



CANWEST AIR

Annual Report 2018

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and more.



This Year in Review; Statement by CEO Jake Fehr

I grew up as a farm boy, alongside my brothers, we worked on the family farm. This eventually developed into other endeavours that led me into managing multiple companies. One of which was the John Deere dealership in La Crete where I invested 12 years growing the company and myself. Early into my daughter's life, she had a condition which led her to require an Air Ambulance flight to Edmonton, this was my first experience in the medevac program, I count it as such a privilege to be a part of that operation today.

I always had a passion for aviation, and after getting my private pilot's license, Little Red Air approached me in 2004 looking for me to purchase and lease aircraft to them. Two years flew by and in 2006 my shareholders and I purchased all of Little Red Air's assets. This was a stepping stone that led to a meeting with Art Schooley, the former owner of Can-West Corporate Air Charters, in 2015. I knew of Art through aviation and I was truly excited to meet with him thinking I would learn so much from a business man of his caliber. I was surprised to learn that he intended to sell me his company, and I think we were both surprised when I agreed to the deal.

2018 has been a particularly amazing year for all of us at CanWest Air. It is such an encouragement to see the direction that the company has gone since the initial acquisition of Little Red Air Services in Fort Vermilion, Alberta over a decade ago. This positive growth could not have been possible without the support of the shareholders, management and key staff.

Some of this year's accomplishments include:

1. Completing the purchase and implementation of nine brand new King Air aircraft to service our ten year contract with Alberta Health Services; the last of which began flying on June 18, 2018.
2. Building two brand new hangar facilities- one at our existing Fort Vermilion location, and another at the Medicine Hat location where we just began providing medevac services in April 2018.
3. And finally, acquiring a hangar at the Peace River airport to service that community with the two aircraft that we have located there. The many challenges and setbacks that we encountered during this acquisition taught me a lot about business, politics and about myself.

I had the opportunity during the year to visit Beechcraft's facility where the aircraft are manufactured as well as TRU Simulation where our pilots undergo state-of-the-art simulator training prior to operating these aircraft. I know first hand that Albertans are getting the best service money can buy them.

Thank you for your time and your interest in CanWest Air. We invite you to keep reading for more information about our company in this annual report.

Sincerely,

Jake Fehr
CEO, CanWest Air

Our History

CanWest Air began as three separate corporate entities, Little Red Air Service, Nor-Alta Aviation Leasing Inc. and Can-West Corporate Air Charters Ltd.

Little Red Air Service was founded in 1986 and has served the communities of Fox Lake, John D'or Prairie, Garden River, High Level, and Fort Vermilion with chartered flights and air ambulance service since its inception. Nor-Alta Aviation Leasing began in 2004 with two King Air aircraft that were leased to Little Red Air Service, augmenting their air ambulance fleet and adding executive corporate charters to their list of services. In 2006, Nor-Alta Aviation Leasing entered into a management agreement with Little Red Air Service and proceeded to purchase assets. As a result of their partnership and shared history, these two companies were able to merge seamlessly and become Nor-Alta Aviation, providing the communities of Northern Alberta with the same corporate charter, air ambulance, and general chartered flying services without interruption.

In 2015, Nor-Alta Aviation purchased 100% of company shares in Can-West Corporate Air Charters Ltd. Can-West Corporate Air Charters was founded in 1988 servicing Wabasca, Slave Lake and Edmonton with air ambulance, private, executive charters and one contract performing smoke surveillance patrols for the Government of Saskatchewan. In late 2015, Nor-Alta Aviation took on the Can-West Corporate Air Charters Ltd. name as part of its amalgamation.

Before 2015 was finished, CanWest secured the purchase of Meadow Air Ltd. assets, a fleet of six Cessna 337 Skymasters. CanWest Air currently operates two fire patrol contracts in Saskatchewan using these aircraft.

Following the purchase of Can-West Corporate Air Charters, the larger company embarked on a process to become more efficient, determining the best fleet to meet customer needs. This resulted in the divestiture of several types of aircraft and the absorption of the rest of the fleet into a single company. Management, maintenance and flight crews were combined and many policies and procedures were amended to be applicable to the new company's structure and business model.

In September 2017, CanWest Air began a confirmed ten-year contract with Alberta Health Services, to provide Air Ambulance Services in eight of the ten available locations within Alberta.

Historically, CanWest has complied with all applicable legislation and regulations related to the provision of its services, particularly those outlined in its Air Operator Certificate.





Who We Are: The Share Holders



Abe Neufeld

President

Mr. Neufeld is a successful business owner and entrepreneur based in Grande Prairie, Alberta. He started out with Nor-Alta as one of the original five shareholders in 2004. In 2007 he sold Neufeld Petroleum and Propane Ltd. and Neufeld Holdings Ltd. to Parkland Fuel Corp. Since then Abe has been involved in building many successful companies in residential and commercial building development as well as in the oil and gas industry.



Henry Hamm

Director

Mr. Hamm is one of the original shareholders in Nor-Alta Aviation. He owns and operates a number of private companies in the Grande Prairie region including Prudential Lands Corporation, a land development company formed in 1995 and Dirham Homes Inc., a home building company formed in 1976. Mr. Hamm also owns and operates Prudential Energy Services Inc., an oil and gas service company. He has also served as a Director of a public oil and gas company for the past eight years.



Jake Fehr

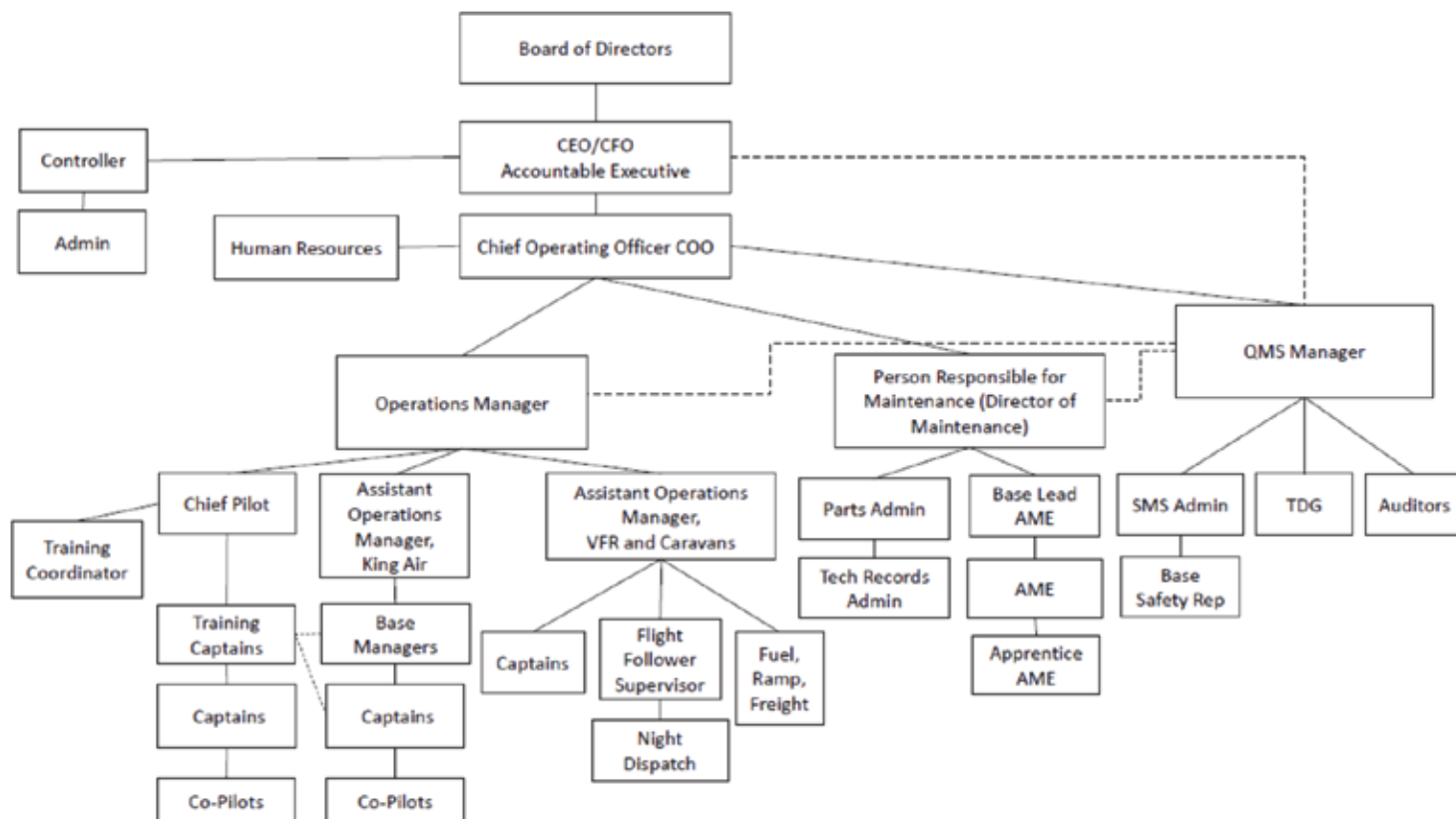
CEO & Treasurer

Mr. Fehr is the CEO and treasurer of Nor-Alta Aviation Leasing Inc. Prior to joining Nor-Alta, Jake owned businesses in the forestry and agriculture sectors. Through his success in these other industries, Jake acquired the capital, leadership, management and operating experience necessary to provide for CanWest Air's successful operation.

Jake is a commercial pilot who owns two privately registered aircraft used for both business and pleasure. Through his experience of aircraft ownership, Jake has gained valuable knowledge of aviation regulations and how to operate aircraft and the aviation company safely.

Our Team

During 2018, CanWest made a number of changes to its organizational chart as well as its team of key staff.



Kevin Schaub
COO & Operations Manager

Kevin joined Nor-Alta Aviation in 2009 as Director of Maintenance, and brings to the team over 20 years of experience in aircraft maintenance, specializing in medevacs for most of his career. Since his arrival, Kevin has worked to substantially improve maintenance programs, bringing them to an even higher standard of safety and efficiency. Kevin transitioned from Director of Maintenance to Chief Operating Officer in early 2018, his extensive leadership, knowledge and experience to the team and continues to play a key role in CanWest Air's success.

Barry Seddon
Director of Maintenance

Barry began his career as an Aircraft Maintenance Engineer (AME) in 1982 after graduating from the AME program held at the Confederation College in Thunder Bay, Ontario. He brings invaluable experience to CanWest. Prior to joining CanWest, Barry worked at Vector Aerospace as CanWest Air's sales and service representative; he primarily dealt with PT6 engines throughout his career. Starting with CanWest as a base engineer in early 2018, his dedication and work ethic didn't go un-noticed and by July of 2018 Barry had made the transition to Director of Maintenance.



Our Team Continued



Leanne McAmmond

QMS Manager

Leanne brings over a decade of experience in aviation to the team. She began her career with Nor-Alta Aviation in 2010 as a base engineer at the Fort McMurray location. Leanne moved into the role conducting internal audits and quality checks in late 2017. Her involvement and attention to detail lead her to take on the more suited role of Quality Assurance Manager in mid 2018.

Josh Fehr

Assistant Operations Manager

Josh joined the CanWest Air team in 2014, past experience in customer service and retail has been an asset for cultivating customer relations for CanWest's charter operations in Northern Alberta. In 2017, he also took on the role of Fuel Manager for CanWest Air. Josh has a passion for flying, and his problem-solving abilities and determination make him a great fit for CanWest's team.



Mike Marceau

Chief Pilot

Mike began his career with Nor-Alta Aviation shortly after completing his commercial pilot's licence back in May of 2010. As a pilot, Mike exerted a highly noted level of professionalism, attention to detail and overall work ethic. This combined with his desire to further his career with the growing company allowed him to move from the Cessna 206 up to Captain of the King Air 250. Shortly after relocating to the Peace River location Mike resigned as Base Manager to move in to a more fitting role as Chief Pilot in late 2018.

Karen Fehr

Controller

Karen is a welcomed addition to the CanWest Air team. Her background in accounting during her time at Parkland Fuel Corp. combined with attention to detail helps to keep CanWest Air on target financially. Education in business management as well as human resources makes her a well rounded, ideal choice for this department.



Joni Schaub

Parts Manager

Joni began her journey with the Nor-Alta team back in 2008, working diligently to implement and upgrade processes to oversee proper tracking of parts through the use of Aerochex. Through her prior experience in aviation and strong mindset, she helped grow the on hand parts inventory to a value of over \$1.8 million.

The Bases

Located throughout Alberta, CanWest Air currently has eight operational bases all serving unique purposes:

Edmonton

Located directly in the Alberta Health Services hangar at the Edmonton International Airport, the Edmonton base is the “hub” for the majority of all medevac flights. This base is home to CanWest Air’s 350, dedicated to Alberta Air Ambulance by Contract. In 2017, CanWest relocated its main maintenance headquarters from High Level to Edmonton. With a well-established on-hand inventory of parts for all makes of CanWest aircraft, it was essential to centralize this department and to ensure minimal aircraft downtime.

High Level

Permanently positioned at this base is our King Air 250 dedicated to providing air ambulance services to the province. Other services provided at this base include Cessna 206 and Cessna 208 charters.

Slave Lake

CanWest Air’s original base, located right off of the shore of the Lesser Slave Lake, today it serves as a medevac base with its King Air 250 and charter base with Cessna 206’s. Charters conducted out of this base include pipeline and wildlife patrols, as well as regular passenger flights. This base offers FBO services and has nine years remaining of its’ ten year contract to provide fuel to forestry and fire fighting aircraft in the area.

Fort Vermilion

Located alongside the mighty Peace River, this base offers stunning views to all pilots while performing contract and charter work. This base fleet consist of one King Air 250, two Grand Caravans and three Cessna 206’s. This is the most active charter base for Cessna 206 and Cessna 208 Pilots. Due to a continually growing fleet at this base, CanWest opted to build a brand new hangar facility which was completed in the spring of 2018.

Grande Prairie

Grande Prairie is a main hub for CanWest. This well structured facility is currently used for medevac missions through AHS with one King Air 250, but the prime location opens doors to future expansion in the charter operation as well.

Peace River

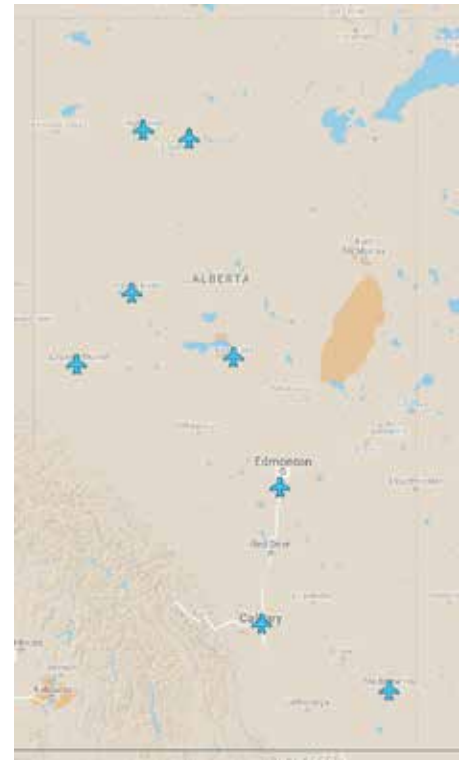
Due to a number of factors, the Peace River hangar is CanWest’s most recently acquired hangar- purchased in July 2018. Peace River serves as a hub for the North hosting two King Air 250’s on contract with AHS.

Calgary

Located directly in the Million Air hangar at the Calgary International Airport, this base is utilized solely for the purpose of performing medevac missions and minor maintenance.

Medicine Hat

During the 2018 year, CanWest built a brand new hangar facility at the Medicine Hat airport to house the one dedicated King Air 250 located at this base.



The Fleet



King Air 350

The newly added King Air 350C is a high performance, pressurized twin engine turboprop aircraft that can fly great distances at very fast speeds while remaining more efficient on fuel than the 200 model. The primary use for this King Air 350 will be performing long distance medevacs from the Edmonton location.



King Air 250

CanWest Air has added a fleet of eight brand new King Air 250s. These are pressurized twin engine turboprop aircraft that can fly great distances at very fast speeds while remaining more efficient on fuel than the 200 model. The primary use for these King Air 250 s will be performing long distance medevacs from all of our bases.



King Air 200

CanWest Air currently owns and operates five King Air 200 airplanes. These are pressurized twin engine turboprop aircraft that can fly great distances at very fast speeds. The King Air 200 is used primarily for long distance medevac's from all of our bases.



Cessna 208B Grand Caravan

The Cessna Caravan is a single engine non-pressurized turboprop aircraft. The Caravan is arguably the most versatile plane in the fleet. It is used for local medevacs, charters and cargo transport into gravel and grass strips. CanWest Air operates two Cessna Caravans.



Cessna 337 Skymaster

The Cessna 337 is a non-pressurized, centerline thrust, twin piston engine aircraft that is mainly used for conducting smoke and fire detection flights in Saskatchewan for the Provincial Government. CanWest has a fleet of six Cessna 337's, four of which experienced major overhauls and upgrades in



Cessna 206 Stationair

The Cessna 206 is a versatile, non-pressurized single engine piston aircraft. CanWest Air's fleet of six C-206's mainly conduct charter operations, although they are also utilized for pipeline patrols, telemetry wildlife surveys, medevacs and freight hauls.

Simulator Training

CanWest Air utilizes two (2) simulator training providers, Flight Safety International & TRU Simulation, dependant on the application. Through the use of these state of the art training facilities featuring full motion simulators, CanWest ensures that all pilots receive the highest level of training at a cost savings compared to traditional training methods.

Both training facilities use a strict training curriculum put in place by the combined efforts of the Chief Pilot and Operations Manager. This training outline is a collaboration of both requirements set for by Transport Canada as well as a close flying relationship with our pilots to recognize areas for improvement. The result of this is a highly skilled team of pilots prepared for any situations that may come across during their flight operations.



Electronic Flight Bag

CanWest Air has teamed up with ForeFlight to provide an electronic flight bag (EFB) to its pilots. Transport Canada issued the approval for CanWest Air to operate using the EFB in early 2017, however it was not fully implemented until mid 2017 to allow staff time to adjust to this new operation. With an operation spanning such a vast area, CanWest Air needed to mitigate the risk of improper/dated documentation onboard its aircraft. Foreflight is a diverse tool with a large array of functionality; it offers CanWest Air that capability to ensure that documents are current with the program's ability to control and monitor the downloaded material anytime and anywhere.

As ForeFlight is continually expanding its scope of functionality towards business users, CanWest Air is excited to see how we may further utilize this tool in the years to come.

In addition to ForeFlights EFB CanWest Air also sought better means of journey log control. This led the company to team up with a local developer to create Air Trail. This project will encompass so many aspects of our operation while maintaining technical document control. This tool is currently in beta testing and is anticipated to launch prior to the new year.





The Financials

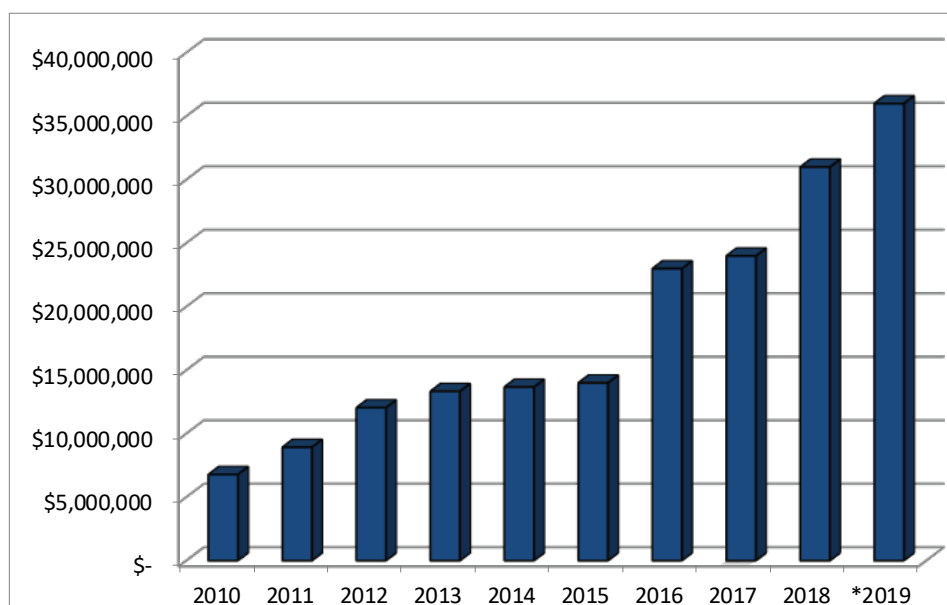
With the new AHS contract in place, Can West Air began searching for the right bank to help fund the addition of nine brand new medevac aircraft. Fortunately, a strong financial background makes Can West a valuable customer, and we were excited to find many banks rallying to provide us with excellent rates and service. The Bank of Nova Scotia (BNS) was our final choice, and they have exceeded our expectations on both the financing side as well as our day-to-day banking, which we have transferred to BNS as well.

A contingency of our finance agreement with BNS is that we must provide audited financial statements, as well as quarterly financial reports to ensure that we are remaining within the terms of our agreement. Subsequently, we have teamed up with the accounting firm BDO Canada of Grande Prairie, Alberta, so that they can help us remain compliant on our journey to success.

Below, you can see a graph depicting Can West's historical revenue, 2019 is estimated future revenue and reflect an increase primarily due to the addition of 3 new aircraft contracts beginning in April 1, 2018.

Can West Air's assets have increased significantly with the addition of nine new medevac aircraft. CanWest Air is diligently working to remove the previously utilized fleet of King Air 200's from the roster. One of these King Air 200's was sold in late 2018 and there are five more remaining.

TOTAL REVENUE



Fuel

CanWest Air currently operates its Slave Lake base as a Fixed Base Operator (FBO) and holds the Forestry Fuelling contract to provide fire detection and suppression aircraft with fuel during the Alberta fire season. CanWest Air also operates tanks for self fuelling at four (4) of its other locations.

When the new medevac contract for Grande Prairie commenced on September 1, 2017, the need to set up self serve at this base was immediately recognized. Grande Prairie is a major hub for medevac flights, similar to Edmonton, which means that CanWest Air aircraft from all locations in the province visit it frequently. With fluctuating aviation fuel prices, setting up this self-serve base allows CanWest Air to maintain a small amount of control on pricing by monitoring the market and coordinating with the supplier to ensure fuel is purchased at the ideal time.

CanWest Air has a stringent Fuel Quality Control System in place, ensuring only the highest of quality fuels are put into plane from our facilities. In the past fiscal year, CanWest Air moved over 2.5 million litres of Jet Fuel alone through its pumps. With the previous success that CanWest has had with fuel sales, the intention is to continue operating in this line of business while maintaining an active watch for future opportunities to expand in the fuel sales market.

Our Customers



Alberta Health Services

CanWest Air recently secured a ten year contract with Alberta Health Services to provide medevac services for eight of the ten base locations located within the province.



Canada Post Corporation

A new contract spanning the term of five years was acquired and put into effect July 2017. The contract is to provide air carrier cargo services for inbound and outbound mail from Fort Vermilion to Fox Lake.



Little Red River Cree Nation

CanWest Air provides the Little Red River Cree Nation, LRRCN, with all its fixed wing requirements, from charters to medevacs. Can West Air has worked closely with LRRCN to build a strong, mutually-beneficial relationship. We are currently in the process of updating our Band Council Resolution (BCR) with LRRCN to continue to provide them with these services.



The North West Company

This year CanWest Air negotiated rates with the North West Company to fly freight into Fox Lake's Northern Store. Fox Lake is an isolated community that is cut off by the Peace River. CanWest Air has provided this service to The North West Company since 2011.



Sustainable Resource Development

CanWest Air has worked with Sustainable Resource Development, SRD, for a number of years, never on contracts exceeding a one year term but provides a variety of fixed wing services for this Government department.



Government of Saskatchewan

Our fleet of Cessna 337's service the needs of the Saskatchewan Government during the fire season with two (2) contracts to provide aerial smoke and fire detection flights over the remote parts of the province.

CANWEST AIR

Please get in touch with us about this annual report
or the services that Can West offers.

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