions of up to 5% of their base salaries to purchase Corporation shares out of treasury, and upon the employees remaining employed with the Corporation or its subsidiaries during an 18-month vesting period, they are entitled to receive an additional number of shares ("additional shares") equal to 33.3% of the number of shares they purchased and dividends declared on those additional shares over the vesting period. The cost of the award is recognized in head office expenses of the Corporation over the 18-month vesting period.

At the decision of the employee, any dividends paid on the additional shares over the vesting period are either paid to the employee in cash upon the shares vesting or shares are purchased using these dividend funds.

During the six months ended June 30, 2022, employees acquired 31,096 shares from treasury at a weighted average price of $41.09 per share. The grant date fair value of the shares that will be awarded upon the vesting conditions of the plan being attained is estimated at $443 based on the share price and monthly dividend rate at that time.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks: market risk (primarily currency, interest rate risk, and other price risk), credit risk, and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The following describes the risk management areas that have significantly changed from those described in the audited December 31, 2021, consolidated financial statements.

Market Risk

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

Currency Risk

The Corporation has US $784,400 or $1,010,778 (December 31, 2021 - US $410,697 or $520,681) outstanding on its credit facility. The outstanding funds in US dollars result in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the US dollar portion of its credit facility outstanding is offset by the cash generated through the operations of its US based subsidiaries. Of the total US dollar credit facility drawn, US $142,300 (December 31, 2021 - US $134,997) is drawn by EIIF Management USA, Inc., an entity that uses US dollars as its functional currency. Therefore, the currency risk on this balance is recognized in other comprehensive income.

The Corporation's investment in those subsidiaries with US dollar functional currencies are hedged partially by US $149,500 (December 31, 2021 - US $153,900) of credit facility draws, 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 Corporation continued the use of derivatives through several cross-currency basis swaps ("swap") with a member of the Corporation's lending syndicate. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Corporation is able to take advantage of lower interest rates. The swap mitigates the risk of changes in the value of the Corporation's US dollar borrowings as they will be exchanged for the same Canadian equivalent in one month. The swap is designated as a hedge of the underlying debt instrument and no ineffectiveness was recognized. The fair value of the swaps at June 30, 2022, was a financial asset of $16,350 (2021 - financial liability of $482). At June 30, 2022, the notional value of the swaps outstanding is US $472,800 (2021 - US $121,800). Hedging gains and losses are reclassified from other comprehensive income to the interim condensed consolidated statement of income to the extent effective. Accordingly, $16,350 was reclassified from other comprehensive income (2021 - $482).

Interest Rates

The Corporation is subject to the risk that future cash flows associated with the credit facility outstanding (Note 8) will fluctuate due to fluctuations in interest rates. The Corporation manages this risk and seeks financing terms in individual arrangements that are most advantageous.

The terms of the credit facility allow for the Corporation to choose the base interest rate between Prime, Bankers Acceptances, or the Secured Overnight Financing Rate ("SOFR"). At June 30, 2022:

- US $784,400 (December 31, 2021 – US $410,600) was outstanding under SOFR and,
- US $nil (December 31, 2021 - US $97) was outstanding under US Prime, and
- $250,000 (December 31, 2021 – $190,000) was outstanding under Banker's Acceptances.

The interest rates of the convertible debentures (Note 9) have fixed interest rates.

The Corporation continued the use of its interest rate swap with certain members of its lending syndicate whereby the Corporation has fixed interest rates on $190,000 of its Canadian credit facility debt until May 15, 2024. The derivative financial instrument hedges the exposure to variability in cash flow associated with the future payment of interest on Bankers' Acceptance debt that would impact profit or loss and therefore qualifies as a cash flow hedge. The interest rate swap is classified as an other long-term financial asset of $5,832 (December 31, 2021 - other long-term financial liability of $943) and is recorded as a separate line within other comprehensive income.

Other Price Risk

The Corporation's Restricted Share Plan is a cash settled plan. Participants are awarded restricted shares and the payment to the participants at the end of the vesting period fluctuates based on the change in the Corporation's share price from the grant date to the vesting date.

To mitigate the income statement impact of a change in the Corporation's share price, the Corporation entered into a derivative instrument for each of the 2020, 2021, and 2022 Restricted Share Plan grants, which fixes the cost of the plan for the Corporation. Any changes in fair value will either be paid to the counterparty or be paid to the Corporation by the counterparty at the vesting date. These derivative instruments fix the cost to the Corporation and do not impact the variability of the award received by the participant. The derivative financial instruments hedge the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualifies as a cash flow hedge. On a combined basis, the initial grant date fair value for the 2020, 2021, and 2022 programs was $15,536. The instruments are classified as a long-term financial asset of $789 (2021 - long-term financial asset of $405) and are recorded as a separate line within other comprehensive income.

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

Fair Value of Financial Instruments

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

		Fair Value		
	Carrying Value	Quoted prices in an active market	Significant other observable inputs	Significant unobservable inputs
Recurring fair value measurements	**June 30, 2022**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Other long-term assets - Cross currency basis swap - Financial asset at fair value through profit and loss (Note 7)	$ 16,350	$ -	$ 16,350	$ -
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 7)	789	-	789	-
Other long-term assets - Interest Rate Swap - Financial asset at fair value through OCI (Note 7)	5,832	-	5,832	-
Other assets - Fair value through OCI (Note 7)	6,352	-	-	6,352
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(12,745)	-	-	(12,745)
Fair Value Disclosures				
Other assets - Amortized cost	7,195	-	7,195	-
Long-term debt - Amortized cost	(1,256,738)	-	-	(1,260,778)
Convertible debt - Amortized cost	(396,906)	(425,241)	-	-

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

Recurring fair value measurements	Carrying Value December 31, 2021	Fair Value: Quoted prices in an active market Level 1	Fair Value: Significant other observable inputs Level 2	Fair Value: Significant unobservable inputs Level 3
Financial Assets				
Other long-term assets - Restricted share hedge - Financial asset at fair value through profit and loss (Note 7)	$ 405	$ -	$ 405	$ -
Other assets - Fair value through OCI (Note 7)	$ 11,029	$ -	$ -	$ 11,029
Financial Liabilities				
Consideration liabilities - Financial liability at fair value through profit and loss	(8,100)	-	-	(8,100)
Other long-term liabilities - Cross-currency basis swap - Financial liability at fair value through profit and loss	(482)	-	(482)	-
Other long-term liabilities - Interest Rate Swap - Financial liability at fair value through OCI	(943)	-	(943)	-
Fair Value Disclosures				
Other assets - Amortized cost	7,144	-	7,144	-
Long-term debt - Amortized cost	(707,611)	-	-	(710,681)
Convertible debt - Amortized cost	(492,216)	(534,947)	-	-

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

The following table summarizes the changes in the consideration liabilities recorded on the acquisitions of LV Control, AWI, WIS, Carson Air, Macfab, Ryko, CTI, APL and Northern Mat including any changes for settlements, changes in fair value, and changes due to foreign currency fluctuations:

Consideration Liability Summary For the periods ended	**June 30 2022**	December 31 2021
Opening balance	**$ 8,100**	$ 5,714
Accretion	**-**	286
Change in estimate	**-**	(6,000)
Acquisition of Window Installation, including change in estimate	**-**	6,505
Acquisition of Carson	**-**	1,091
Acquisition of Macfab	**-**	598
Acquisition of Ryko	**-**	419
Acquisition of CTI	**-**	7,204
Acquisition of Northern Mat	**4,465**	-
Acquisition of APL	**662**	-
Settled during the period	**(598)**	(7,596)
Translation loss (gain)	**116**	(121)
Ending balance	**$ 12,745**	$ 8,100

The liabilities for contingent consideration recorded as part of the acquisitions are included in Other Long-Term Liabilities in the Statement of Financial Position unless they are expected to be settled within a year. The remaining consideration liabilities, primarily consisting of estimated working capital settlements, are recorded within Accounts Payable and Accrued Expenses in the interim condensed consolidated Statement of Financial Position. The fair value of each earn out liability is determined at the time of the acquisition and uses several estimates. At the end of each reporting period, the Corporation reviews these estimates for reasonableness and makes any required adjustments to the carrying value of the liability.

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

Included in the $12,745 above is the working capital settlement for Ryko, CTI, APL, and the contingent consideration associated with the Northern Mat acquisition. During the first quarter of 2022, the Corporation settled its consideration liability related to the Macfab acquisition. This resulted in a payment of $598 and finalized the purchase price allocation for the acquisition of Macfab.

Financial Instrument Fair Value Disclosures

The fair values of cash and cash equivalents, accounts receivable, deposits, accounts payable, and accrued expenses approximate their carrying values due to their short-term nature.

As at June 30, 2022, management had determined that the fair value of its long-term debt approximates its carrying value. The fair value of long-term debt has been calculated by discounting the expected future cash flows using a discount rate of 3.45%. The discount rate is determined by using a risk-free benchmark bond yield for instruments of similar maturity adjusted for the Corporation's specific credit risk. In determining the adjustment for credit risk, the Corporation considers market conditions, the underlying value of assets secured by the associated instrument, and other indicators of the Corporation's credit-worthiness.

As at June 30, 2022, management estimated the fair value of the convertible debentures based on trading values. The estimated fair value of its convertible debentures is $425,241 (December 31, 2021 - $534,947) with a carrying value of $396,906 (December 31, 2021 - $492,216).

The Corporation'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. There were no such transfers during the current period.

16. CHANGES IN WORKING CAPITAL

The changes in non-cash operating working capital during the three and six months ended June 30, 2022, and the comparative period in 2021 are as follows:

	Three Months Ended		Six Months Ended	
Periods Ended June 30	**2022**	2021	**2022**	2021
Accounts receivable, including long-term portion	**$ (53,025)**	$ (23,481)	**$ (55,159)**	$ (26,330)
Amounts due from customers on construction contracts	**(2,456)**	(4,308)	**(2,119)**	(3,906)
Inventory	**(21,560)**	(5,992)	**(44,577)**	(5,040)
Prepaid expenses and deposits, including long-term portion	**(37,583)**	(985)	**(55,801)**	(8,144)
Accounts payable and accrued expenses, including long-term portion	**49,612**	(137)	**75,091**	22,812
Income taxes receivable/payable	**(3,824)**	280	**(12,236)**	(1,850)
Deferred revenue, including long-term portion	**8,342**	9,461	**11,240**	16,190
Amounts due to customers on construction contracts	**3,204**	1,800	**(2,228)**	3,901
Net change in working capital	**$ (57,290)**	$ (23,362)	**$ (85,789)**	$ (2,367)