

CHC Group Ltd.
Form 10-Q
December 14, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
 1934

For the Quarterly Period Ended October 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____.

Commission File Number: 001-36261

CHC Group Ltd.

(Exact name of registrant as specified in its charter)

Cayman Islands 98-0587405

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

190 Elgin Avenue

George Town

Grand Cayman, KY1-9005

Cayman Islands

(Address of principal executive offices, including zip code)

(604) 276-7500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2016, there were 2,731,877 ordinary shares issued and outstanding, excluding unvested restricted shares of 834.

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PART I—FINANCIAL INFORMATION

TRADEMARKS

CHC Helicopter and the CHC Helicopter logo are trademarks of CHC Capital (Barbados) Ltd., a wholly owned subsidiary of CHC Group Ltd. All other trademarks and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective holders. All rights reserved. The absence of a trademark or service mark or logo from this Quarterly Report on Form 10-Q does not constitute a waiver of trademark or other intellectual property rights of CHC Group Ltd., its subsidiaries, affiliates, licensors or any other persons.

GLOSSARY

Adjusted EBITDAR	Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense (recovery), asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss), other financing income (charges) and reorganization items, net, or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs. This is a non-GAAP financial measure.
Adjusted EBITDAR margin	Adjusted EBITDAR margin is calculated as Adjusted EBITDAR divided by total revenue less reimbursable revenue. Cost reimbursements from customers are recorded as reimbursable revenue with the related reimbursement expense in direct costs. This is a non-GAAP financial measure.
EMS	Emergency medical services.
Heavy helicopter	A category of twin-engine helicopters that requires two pilots, can accommodate 16 to 26 passengers and can operate under instrument flight rules, which allow daytime and nighttime flying in a variety of weather conditions. The greater passenger capacity, larger cabin, longer flight range, and ability to operate in adverse weather conditions make heavy helicopters more suitable than single engine helicopters for offshore support. Heavy helicopters are generally utilized to support the oil and gas sector, construction and forestry industries and SAR and EMS customer requirements.
Long-term contracts	Contracts of three years or longer in duration.
Medium helicopter	A category of twin-engine helicopters that generally requires two pilots, can accommodate eight to 15 passengers and can operate under instrument flight rules, which allow daytime and nighttime flying in a variety of weather conditions. The greater passenger capacity, longer flight range, and ability to operate in adverse weather conditions make medium helicopters more suitable than single engine helicopters for offshore support. Medium helicopters are generally utilized to support the oil and gas sector, construction and forestry industries and SAR and EMS customer bases in certain jurisdictions. Medium helicopters can also be used to support the utility and mining sectors, as well as certain parts of the construction and forestry industries, where transporting a smaller number of passengers or carrying light loads over shorter distances is required.
MRO	Maintenance, repair and overhaul.
New technology	When used herein to classify our helicopters, a category of higher-value, recently produced, more sophisticated and more comfortable helicopters, including Airbus Helicopters H225, H135, H145

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and H155; AgustaWestland's AW139; and Sikorsky's S76C++ and S92A.

OEM	Original equipment manufacturer.
PBH	Power-by-the-hour. A program where a helicopter operator pays a fee per flight hour to an MRO provider as compensation for repair and overhaul components required in order for the helicopter to maintain an airworthy condition.
Rotables	Helicopter parts that can be repaired and reused such that they typically have an expected life approximately equal to the helicopters that they support.
SAR	Search and rescue.

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ITEM 1. FINANCIAL STATEMENTS

CHC Group Ltd. (Debtor-in-Possession)

Consolidated Balance Sheets

(Expressed in thousands of United States dollars except share and per share information)

(Unaudited)

	April 30, 2016	October 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$266,130	\$287,694
Receivables, net of allowance for doubtful accounts of \$2.1 million and \$9.3 million, respectively (note 3(a)(ii))	182,507	183,437
Income taxes receivable	5,962	6,812
Inventories (note 6)	92,249	95,114
Prepaid expenses	38,766	29,702
Other assets (note 7)	40,059	35,725
	625,673	638,484
Property and equipment, net	967,619	841,820
Investments (note 3(b)(i))	37,640	7,304
Intangible assets	82,898	82,735
Restricted cash	25,082	15,885
Other assets (note 7)	367,481	197,430
Deferred income tax assets	2,570	80
Assets held for sale	5,305	3,516
	\$2,114,268	\$1,787,254
Liabilities and Shareholders' Deficit		
Liabilities not subject to compromise:		
Current liabilities:		
Payables and accruals	\$279,028	\$205,826
Deferred revenue	34,413	23,601
Income taxes payable	37,960	6,664
Current facility secured by accounts receivable (note 3(a)(ii))	22,339	—
Other liabilities (note 8)	70,540	3,859
Current portion of debt obligations (note 9)	1,633,377	—
	2,077,657	239,950
Debt obligations (note 9)	25,886	—
Deferred revenue	56,701	27,577
Other liabilities (note 8)	242,711	63,190
Deferred income tax liabilities	8,775	8,553
Total liabilities not subject to compromise	2,411,730	339,270
Liabilities subject to compromise (note 11)	—	2,656,288
Total liabilities	2,411,730	2,995,558
Redeemable non-controlling interests (note 3(a)(i))	18,867	18,343
Redeemable convertible preferred shares: Par value \$0.0001		
Authorized: 6,000,000; Issued: 671,189 and 671,189; Dividends in arrears: \$7.1 million and \$7.9 million	643,967	643,967

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Capital stock: Par value \$0.003 (ordinary), \$0.0001 (preferred):

Authorized: 544,000,000; Issued: 2,721,592 and 2,731,877

Additional paid-in capital (note 3(a)(i))

Deficit

Accumulated other comprehensive loss

8	8
1,914,560	1,913,914
(2,510,277)	(3,473,239)
(364,587)	(311,297)
(960,296)	(1,870,614)
\$2,114,268	\$1,787,254

See accompanying notes to interim consolidated financial statements.

See table in note 3(a)(i) for certain amounts included in the Consolidated Balance Sheets related to variable interest entities.

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CHC Group Ltd. (Debtor-in-Possession)

Consolidated Statements of Operations

(Expressed in thousands of United States dollars except share and per share information)

(Unaudited)

	Three months ended		Six months ended	
	October	October	October	October
	31, 2015	31, 2016	31, 2015	31, 2016
Revenue	\$360,753	\$249,536	\$736,690	\$519,972
Operating expenses:				
Direct costs	(287,380)	(229,387)	(601,550)	(476,248)
Earnings from equity accounted investees (note 3(b)(i))	1,338	12,131	2,771	12,392
General and administration costs	(18,097)	(12,756)	(34,453)	(28,184)
Depreciation	(35,537)	(42,146)	(75,818)	(77,844)
Restructuring recovery (expense) (note 4)	(16,211)	2,416	(35,590)	11
Asset impairments (note 5)	(10,459)	(2,691)	(10,459)	(2,691)
Loss on disposal of assets	(1,419)	(599)	(2,406)	(1,724)
	(367,765)	(273,032)	(757,505)	(574,288)
Operating loss	(7,012)	(23,496)	(20,815)	(54,316)
Interest on debt obligations (note 9(a))	(27,286)	(6,891)	(54,232)	(15,482)
Foreign exchange loss	(9,551)	(30,667)	(19,630)	(49,099)
Other financing income (charges) (note 13)	5,827	(7,110)	15,921	390
Reorganization items, net (note 10)	—	(50,526)	—	(835,916)
Loss before income tax	(38,022)	(118,690)	(78,756)	(954,423)
Income tax expense (note 14)	(3,942)	(11,166)	(9,850)	(11,225)
Net loss	\$(41,964)	\$(129,856)	\$(88,606)	\$(965,648)
Net earnings (loss) attributable to:				
Controlling interest	\$(44,116)	\$(127,613)	\$(97,478)	\$(962,962)
Non-controlling interests	2,152	(2,243)	8,872	(2,686)
Net loss	\$(41,964)	\$(129,856)	\$(88,606)	\$(965,648)
Computation of basic and diluted net loss per ordinary share:				
Net loss attributable to controlling interest	\$(44,116)	\$(127,613)	\$(97,478)	\$(962,962)
Redeemable convertible preferred share dividends including cumulative effect of dividends in arrears of \$0.2 million, \$nil, \$0.4 million, and \$0.8 million	(13,608)	—	(26,932)	(784)
Adjustment of redeemable non-controlling interest to redemption amount (note 3(a)(i))	2,154	(2,017)	18,530	(1,945)
Net loss available to common stockholders	\$(55,570)	\$(129,630)	\$(105,880)	\$(965,691)
Net loss per ordinary share available to common stockholders - basic and diluted	\$(20.45)	\$(47.53)	\$(39.00)	\$(354.45)
Weighted average number of ordinary shares outstanding - basic and diluted	2,716,933	2,727,294	2,714,730	2,724,466

See accompanying notes to interim consolidated financial statements.

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CHC Group Ltd. (Debtor-in-Possession)
 Consolidated Statements of Comprehensive Loss
 (Expressed in thousands of United States dollars)
 (Unaudited)

	Three months ended		Six months ended	
	October	October	October	October
	31, 2015	31, 2016	31, 2015	31, 2016
Net loss	\$(41,964)	\$(129,856)	\$(88,606)	\$(965,648)
Other comprehensive earnings (loss):				
Net foreign currency translation adjustments	(12,151)	39,385	(36,810)	48,361
Net change in defined benefit pension plan, net of income tax	1,091	1,424	2,695	6,863
Comprehensive loss	\$(53,024)	\$(89,047)	\$(122,721)	\$(910,424)
Comprehensive income (loss) attributable to:				
Controlling interest	\$(55,546)	\$(87,620)	\$(141,985)	\$(909,672)
Non-controlling interests	2,522	(1,427)	19,264	(752)
Comprehensive loss	\$(53,024)	\$(89,047)	\$(122,721)	\$(910,424)
See accompanying notes to interim consolidated financial statements.				

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CHC Group Ltd. (Debtor-in-Possession)
 Consolidated Statements of Cash Flows
 (Expressed in thousands of United States dollars)
 (Unaudited)

	Six months ended	
	October	October
	31, 2015	31, 2016
Cash provided by (used in):		
Operating activities:		
Net loss	\$(88,606)	\$(965,648)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Depreciation	75,818	77,844
Loss on disposal of assets	2,406	1,724
Asset impairments (note 5)	10,459	2,691
Earnings from equity accounted investees less dividends received	(2,186)	(11,785)
Deferred income taxes	185	2,624
Non-cash stock-based compensation expense	1,850	1,299
Net gain on debt extinguishment (note 13)	(17,799)	—
Amortization of long-term debt and lease deferred financing costs	5,003	2,071
Unrealized net gain on derivative financial instruments	(19,925)	(2,119)
Non-cash defined benefit pension expense (income) (note 15)	(343)	1,630
Defined benefit contributions and benefits paid	(16,429)	(12,122)
Unrealized loss on foreign currency exchange translation	18,544	57,544
Reorganization items, net, non-cash (note 10)	—	813,870
Other	(6,967)	(8,773)
Change in cash resulting from changes in operating assets and liabilities:		
Receivables, net of allowance	18,555	(7,593)
Income taxes receivable and payable	985	1,747
Inventories	(2,088)	(6,034)
Prepaid expenses	(829)	7,347
Payables and accruals	(8,325)	80,862
Deferred revenue	3,501	15,575
Other assets and liabilities	(705)	(21,556)
Cash provided by (used in) operating activities	(26,896)	31,198
Financing activities:		
Sold interest in accounts receivable, net of collections	8,305	(21,620)
Debt proceeds	326,400	—
Debt and capital lease repayments	(215,748)	(2,189)
Repurchases of senior unsecured notes	(22,101)	—
Increase in deferred financing costs	(4,868)	—
Cash provided by (used in) financing activities	91,988	(23,809)
Investing activities:		
Property and equipment additions	(106,952)	(27,452)
Proceeds from disposal of property and equipment	28,470	1,844
Helicopter deposits net of lease inception refunds	(32,607)	—
Proceeds from sale of equity accounted investees (note 3(b)(i))	—	35,518
Restricted cash	(8,736)	8,483
Cash provided by (used in) investing activities	(119,825)	18,393

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Effect of exchange rate changes on cash and cash equivalents	(11,172)	(4,218)
Change in cash and cash equivalents during the period	(65,905)	21,564
Cash and cash equivalents, beginning of period	134,297	266,130
Cash and cash equivalents, end of period	\$68,392	\$287,694

Supplemental cash flow information:

Assets acquired through non-cash capital leases	\$18,055	\$—
Non-cash settlement of obligations by letters of credit (note 9(b))	—	39,416
See accompanying notes to interim consolidated financial statements.		

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CHC Group Ltd. (Debtor-in-Possession)

Consolidated Statements of Shareholders' Deficit

(Expressed in thousands of United States dollars except share information)

(Unaudited)

Six months ended October 31, 2015	Capital stock		Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' deficit	Redeemable non-controlling interests	Redeemable convertible preferred shares	
	Number of shares	Amount						Number of shares	Amount
April 30, 2015	2,708,312	\$ 8	\$ 1,961,007	\$(2,070,254)	\$(316,227)	\$(425,466)	\$ 16,940	617,045	\$ 589,823
Issuance of capital stock for stock option and service vesting shares	9,204	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	(46,177)	(46,177)	9,367	—	—
Stock-based compensation expense	—	—	1,850	—	—	1,850	—	—	—
Defined benefit plan, net of income tax	—	—	—	—	1,670	1,670	1,025	—	—
Redeemable convertible preferred share dividends	—	—	(26,503)	—	—	(26,503)	—	26,503	26,503
Adjustment of redeemable non-controlling interest to redemption amount (note 3(a)(i))	—	—	18,530	—	—	18,530	(18,530)	—	—
Net earnings (loss)	—	—	—	(97,478)	—	(97,478)	8,872	—	—
October 31, 2015	2,717,516	\$ 8	\$ 1,954,884	\$(2,167,732)	\$(360,734)	\$(573,574)	\$ 17,674	643,548	\$ 616,326
Six months ended October 31, 2016	Capital stock		Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders' deficit	Redeemable non-controlling interests	Redeemable convertible preferred shares	
	Number of shares	Amount						Number of shares	Amount
April 30, 2016	2,721,592	\$ 8	\$ 1,914,560	\$(2,510,277)	\$(364,587)	\$(960,296)	\$ 18,867	671,189	\$ 643,967
	10,285	—	—	—	—	—	—	—	—

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Issuance of capital stock for stock option and service vesting shares									
Foreign currency translation	—	—	—	—	47,664	47,664	697	—	—
Stock-based compensation expense	—	—	1,299	—	—	1,299	—	—	—
Defined benefit plan, net of income tax	—	—	—	—	5,626	5,626	1,237	—	—
Adjustment of redeemable non-controlling interest to redemption amount (note 3(a)(i))	—	—	(1,945)) —	—	(1,945)) 1,945	—	—
De-consolidation of variable interest entity (note 3(a)(i))	—	—	—	—	—	—	(1,717)) —	—
Net loss	—	—	—	(962,962)) —	(962,962)) (2,686)) —	—
October 31, 2016	2,731,877	\$ 8	\$ 1,913,914	\$ (3,473,239)	\$ (311,297)	\$ (1,870,614)	\$ 18,343	671,189	\$ 643,967

See accompanying notes to interim consolidated financial statements.

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

1. Voluntary filing under Chapter 11 of the United States Bankruptcy Code ("Chapter 11"):

We have incurred net losses since our acquisition on September 16, 2008 of the entity formerly known as CHC Helicopter Corporation. We have a substantial level of indebtedness and operating lease commitments and have experienced a significant decline in consolidated revenues due to the downturn in the oil and gas industry since mid-2014. As a result of this, on May 5, 2016 (the "Petition Date"), CHC Group Ltd. and a number of its subsidiaries (cumulatively referred to as the "Debtors") filed voluntary petitions (the "Bankruptcy Petitions" or the "Petitions") in the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court"), seeking relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Bankruptcy Court entered an order providing for the joint administration of the Bankruptcy Cases under the caption In re CHC Group Ltd., et al., which we refer to together as the "Bankruptcy Cases".

The Petitions filed by the Debtors seeking relief under the Bankruptcy Code constituted an event of default that accelerated our obligations under the indenture, dated October 4, 2010, that governs the 9.250% Senior Secured Notes Due 2020 (the "senior secured notes"); the indenture, dated May 13, 2013, that governs the 9.375% Senior Notes Due 2021 (the "senior unsecured notes"); our senior secured revolving credit facility, dated as of January 23, 2014 (the "revolving credit facility") and our asset-based revolving credit facility, dated June 12, 2015 (the "ABL Facility"). In addition, this also caused an event of default under the terms of all of our helicopter lease agreements and certain other obligations.

The Debtors have filed motions, net of withdrawn motions, for the rejection or abandonment of 87 helicopters in our fleet which we no longer need in the operation of our business. This includes 82 leased helicopters and 5 helicopters financed under our ABL Facility. The revised abandonment motion for 5 helicopters financed under our ABL Facility included a motion to restructure the financing terms of the remaining 8 helicopters with an amended principal balance, which was approved by the Bankruptcy Court by order dated December 5, 2016. As of December 13, 2016, the Bankruptcy Court had approved 74 helicopter lease rejections. Discussions with our lenders and lessors remain ongoing, the status of those discussions remain fluid, and the outcome of such discussions cannot be assured.

On October 11, 2016, the Debtors entered into a plan support agreement (as has and may be amended the "PSA") with respect to the terms of a Chapter 11 plan of reorganization (the "Plan") with holders representing 67.6% of the senior secured notes and 73.6% of the senior unsecured notes (including the Consenting Creditor Parties (as hereinafter defined)), the official committee of unsecured creditors ("UCC") in the Bankruptcy Cases, and Milestone Aviation Group Limited and its affiliates (the "Lead Lessor") (collectively, the "Consenting Creditor Parties"). On November 11, 2016, the Debtors filed the Plan and the related disclosure statement (the "Disclosure Statement") with the Bankruptcy Court. The Consenting Creditor Parties, other than the UCC, have agreed to vote to accept the Plan, except in certain circumstances, and the UCC has agreed to support the Plan and recommend that unsecured creditors vote to accept it. The PSA and related agreements are subject to customary closing conditions, approval by the Bankruptcy Court, receipt of a Bankruptcy Court approved disclosure statement and solicitation materials, and contain termination rights upon the occurrence of certain events. The Plan is subject to acceptance by the Debtors' creditors (as and to the extent required under the Bankruptcy Code) and confirmation by the Bankruptcy Court.

The principal provisions of the Plan are as follows:

The Company has agreed to solicit participation in a \$300.0 million rights offering (the "Rights Offering") of second lien convertible notes (the "Second Lien Convertible Notes") to eligible holders of senior secured and senior unsecured notes, with \$280.0 million allocated to eligible holders of senior secured notes and \$20.0 million allocated to eligible holders of senior unsecured notes.

The Second Lien Convertible Notes will be issued at a 10% original issuance discount and include a \$100.0 million premium for the equitization of the secured notes secured claims, resulting in a total of \$433.3 million in aggregate principal amount. The Second Lien Convertible Notes will have a 3.5 year maturity and are mandatorily convertible into 85.4% of the New Membership Interests (“New Membership Interests”) to be issued by a newly-formed Cayman limited liability company (the “Reorganized Company”) on a fully diluted basis (but subject to dilution by the management incentive plan of the Reorganized Company (“MIP”)) upon maturity or certain specified conditions.

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

The Second Lien Convertible Notes will rank second to the collateral securing a new credit facility in a principal amount to be determined (the “Exit Credit Facility”) to be provided to holders of claims of the revolving credit facility (“Revolving Credit Agreement Claims”); will not bear or pay interest other than in connection with an event of default; and will have the same rights with respect to dividends and voting as New Membership Interests on an as-converted basis.

Holders of the senior secured notes, senior unsecured notes and general unsecured claims will receive the following general treatment under the Plan:

In addition to the ability to participate in the Rights Offering allocated to the senior secured notes, all holders of senior secured notes will receive their pro rata share of 79.5% of New Membership Interests (prior to dilution by Second Lien Convertible Notes and the MIP), which equates to 11.6% of New Membership Interests (fully diluted on account of the Second Lien Convertible Notes, but excluding the MIP).

All holders of the senior unsecured notes will receive their pro rata share of 8.9% of New Membership Interests (prior to dilution by the Second Lien Convertible Notes and the MIP), which equates to 1.3% of New Membership Interests (fully diluted on account of the Second Lien Convertible Notes, but excluding the MIP).

All other holders of allowed general unsecured claims of the Company will receive their share of (a) 11.6% of New Membership Interests (prior to dilution by the Second Lien Convertible Notes and the MIP), which equates to 1.7% of New Membership Interests (fully diluted on account of the Second Lien Convertible Notes, but excluding the MIP), and (b) \$37.5 million in new unsecured notes of the Reorganized Company, less the amount of cash distributed to certain holders of allowed general unsecured claims who are to receive cash for administrative convenience (“New Unsecured Notes”). The New Unsecured Notes will have a seven year maturity and an interest rate of 5.0%, payable in kind until the conversion of the Second Lien Convertible Notes and thereafter payable in cash. The New Unsecured Notes will rank pari passu with the Second Lien Convertible Notes and will be deemed senior indebtedness of the Reorganized Company, but will not have the benefit of any security or be convertible into New Membership Interests. Upon the effective date, the Reorganized Company will adopt the MIP, including a reservation of ten percent (10%) of the New Membership Interests on a fully diluted basis for distribution thereunder.

Holders of allowed Revolving Credit Agreement Claims will receive their pro rata share of the Exit Credit Facility or such treatment that would otherwise satisfy Section 1129 of the Bankruptcy Code. The terms of the Exit Credit Facility are under negotiation.

The Plan does not provide for any distribution to holders of the Company’s existing equity securities, including its ordinary shares and preferred shares.

The Plan distinguishes between a Primary General Unsecured Claim and a Secondary General Unsecured Claim (as defined in the Plan). The Plan provides that each holder of an Allowed General Unsecured Claim (as defined in the Plan) against the Debtors will receive, in full and final satisfaction and discharge of such holder’s rights with respect to and under such Allowed General Unsecured Claim, and, in accordance with the Restructuring Transactions as provided in the Disclosure Statement to the Plan: (i) on account of its Allowed Primary General Unsecured Claim (as defined in the Plan), its Pro Rata share of the Primary General Unsecured Claims Distribution (as defined in the Plan), plus (ii) on account of any Allowed Secondary General Unsecured Claim (as defined in the Plan), against one or more Secondary Recovery Debtors (as defined in the Plan), if applicable, its Pro Rata share of the Secondary General Unsecured Claims Distribution (as defined in the Plan) allocated to the applicable Secondary Recovery Debtor against which it holds an Allowed Secondary General Unsecured Claim (as defined in the Plan). For the avoidance of doubt, if a holder of Allowed General Unsecured Claims holds an Allowed Secondary General Unsecured Claim against any Debtor that is not a Secondary Recovery Debtor, such holder will not receive any additional recoveries on account of

such claim.

In connection with the Plan, the Company has entered into a backstop agreement (the “Backstop Agreement”) pursuant to which certain of the Consenting Creditor Parties have agreed to backstop the Rights Offering (the “Backstop Commitment”). Pursuant to the Backstop Commitment, certain of the Consenting Creditor Parties, severally and not jointly, have agreed to fully participate in the Rights Offering and purchase the Second Lien Convertible Notes in

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accordance with the percentages set forth in the Backstop Agreement to the extent unsubscribed under the Rights Offering in exchange for a principal amount of \$30.8 million of Second Lien Convertible Notes (the “Put Option Premium”). Upon certain triggering events, the Put Option Premium will become fully due and payable in two equal installments of approximately \$10.665 million.

In addition, as part of the Plan, the Company has entered into an agreement with the Lead Lessor, pursuant to which, among other things, the Lead Lessor has agreed to restructure its existing aircraft fleet leasing arrangements with the Company and to provide a new \$150.0 million asset-based debt facility. The key terms of this agreement include the restricting of lease rental for the helicopters that will remain in the Debtors’ fleet, the consensual return of certain helicopters, extension options for certain of the retained helicopters, leases for additional helicopters and the payment of certain fees and expenses.

Since the Petition Date, the Debtors have operated their business as “debtors-in-possession.” The Debtors continue to operate their businesses and manage their properties as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Any efforts by creditors to enforce such payment obligations as existed before the Petition Date are automatically stayed as a result of the filing of the Petitions, and the holders’ rights of enforcement are subject to the applicable provisions of the Bankruptcy Code. The Bankruptcy Court has approved certain motions for the payment of certain pre-petition obligations, including those related to certain taxes, employee wages, severance and helicopter part repair orders.

These conditions result in material uncertainty that gives rise to substantial doubt about our ability to continue as a going concern. We believe that we will require significant debt, lease and other restructuring to continue as a going concern. Our ability to continue as a going concern is contingent upon the Bankruptcy Court and our creditors’ approval of the Plan or alternative successful restructuring. Our ability to continue as a going concern will also be dependent on our ability to implement the Plan, to maintain existing management, customer, vendor and other relationships, and to maintain sufficient liquidity throughout the Chapter 11 proceedings, amongst other factors.

The unaudited interim consolidated financial statements (“interim financial statements”) have been prepared under the assumption that the Company will continue as a going concern and do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern or as a consequence of the Bankruptcy Cases. While operating as debtors-in-possession under the jurisdiction of the Bankruptcy Court, we may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court, or as otherwise permitted in the ordinary course of business, for amounts other than those reflected in the accompanying interim financial statements.

2. Significant accounting policies:

(a) Basis of presentation:

The interim financial statements include the accounts of CHC Group Ltd. and its subsidiaries (the “Company”, “we”, “us” or “our”) after elimination of all significant intercompany accounts and transactions. The interim financial statements are presented in United States dollars and have been prepared in accordance with the United States Generally Accepted Accounting Principles (“US GAAP”) for interim financial information. Accordingly, the interim financial statements do not include all of the information and disclosures for complete financial statements.

In the opinion of management, these interim financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the

periods indicated. Results of operations for the periods presented are not necessarily indicative of results of operations for the entire year.

The financial information as of April 30, 2016 is derived from our annual audited consolidated financial statements and notes for the fiscal year ended April 30, 2016. These interim financial statements should be read in conjunction with our consolidated financial statements and related notes for the fiscal year ended

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April 30, 2016, which are included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016 which was filed with the Securities and Exchange Commission (“SEC”) on July 15, 2016.

(b) Bankruptcy accounting and disclosures:

As a result of the filing of the Bankruptcy Petitions, we have applied the FASB Accounting Standards Codification (“ASC”) 852 Reorganizations in preparing our interim financial statements. ASC 852 requires that financial statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, realized gains and losses and provisions for losses that are realized or incurred in the bankruptcy proceedings have been recorded in a reorganization line item in our consolidated statements of operations. In addition, the pre-petition obligations that may be impacted by the bankruptcy reorganization process have been classified on the balance sheet as liabilities subject to compromise. These liabilities are reported as the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts.

In connection with an emergence from the Bankruptcy Cases, the Company may be required to adopt fresh-start accounting, upon which the Company’s assets and liabilities will be recorded at their fair value. The fair values of the Company’s assets and liabilities as of that date may differ materially from the recorded values of its assets and liabilities as reflected in our historical consolidated financial statements. In addition, the Company’s adoption of fresh-start accounting may materially affect its results of operations following the fresh-start reporting dates as the Company may have a new basis in its assets and liabilities. Consequently, the Company’s financial statements may not be comparable with the financial statements prior to that date and the historical financial statements may not be reliable indicators of its financial condition and results of operations for any period after it adopts fresh-start accounting. The Company is in the process of evaluating the potential impact of the fresh-start accounting on its consolidated financial statements.

(c) Foreign currency:

The currencies which most influence our foreign currency translations and the relevant exchange rates were:

	Six months ended	
	October	October
	31, 2015	31, 2016
Average rates:		
£/US \$	1.547129	1.341183
CAD/US \$	0.780275	0.767048
NOK/US \$	0.124142	0.120810
AUD/US \$	0.741495	0.751323
€/US \$	1.116105	1.117435
Period end rates:		
£/US \$	1.544218	1.221294
CAD/US \$	0.764351	0.746102
NOK/US \$	0.118092	0.121167
AUD/US \$	0.713292	0.761322
€/US \$	1.104181	1.096172

(d) Comparative figures:

In December 2015, our Board of Directors and shareholders approved a reverse share split, by way of consolidation, whereby all of the Company’s ordinary shares of capital stock (issued and unissued) were adjusted to reflect the

reverse share split ratio of 30:1 (that is, each 30 shares of stock were consolidated into one share). The reverse share split was effective on December 11, 2015. The principal effects of the reverse share split were as follows:

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all capital stock par value and authorized and issued per share information were adjusted retroactively for all prior periods presented to reflect the reverse share split ratio. This includes the calculations of our weighted average number of ordinary shares outstanding and net loss per ordinary share available to common stockholders; proportional adjustments were made to the number of ordinary shares available for issuance under the CHC Group Ltd. 2013 Omnibus Incentive Plan (the “2013 Incentive Plan”) and those subject to outstanding equity awards (including stock options, time-based restricted stock units, performance based restricted stock units, service vesting stock options and shares and share price performance options and shares). Additionally, the exercise price of any stock options outstanding under the 2013 Incentive Plan and those subject to other outstanding equity awards were proportionally adjusted to reflect the reverse share split ratio; and proportional adjustments were made to the per-share conversion price of the Company’s redeemable convertible preferred shares (“preferred shares”) in accordance with the Rights and Restrictions of the Redeemable Convertible Preferred Shares. The reverse share split had no impact on the total number of authorized preferred shares nor the number of preferred shares issued and outstanding or its par value.

(e) Recent accounting pronouncements adopted:

Consolidation:

On May 1, 2016, we adopted the amendment to the accounting guidance on the consolidation standard. The amendment includes updates relating to the criteria to determine whether a service provider or decision maker is a variable interest entity (“VIE”), whether a decision maker is the primary beneficiary of a VIE, or whether a related party has the characteristics of a primary beneficiary of a VIE. We determined that there was no material impact on our financial results from the adoption of this standard.

Debt issuance costs:

On May 1, 2016, we adopted the accounting guidance on debt issuance costs. The new guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an asset and must be applied retrospectively. As a result, we presented the \$26.2 million of deferred financing costs previously classified in other assets at April 30, 2016 as an offset to debt obligations. This had no impact on our net loss or operating cash flows as previously reported.

Share-based compensation:

On May 1, 2016, we adopted amended guidance for accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendment requires that a performance target that affects vesting and that could be achieved after requisite service period be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that such performance condition would be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. There was no material impact on our financial results from the adoption of this standard.

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(f) Recent accounting pronouncements not yet adopted:

Revenue recognition:

In May 2014, the FASB issued a comprehensive new revenue recognition standard which will supersede previous existing revenue recognition guidance. The standard creates a five-step model for revenue recognition to achieve the objective of recognizing revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The five-step model includes (1) identifying the contract, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations and (5) recognizing revenue when each performance obligation has been satisfied. The standard also requires expanded disclosures surrounding revenue recognition.

The standard is effective for fiscal periods beginning after December 15, 2017, including interim reporting periods within that reporting period; companies are permitted to early adopt the standard for fiscal periods beginning after December 15, 2016. We will adopt the standard on May 1, 2018. Companies are allowed to use either full retrospective or modified retrospective adoption. We are currently evaluating which transition approach to use and the impact of the adoption of this standard on our consolidated financial statements.

Going concern:

In August 2014, the FASB issued a new standard that requires management to evaluate whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern and to provide disclosures when certain criteria are met. The standard is effective for fiscal periods ending after December 15, 2016, and interim periods thereafter, with early application permitted. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Inventories:

In July 2015, the FASB issued an amendment that requires management to reduce inventory to the lower of cost and net realizable value rather than the lower of cost or market value. The standard is effective for fiscal periods beginning after December 15, 2016, and interim periods therein and early application is permitted. We will adopt the standard on May 1, 2017. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Financial instruments:

In January 2016, the FASB issued amendments to the standard for the recognition and measurement of financial assets and financial liabilities which introduces new reporting requirements and simplifies some of the existing reporting requirements. The standard is effective for fiscal periods beginning after December 15, 2017, including interim periods within those fiscal years and early application is permitted. We will adopt the standard on May 1, 2018. Companies should apply the amendment using a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, and using a prospective approach for amendments to equity securities with fair values that are not readily determinable. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Leases:

In February 2016, the FASB issued amendments to the standard for the recognition and measurement of leases. The standard is effective for fiscal periods beginning after December 15, 2018, including interim periods within those fiscal years and early application is permitted. We will adopt the standard on May 1, 2019. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Share-based compensation:

In March 2016, the FASB issued amendments to simplify the standard for employee share-based payment accounting. The standard is effective for fiscal periods beginning after December 15, 2016, and interim periods within those annual periods and early adoption is permitted for any entity in any interim or annual period providing all amendments are adopted in the same period. We will adopt the standard on May 1, 2017.

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We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Derivatives and hedging:

In March 2016, the FASB issued amendments to the standard for derivatives and hedging clarifying the requirements for assessing whether contingent put and call options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The standard is effective for fiscal periods beginning after December 15, 2016, and interim periods within those fiscal years and early adoption is permitted, including adoption in an interim period. We will adopt the standard on May 1, 2017. Companies should adopt the standard on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Impairment of financial instruments:

In June 2016, the FASB issued authoritative guidance that adds an impairment model called the Current Expected Credit Loss (“CECL”) model for financial instruments within the scope of the guidance, which includes loans, trade receivables, debt securities classified as Held to Maturity and net investments in leases recognized by a lessor. Under the new guidance, on initial recognition and at each reporting period, an entity would be required to recognize an allowance that reflects the entity’s current estimate of credit losses expected to be incurred over the life of the financial instrument. The standard does not make changes to the existing impairment models for non-financial assets such as fixed assets, intangibles and goodwill. We will adopt the standard on May 1, 2020. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

Statement of cash flows:

In August 2016, the FASB issued amendments to clarify the standard for classification of certain cash receipts and cash payments. In November 2016, the FASB issued further amendments which require all entities that have restricted cash or restricted cash equivalents to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The revised standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and early adoption is permitted. We will adopt the standard on May 1, 2018. We are currently evaluating the impact of the adoption of this standard on our consolidated financial statements.

3. Variable interest entities:

(a) VIEs of which we are the primary beneficiary:

(i) Local ownership VIEs:

Certain areas of operations are subject to local governmental regulations that may limit foreign ownership of aviation companies. Accordingly, operations in certain jurisdictions may require the establishment of local ownership entities that are considered to be VIEs. The nature of our involvement with consolidated local ownership entities is as follows: Note 3 to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016 contains a description of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary. As of October 31, 2016, there have been no significant changes in either the nature of our involvement with, or the accounting policies associated with the analysis of VIEs as described in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016, with the exception of Atlantic Aviation Limited and Atlantic Aviation FZE (collectively “Atlantic Aviation”).

On June 16, 2016, the Company, Atlantic Aviation and the Nigerian Company entered into a Termination and Exit Agreement (the “Termination Agreement”) which replaces the framework

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agreement but does not immediately terminate the other related agreements in place between the Company, Atlantic Aviation Limited and the Nigerian Company. Under the terms of the Termination Agreement, the Company has agreed to work with Atlantic Aviation and the Nigerian Company to ensure an orderly wind-down of operations in Nigeria and the ultimate dissolution of Atlantic Aviation (and all associated agreements between the Company and Atlantic Aviation). During the three months ended July 31, 2016 we deconsolidated Atlantic Aviation, which, net of the redeemable non-controlling interest, had no material impact to our results.

The following table shows the redeemable non-controlling interests relating to the local ownership VIEs that are included in the interim consolidated financial statements:

	April 30, October 31, 2016 2016	
EEA Helicopters Operations B.V.	\$ 17,150	\$ 18,343
Atlantic Aviation Limited and Atlantic Aviation FZE	1,717	—
	\$ 18,867	\$ 18,343

We have assessed that under the terms of the put and call arrangements with the holder of the non-controlling interest of EEA Helicopter Operations B.V.'s ("EHOB") that it is probable that the non-controlling interest will become redeemable and accordingly, it is recorded at its redemption amount. We have elected to recognize any changes in the redemption amount immediately as they occur and adjust the carrying amount of the redeemable non-controlling interest to equal the redemption amount at the end of the reporting period. Reductions in the carrying amount of the redeemable non-controlling interest are only recorded if we have previously recorded increases in the carrying amount of the redeemable non-controlling interest. The change in redemption amount is recognized in additional paid-in capital and as a deduction or addition to the numerator of the net loss per ordinary share calculation. The redemption amount is based on a formula of \$14.5 million plus an amount representing compounded interest, commencing October 31, 2014, which increases from 10% for the first year to 20% for the fifth year and thereafter.

Under the amended Shareholders' Agreement, the put and call options will be exercisable on the earlier of: (a) an exit event, being the entering into an agreement with another investor to acquire the Class A shareholder's interest in EHOB anytime after October 30, 2016, (b) one year after First Reserve Management, L.P. ("First Reserve") and Clayton, Dubilier & Rice ("CD&R") own less than 5% of our issued shares, and (c) October 30, 2020. Furthermore, the Class A shareholder also holds a call option over our Class B shares which is exercisable only in the event of bankruptcy. The right to immediate exercise of the put and call option by the Class A shareholder, due to the Debtors filing Petitions with the Bankruptcy Court on May 5, 2016, has been waived until December 16, 2016, subject to certain terms and conditions. We are in the process of finalizing a longer term waiver.

Financial information of local ownership VIEs

All of the local ownership VIEs and their subsidiaries have the same purpose and are exposed to similar operational risks and are monitored on a similar basis by management. As such, the financial information reflected on the consolidated balance sheets and statements of operations for all local ownership VIEs has been presented in the aggregate below, including intercompany amounts with other consolidated entities:

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	April 30, 2016	October 31, 2016		
Cash and cash equivalents	\$61,396	\$69,141		
Receivables, net of allowance	58,687	52,106		
Other current assets	34,279	36,258		
Other long-term assets	125,181	117,129		
Total assets	\$279,543	\$274,634		
Payables and accruals	\$57,419	\$60,231		
Intercompany payables	119,019	145,917		
Other current liabilities	22,570	9,209		
Accrued pension obligations	58,452	44,505		
Long-term intercompany payables	119,429	119,658		
Other long-term liabilities	29,394	26,207		
Total liabilities	\$406,283	\$405,727		
	Three months ended October 31, 2015	October 31, 2016	Six months ended October 31, 2015	October 31, 2016
Revenue	\$229,245	\$174,876	\$466,849	\$353,514
Net earnings (loss)	10,211	(5,544)	24,342	(20,852)

(ii) Accounts receivable securitization:

As described in note 3(a)(ii) of the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016, we entered into trade receivables securitization transactions to raise financing, through the sale of pools of receivables, or beneficial interests therein, to a VIE, Finacity Receivables – CHC 2009, LLC (“Finacity”), which we have determined we are required to consolidate as we are the primary beneficiary. Our trade receivables securitization arrangement ended in April 2016, as the Petitions filed with the Bankruptcy Court on May 5, 2016 constituted a termination event under the terms of our receivable purchase agreements.

The following table shows the assets and the associated liabilities related to the securitization arrangements that are included in the interim financial statements:

	April 30, 2016	October 31, 2016
Restricted cash	\$9,637	\$ —
Transferred receivables	32,876	—
Current facility secured by accounts receivable	22,339	—

(iii) Trinity Helicopters Limited:

As at October 31, 2015 and 2016, we leased two helicopters from Trinity Helicopters Limited (“Trinity”), an entity considered to be a VIE, which we have determined we are required to consolidate as we are the primary beneficiary.

(b) VIEs of which we are not the primary beneficiary:

(i) Local ownership VIEs:

Thai Aviation Services (“TAS”)

As described in note 3(b)(i) of the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016, we had a 29.9% interest in the ordinary

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shares of TAS, which we have determined to be a VIE that we are not required to consolidate as we are not the primary beneficiary. Under the terms of the shareholder agreement we exercised our right to require the majority shareholder in TAS to purchase our ordinary share interest. The transaction was completed on October 6, 2016 for net proceeds of \$35.5 million. A gain on sale of \$11.8 million was recognized and presented within earnings from equity accounted investees during the three and six months ended October 31, 2016.

The following table summarizes the amounts recorded for TAS in the consolidated balance sheets prior to the date of sale:

	April 30, 2016		October 31, 2016	
	Carrying amounts	Maximum exposure to loss	Carrying amounts	Maximum exposure to loss
Receivables, net of allowance	\$3,733	\$ 3,733	\$ —	\$ —
Equity method investment	29,508	29,508	—	—

As of October 31, 2015 and 2016, we leased eight helicopters and five helicopters, respectively, to TAS and provided crew, insurance, maintenance and base services. The total revenue earned from providing these services was \$11.9 million and \$23.5 million for the three and six months ended October 31, 2015, respectively, and \$5.1 million for the period from August 1, 2016 to the date of sale and \$14.9 million for the period from May 1, 2016 to the date of sale.

(ii) Other VIE lessors:

We have determined that the activity that most significantly impacts the economic performance of the lessor VIEs is the remarketing of the helicopters at the end of the lease term. As we do not have the power to make remarketing decisions, we have determined that we are not the primary beneficiary of the lessor VIEs.

As at October 31, 2015 and 2016, we leased from various entities considered to be VIEs 103 helicopters and 70 helicopters, respectively. All 103 and 70 leases were considered to be operating leases as at October 31, 2015 and 2016, respectively, some of which are subject to rejection motions filed by the Debtors as detailed in note 10.

4. Restructuring:

We are undergoing a comprehensive review of our operations, organizational structure and fleet with the view to reducing operating costs. In connection with the ongoing review, we have incurred restructuring expenses consisting of employee related severance costs and other associated costs. The majority of the payments relating to the accrual as at October 31, 2016 will be made in fiscal 2017.

We have also incurred restructuring expenses related to contractual lease, maintenance and other costs on specific leased helicopters we have permanently ceased use of in operations and do not form part of our prospective fleet strategy. All restructuring amounts related to leased aircraft have either been charged to reorganization items, net, as these have been approved for rejection by the Bankruptcy Court or adjusted to restructuring expense, as we have re-evaluated our assessment that we have permanently ceased use of these leased helicopters due to changes in our fleet plans.

The following table summarizes the activity of the restructuring liability for the six months ended October 31, 2016:

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	Employee related severance and other costs	Lease associated costs	Total
Balance at April 30, 2016	\$ 10,956	\$ 58,311	\$ 69,267
Restructuring expense (recovery) (i)	4,947	(4,958)	(11)
Reorganization items, net (ii)	—	(49,090)	(49,090)
Non-cash charges and foreign exchange	(160)	(2,265)	(2,425)
Cash payments	(12,548)	(1,998)	(14,546)
Balance at October 31, 2016	\$ 3,195	\$ —	\$ 3,195

The restructuring expense (recovery) includes certain estimates related to the timing and costs of restructuring (i) activities. Any adjustments to these estimates, including as a result of changes in our fleet plans, are reflected at each period end.

We have adjusted the restructuring liability for leases which have been approved for rejection by the Bankruptcy (ii) Court. In accordance with the guidance of ASC 852 Reorganizations, we have recorded the expected allowed claim from the lessors on approval of the lease rejections (note 10).

As of October 31, 2016, we have expensed \$90.7 million of employee related severance and other costs and \$84.3 million of lease associated costs cumulatively to date under this restructuring review.

5. Asset impairments:

During the three and six months ended October 31, 2015, we recorded an impairment charge of \$10.5 million to increase our provision for obsolete and excess inventories on certain consumable inventories. This impairment charge resulted from the identification of consumable inventories that were in excess of our requirements. This was driven primarily by the significant and longer than initially expected decline in the price of oil and gas, which impacts our view of future utilization of these parts and resulting changes to our fleet and inventory management strategies. Excess consumable inventories have been measured at estimated market value, based on our experience with sales of surplus consumable inventories and our assessment of resale market conditions.

During the three and six months ended October 31, 2016, we recorded an impairment charge of \$2.7 million to write-down the carrying value of one H155 helicopter to its fair value.

6. Inventories:

	April 30, 2016	October 31, 2016
Work-in-progress for long-term maintenance contracts under completed contract accounting	\$ 5,749	\$ 12,104
Consumables	100,667	98,932
Provision for obsolete and excess inventories	(14,167)	(15,922)
	\$ 92,249	\$ 95,114

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7. Other assets:

	April 30, 2016	October 31, 2016
Current:		
Helicopter operating lease funded residual value guarantees (b)	\$2,757	\$1,226
Foreign currency embedded derivatives (a)	14,063	12,078
Mobilization costs	5,502	5,765
Deferred lease financing costs (b)	2,969	1,647
Prepaid helicopter rentals (b)	3,783	1,525
Residual value guarantees (b)	2,110	166
Foreign currency forward contracts	62	—
Other receivables	8,813	13,318
	\$40,059	\$35,725
Non-current:		
Helicopter operating lease funded residual value guarantees (b)	\$146,460	\$2,922
Helicopter deposits	66,170	66,170
Security deposits (b)	39,465	21,579
Deferred lease financing costs (b)	12,899	7,150
Foreign currency embedded derivatives (a)	20,301	21,586
Long-term income tax receivable	30,570	34,286
Prepaid helicopter rentals (b)	12,780	5,809
Accrued pension asset	9,764	15,917
Mobilization costs	9,801	8,711
Pension guarantee assets	7,998	7,815
Residual value guarantees (b)	6,765	490
Foreign currency forward contracts	46	—
Other	4,462	4,995
	\$367,481	\$197,430

We enter into long-term revenue agreements, which provide for pricing denominated in currencies other than the functional currency of the parties to the contract. This pricing feature was determined to be an embedded derivative which has been bifurcated for valuation and accounting purposes. The embedded derivative contracts and forward contracts are measured at fair value and included in other assets and/or other liabilities (note 8). The gains and (a) losses due to the change in fair value are recognized in the statement of operations as part of other financing income (charges) (note 13). The fair value of the foreign currency embedded derivatives is determined to be a recurring Level 2 fair value measurement determined using a present value model. There were no transfers between categories in the fair value hierarchy.

As of October 31, 2016, the Bankruptcy Court had approved 71 helicopter lease rejections. In accordance with the guidance of ASC 852 Reorganizations, we have recorded the expected allowed claim from the lessors on the (b) Bankruptcy Court's approval of the lease rejection (note 11) with all lease related assets and liabilities adjusted to reorganization items, net (note 10). The lessors' rights of enforcement for those claims will be subject to the applicable provisions of the Bankruptcy Code.

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

8. Other liabilities:

	April 30, 2016	October 31, 2016
Current:		
Restructuring (c)	\$44,242	\$3,195
Foreign currency forward contracts (b)	7,092	—
Deferred gains on sale-leasebacks of helicopters (c)	13,987	—
Residual value guarantees (c)	3,359	—
Foreign currency embedded derivatives (a)	441	24
Contract inducement	724	288
Other	695	352
	\$70,540	\$3,859
Non-current:		
Accrued pension obligations	\$103,895	\$45,134
Deferred gains on sale-leasebacks of helicopters (c)	68,178	—
Residual value guarantees (c)	19,654	—
Restructuring (c)	25,025	—
Insurance claims accrual	10,776	9,546
Contract inducement	6,304	2,379
Foreign currency forward contracts (b)	813	—
Foreign currency embedded derivatives (a)	261	—
Other	7,805	6,131
	\$242,711	\$63,190

The fair value of the foreign currency embedded derivatives is determined to be a recurring Level 2 fair value (a) measurement determined using a present value model. There were no transfers between categories in the fair value hierarchy.

(b) All of our foreign currency forward contracts were terminated and have been classified as liabilities subject to compromise as at October 31, 2016.

As of October 31, 2016, the Bankruptcy Court had approved 71 helicopter lease rejections. In accordance with the guidance of ASC 852 Reorganizations, we have recorded the expected allowed claim from the lessors on the (c) Bankruptcy Court's approval of the lease rejection (note 11) with all lease related assets and liabilities adjusted to reorganization items, net (note 10). The lessors' rights of enforcement for those claims will be subject to the applicable provisions of the Bankruptcy Code.

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CHC Group Ltd. (Debtor-in-Possession)

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(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

9. Debt obligations:

	Principal Repayment terms	Facility maturity dates	April 30, 2016	October 31, 2016
Senior secured notes (a)	At maturity	October 2020	\$ 1,007,539	\$ 1,014,289
Senior unsecured notes (a)	At maturity	June 2021	94,732	94,732
Revolving credit facility (a), (b):				
US LIBOR plus a 4.5% margin	At maturity	January 2019	327,500	327,500
CDOR plus a 6.5% margin	At maturity	January 2019	—	17,671
EURIBOR plus a 6.5% margin	At maturity	January 2019	—	20,859
Asset-based revolving credit facility (a)	At maturity	June 2020	139,000	139,000
Capital lease obligations (USD)	Quarterly	November 2016 - September 2018	75,190	43,439
Capital lease obligations (Euro)	Quarterly	September 2025	14,872	—
Boundary Bay financing – 6.93% (CAD)	Monthly	April 2035	26,587	24,570
Unamortized deferred financing costs (a)			(26,157)	—
Total debt obligations			1,659,263	1,682,060
Less: Liabilities subject to compromise			—	(1,682,060)
Less: Current portion of debt obligations			(1,633,377)	—
Long-term portion of debt obligations			\$ 25,886	\$ —

(a) Event of default:

On May 5, 2016, the Debtors filed Petitions seeking relief under the Bankruptcy Code, which constituted an event of default that accelerated our obligations under the senior secured notes, the senior unsecured notes, the revolving credit facility and the ABL Facility as described in note 1.

As a result of the Petitions filed by the Debtors seeking relief under the Bankruptcy Code on May 5, 2016 and based on our Plan, the senior secured notes, the senior unsecured notes, the revolving credit facility, the ABL Facility and all of our capital lease obligations were reclassified as liabilities subject to compromise in accordance with the guidance of ASC 852 Reorganizations. We have ceased recognition of interest expense on the senior secured notes, the senior unsecured notes and the ABL Facility from the Petition Date. The aggregate contractual interest due under the senior secured notes, the senior unsecured notes and the ABL Facility was \$27.3 million and \$54.8 million for the three and six months ended October 31, 2016, respectively. All unamortized deferred financing costs on these obligations were charged to reorganization items, net, during the six months ended October 31, 2016.

(b) Revolving credit facility:

During the six months ended October 31, 2016, certain letters of credit provided to third parties prior to the Petition Date were drawn on our revolving credit facility.

During the three months ended October 31, 2016, we reclassified the revolving credit facility as a liability subject to compromise based on our Plan and charged to reorganization items, net, all unamortized deferred financing costs on this facility. We have continued recognition of interest expense on this facility in accordance with the Plan. See note

10 for further information on reorganization items, net and note 11 for further information regarding liabilities subject to compromise.

(c) Carrying value of other financial instruments, measured at other than fair value:

The carrying values of the other financial instruments, which are measured at other than fair value, approximate fair value due to the short term to maturity, collateral and security ranking, except for non-revolving debt obligations. The carrying value, excluding deferred financing costs, and fair value of non-revolving debt obligations were as follows:

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(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

	April 30, 2016		October 31, 2016	
	Fair value	Carrying value	Fair value	Carrying value
Senior secured notes	\$461,502	\$ 1,007,539	\$500,176	\$ 1,014,289
Senior unsecured notes	6,158	94,732	18,591	94,732

The fair value of the senior secured and senior unsecured notes is determined based on market information provided by third parties which is considered to be a Level 2 measurement in the fair value hierarchy.

10. Reorganization items, net:

Transactions and events directly associated with the reorganization are required, under the guidance of ASC 852 Reorganizations, to be separately disclosed and distinguished from those of the ongoing operations of the business. We have used the classification “Reorganization items, net” on the consolidated statements of operations to reflect expenses, gains and losses that are the direct result of the reorganization of our business.

	Three months ended	Six months ended
	October 31, 2016	October 31, 2016
Adjustments to debt obligations (a)	\$ (3,891)	\$ (30,942)
Adjustments to allowed claims for rejected leases (b)	(23,292)	(739,974)
Adjustments to other allowed claims (c)	—	(16,986)
Professional fees (d)	(23,343)	(48,014)
Total reorganization items, net	\$ (50,526)	\$ (835,916)

(a) Adjustments to debt obligations:

Due to the filing of the Bankruptcy Petitions and based on our Plan, the senior secured notes, the senior unsecured notes, the revolving credit facility and the ABL Facility were reclassified as liabilities subject to compromise.

Following the guidance of ASC 852 Reorganizations, we have expensed \$3.9 million and \$30.9 million related to the deferred financing costs and unamortized net discount on these obligations during the three and six months ended October 31, 2016.

(b) Adjustments to allowed claims for rejected leases:

The Debtors have filed motions, net of withdrawn motions, for the rejection or abandonment of 87 helicopters in our fleet which we no longer need in the operation of our business. This includes 82 leased helicopters and 5 helicopters financed under our ABL Facility.

As of October 31, 2016, the Bankruptcy Court had approved 71 helicopter lease rejections. In accordance with the guidance of ASC 852 Reorganizations, we have recorded the expected allowed claim from the lessors on approval of the lease rejections of \$668.2 million. The expected allowed claim has been determined in accordance with the terms of the applicable lease agreement, and generally includes the present value of all future lease payments for the remaining contract term, or a default termination amount, plus damages, including those related to the return condition of the helicopter.

Our estimate of the expected amount of the allowed claim is a significant estimate. As the estimation process is inherently uncertain, future actions and decisions by the Bankruptcy Court may differ significantly from our own estimate, potentially having material future effects on our financial statements. Furthermore, these liabilities are

reported as the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts. There may be significant variation between the settled amount and the expected amount of the allowed claim. The lessors' rights of enforcement for those claims will be subject to the applicable provisions of the Bankruptcy Code.

We have also charged to reorganization items all lease related assets and liabilities on the approved lease rejections. These balances include capitalized modifications, deferred lease financing costs, prepaid helicopter

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rentals, security deposits, funded and unfunded residual value guarantees, deferred gains on sale-leasebacks of helicopters, capital lease assets and obligations and restructuring liabilities.

The Bankruptcy Court has approved interim lease deals with several lessors. On approval of the final terms of these leases by the Bankruptcy Court, the lessors may have a claim for the reduction in rentals and other costs associated with these leases. We will recognize the expected amount of these allowed claims upon Bankruptcy Court approval of these agreements.

(c) Adjustments to other allowed claims:

The commencement of the Bankruptcy Cases constituted an event of default with our Canadian Supplemental Retirement Plan Agreements with certain plan participants, who could demand payment under one or more renewable letters of credit related to the participant's benefit liabilities. As a result, we recognized a settlement loss of approximately \$13.0 million during six months ended October 31, 2016, comprised of the net reduction in projected benefit obligation and accumulated other comprehensive loss.

All of our foreign currency forward contract arrangements were terminated during the three months ended July 31, 2016. We have recorded the adjustment from the fair value to the expected amount of the allowed claim for these derivative liabilities of \$4.0 million during the six months ended October 31, 2016.

(d) Professional fees:

During the three and six months ended October 31, 2016, we incurred \$23.3 million and \$48.0 million related to professional advisors who are assisting us with the bankruptcy process, respectively.

11. Liabilities subject to compromise:

As a result of the Petitions filed by the Debtors seeking relief under the Bankruptcy Code on May 5, 2016 and based on our Plan, the Debtors' pre-petition liabilities, including our obligations under the senior secured notes, the senior unsecured notes, the revolving credit facility and the ABL Facility, were classified as subject to compromise based on our assessment of these obligations following the guidance of ASC 852 Reorganizations.

Pre-petition liabilities subject to compromise are required to be reported at the amount expected to be allowed as a claim by the Bankruptcy Court, regardless of whether they may be settled for lesser amounts and remain subject to future adjustments based on negotiated settlements with claimants, actions of the Bankruptcy Court, rejection of executory contracts, proofs of claims or other events. The following table reflects pre-petition liabilities subject to compromise as at October 31, 2016:

	October 31, 2016
Payables, accruals and other liabilities	\$ 305,997
Debt obligations (note 9)	1,682,060
Estimated allowed claim on lease rejections (note 10)	668,231
Total liabilities subject to compromise	\$ 2,656,288

12. Condensed combined and consolidated debtor-in-possession financial information:

The financial statements below represent the condensed combined financial statements of the Debtors. The non-filing entities are accounted for as non-consolidated subsidiaries in these financial statements and, as such, their net loss is included using the equity method of accounting. Intercompany transactions among the Debtors have been eliminated in the financial statements presented below. Intercompany transactions among the Debtors and the non-filing entities have not been eliminated.

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Debtors' Combined and Consolidated Balance Sheet

(Expressed in thousands of United States dollars)

(Unaudited)

	October 31, 2016
Assets	
Current assets:	
Cash and cash equivalents	\$ 164,172
Receivables, net of allowance for doubtful accounts	124,923
Receivables due from non-filing entities	820,431
Income taxes receivable	2,707
Inventories	90,283
Prepaid expenses	15,350
Other assets	10,837
	1,228,703
Property and equipment, net	696,471
Investments	423,987
Intangible assets	81,409
Restricted cash	5,182
Other assets	117,148
Long-term receivables due from non-filing entities	42,590
Assets held for sale	3,516
	\$2,599,006
Liabilities and Shareholders' Deficit	
Liabilities not subject to compromise:	
Current liabilities:	
Payables and accruals	\$ 136,486
Deferred revenue	15,539
Income taxes payable	656
Current payables due to non-filing entities	228,587
Other liabilities	2,483
	383,751
Deferred revenue	7,194
Other liabilities	3,480
Deferred income tax liabilities	647
Total liabilities not subject to compromise	395,072
Liabilities subject to compromise	2,656,288
Liabilities subject to compromise due to non-filing entities	757,026
Total liabilities	3,808,386
Redeemable non-controlling interests	18,343
Redeemable convertible preferred shares	643,967

Shareholders' deficit	(1,871,690)
	\$2,599,006

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CHC Group Ltd. (Debtor-in-Possession)

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(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Debtors' Combined and Consolidated Statement of Operations

(Expressed in thousands of United States dollars)

(Unaudited)

	Three months ended October 31, 2016	Six months ended October 31, 2016
Revenue	\$ 165,573	\$ 338,703
Operating expenses:		
Direct costs	(142,431)	(274,249)
Earnings (loss) from equity accounted investees	187	(4,357)
General and administration costs	(15,117)	(32,457)
Depreciation	(34,561)	(63,274)
Restructuring recovery	3,501	2,899
Asset impairments	(2,691)	(2,691)
Loss on disposal of assets	(576)	(1,639)
	(191,688)	(375,768)
Operating loss	(26,115)	(37,065)
Financing charges	(48,811)	(87,735)
Reorganization items, net	(50,526)	(835,916)
Loss before income tax	(125,452)	(960,716)
Income tax expense	(2,161)	(2,246)
Net loss	\$(127,613)	\$(962,962)
Net loss attributable to:		
Controlling interest	\$(127,613)	\$(962,962)
Non-controlling interests	—	—
Net loss	\$(127,613)	\$(962,962)
Comprehensive loss	\$(87,620)	\$(909,672)

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Debtors' Combined and Consolidated Statement of Cash Flows

(Expressed in thousands of United States dollars)

(Unaudited)

	Six months ended October 31, 2016
Cash provided by operating activities	\$18,920
Financing activities:	
Debt and capital lease repayments	(2,189)
Cash used in financing activities	(2,189)
Investing activities:	
Property and equipment additions	(26,518)
Proceeds from disposal of property and equipment	1,819
Restricted cash	172
Dividends received from non-filing entities	1,000
Cash used in investing activities	(23,527)
Cash provided by operations	(6,796)
Effect of exchange rate changes on cash and cash equivalents	(898)
Change in cash and cash equivalents during the period	(7,694)
Cash and cash equivalents, beginning of the period	171,866
Cash and cash equivalents, end of the period	\$164,172

13. Other financing income (charges):

	Three months ended		Six months ended	
	October 31, 2015	October 31, 2016	October 31, 2015	October 31, 2016
Amortization of deferred financing costs	\$(1,866)	\$(535)	\$(3,727)	\$(2,667)
Net gain on debt extinguishment (a)	3,112	—	17,799	—
Net gain (loss) on fair value of foreign currency forward contracts	447	—	(15,079)	—
Net gain (loss) on fair value of foreign currency embedded derivatives	4,543	(6,667)	18,252	2,119
Amortization of guaranteed residual values	(815)	(41)	(963)	(348)
Interest expense	(4,008)	(416)	(8,390)	(508)
Interest income	5,929	693	11,719	2,594
Other	(1,515)	(144)	(3,690)	(800)
	\$5,827	\$(7,110)	\$15,921	\$390

(a) During July and August 2015, one of our subsidiaries repurchased \$40.6 million of the senior unsecured notes on the open market at prices ranging from 50.50% to 55.25% of the principal plus accrued and unpaid interest of \$0.5 million. A gain on extinguishment of \$3.1 million and \$17.8 million related to the discount on repurchase, net of the unamortized deferred financing costs, was recognized during the three and six months ended October 31, 2015,

respectively.

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CHC Group Ltd. (Debtor-in-Possession)

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14. Income taxes:

During the three months ended October 31, 2015 and 2016, we recorded income tax expense of \$3.9 million and \$11.2 million, respectively, resulting in effective tax rates of (10.4)% and (9.4)%, respectively. During the six months ended October 31, 2015 and 2016, we recorded income tax expense of \$9.9 million and \$11.2 million, respectively, resulting in effective tax rates of (12.5)% and (1.2)%, respectively.

During the three and six months ended October 31, 2016, we recorded an additional accrual of \$1.8 million for a new uncertain tax position. There was also a release of \$3.1 million of an uncertain tax position during the three and six months ended October 31, 2016. The income tax expense reflects primarily the current corporate income taxes in taxable jurisdictions and withholding taxes. For most jurisdictions we determined that the deferred tax assets are not more likely than not to be realized and therefore we continue to recognize a valuation allowance in respect of these deferred tax assets.

As of October 31, 2016, there was \$27.5 million in unrecognized tax benefits, of which \$21.8 million would have an impact on the effective tax rate, if recognized.

The total amount of interest and penalties accrued on the consolidated balance sheets at April 30, 2016 and October 31, 2016 was \$10.2 million and \$9.5 million, respectively.

15. Employee pension plans:

The net defined benefit pension plan expense (income) is as follows:

	Three months ended		Six months ended	
	October 31, 2015	October 31, 2016	October 31, 2015	October 31, 2016
Current service cost	\$3,831	\$3,567	\$7,874	\$7,085
Interest cost	5,654	4,691	11,492	9,711
Expected return on plan assets	(10,346)	(8,559)	(21,102)	(17,266)
Amortization of net actuarial and experience losses	1,214	1,529	2,461	3,078
Amortization of past service credits	(124)	(103)	(248)	(214)
Employee contributions	(399)	(385)	(820)	(764)
	\$(170)	\$740	\$(343)	\$1,630

16. Guarantees:

We have provided limited guarantees to third parties under some of our operating leases relating to a portion of the residual helicopter values at the termination of the leases, which have terms expiring between fiscal 2017 and 2024. Our exposure under the asset value guarantees including guarantees in the form of funded and unfunded residual value guarantees is approximately \$171.8 million as at April 30, 2016 and \$10.8 million at October 31, 2016, exclusive of \$165.8 million of funded and unfunded residual value guarantees for helicopter lease rejections which were approved by the Bankruptcy Court as at October 31, 2016.

17. Commitments:

We have helicopter operating leases for 154 helicopters and 86 helicopters at April 30, 2016 and October 31, 2016, respectively. As at October 31, 2016, these leases had expiry dates ranging from fiscal 2017 to 2025. For those

helicopters where we have an unexercised option to purchase them for agreed amounts, the purchase options do not constitute bargain purchase options and we do not have a commitment to exercise the options.

As at October 31, 2016, we have commitments with respect to operating leases for helicopters, buildings, land and equipment. The Debtors have filed motions for the rejection of leases for 82 helicopters in our fleet which are no longer required in the operations of our business. As of October 31, 2016, the Bankruptcy Court had approved 71

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helicopter lease rejections. Approved helicopter lease rejections have been reflected in reorganization items, net, at the expected amount of the allowed claim (note 10).

The minimum lease rentals required under operating leases are payable in the following amounts over the following years ended October 31, exclusive of approved helicopter lease rejections but inclusive of lease rejections still subject to the approval of the Bankruptcy Court, which may substantially alter our minimum lease rentals. The May 5, 2016 filing of the Petitions by the Debtors in the Bankruptcy Court caused an event of default under the terms of all of our helicopter lease agreements. Any efforts by creditors to enforce such payment obligations as existed before the Petition Date are automatically stayed as a result of the filing of the Petitions, and the holders' rights of enforcement are subject to the applicable provisions of the Bankruptcy Code. We continue to make the required payments for the post-petition period for helicopter leases for which we have not filed motions for rejection with the Bankruptcy Court.

	Helicopter operating leases (i)	Building, land and equipment operating leases	Total operating leases
2017	\$ 149,915	\$ 12,851	\$ 162,766
2018	142,391	9,137	151,528
2019	124,183	6,623	130,806
2020	102,716	4,095	106,811
2021	79,916	3,802	83,718
Thereafter	65,037	28,798	93,835
	\$ 664,158	\$ 65,306	\$ 729,464

The helicopter operating lease commitment excludes all lease rejections approved by the Bankruptcy Court (note 10). These commitments do not reflect the reduction in lease obligations as a result of Bankruptcy Court approved (i) interim lease arrangements, with final lease terms subject to agreement with the respective lessors and approval by the Bankruptcy Court.

As at October 31, 2016, we have a total commitment of \$236.8 million for the purchase of new helicopters, for which we have contractual commitments to pay in fiscal 2017 (\$170.6 million) and 2018 (\$66.2 million). We also have additional flexible orders of \$247.5 million which allow us to monitor the market recovery before confirming dates and the type of aircraft for deliveries. Our additional flexible orders can also be cancelled with no further payment, subject to periodic forfeitures of deposits paid to date, up to a maximum of \$28.9 million in forfeitures. Each of these contracts are subject to ongoing negotiations and/or rejection as part of our reorganization process.

18. Contingencies:

(a) Legal proceedings:

One or more of our subsidiaries are, from time to time, named as defendants in lawsuits arising in the ordinary course of our business. Such disputes may involve, for example, breach of contract, employment, wrongful termination and tort claims. We maintain adequate insurance coverage to respond to most claims. We cannot predict the outcome of any such lawsuits with certainty, but we do not expect the outcome of pending or threatened legal matters to have a material adverse impact on our financial condition.

On May 5, 2016, the Debtors filed the Petitions commencing the Bankruptcy Cases. As a result of the commencement of the Bankruptcy Cases, attempts to prosecute, collect, secure or enforce remedies with respect to pre-petition claims against the Debtors are subject to the automatic stay provisions of Section 362(a) of the Bankruptcy Code, including litigation relating to the Debtors. Notwithstanding the general application of the automatic stay described above,

certain foreign governmental authorities, foreign courts and foreign parties may argue that the automatic stay does not apply in their jurisdiction and seek to continue any ongoing litigation.

The two securities class action lawsuits that were previously filed against the Company were consolidated into a single action, Rudman et al. v. CHC Group et al., which is pending in federal district court for the Southern District of New York. A consolidated amended complaint was filed on November 6, 2015. The

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amended complaint alleges that the Company and others failed to disclose in our IPO materials that one of our major customers, Petrobras, had suspended payments on certain contracts due to the global stand-down of Airbus H225 aircraft. By opinion dated November 7, 2016, the Court dismissed all claims with prejudice. The time for plaintiffs to appeal that dismissal has not yet expired. Defendants have reached an agreement-in-principal to resolve all claims, which will be incorporated into a settlement agreement and submitted for Court approval. The settlement amount would be fully paid by the Company's insurer.

In addition, from time to time, we are involved in tax and other disputes with various government agencies. The following summarizes certain of these pending disputes:

On May 2, 2008, Brazilian customs authorities seized one of our helicopters (customs value of \$10.0 million) as a result of allegations that we violated Brazilian customs law by failing to ensure our customs agent and the customs agent's third-party shipping company followed approved routing of the helicopter during transport. We secured release of the helicopter and are disputing through court action any claim for penalties associated with the seizure and the alleged violation. We preserved our rights by filing a civil action against our customs agent for any losses that may result. The State Court of São Paulo has ruled that our agent will be responsible for the value of the helicopter if the government's seizure is upheld. That decision is under appeal. At October 31, 2016, it is not possible to determine the ultimate outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

Our Brazilian subsidiary is disputing claims from the Brazilian tax authorities that it was not entitled to certain credits in 2004 and 2007. The tax authorities are seeking up to \$2.4 million in additional taxes plus interest and penalties. We believe that based on our interpretation of tax legislation and well established aviation industry practice we are in compliance with all applicable tax legislation and plan to defend this claim vigorously. At October 31, 2016, it is not possible to determine the outcome of this matter or the significance, if any, to our business, financial condition and results of operations.

Our Brazilian subsidiary is also disputing assessments from the municipal governments in Macaé and Cabo Frio related to cross-border flights and invoicing. The municipalities are seeking up to \$4.8 million in taxes and penalties. We do not believe the Company is liable for these amounts and will continue to dispute these assessments at the administrative level before the Municipal Tax Secretary in each jurisdiction. At October 31, 2016, it is not possible to determine the outcome of this matter or the significance, if any, to our business, financial condition and results of operations.

On July 30, 2014, the United Kingdom Treasury Solicitors filed a claim against us and various other parties involved in the SAR-H procurement process, which was terminated by the Ministry of Transport in February 2011. The claim is for recovery of the Ministry of Transport's wasted procurement costs of £15.8 million (\$19.3 million) in respect of the SAR-H bid. We dispute the bases for the claim and intend to vigorously defend against it. The trial is listed to start in April or May 2017. At October 31, 2016, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition and results of operations.

(b)Contingent professional fees:

We have entered into fee arrangements with financial advisors to assist us with our Bankruptcy filing. The arrangements include contingent fee payments up to \$14.2 million, payable upon completion of Chapter 11 reorganization. At October 31, 2016, no contingent fee amounts were accrued.

19. Segment information:

We operate under the following segments:

Helicopter Services;

Heli-One;

Corporate and other.

We have provided information on segment revenues and Adjusted EBITDAR because these are the financial measures used by the Company's chief operating decision maker ("CODM") in making operating decisions and assessing performance.

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Information on segment assets has not been disclosed as this information is not reviewed by the CODM.

The Helicopter Services segment includes flying operations around the world serving offshore oil and gas, EMS/SAR and other industries and the management of the fleet.

Heli-One, the maintenance, repair and overhaul segment, includes facilities in Norway, Canada, Poland, and the United States that provide helicopter maintenance, repair and overhaul services for our fleet and for an external customer base primarily in Europe, Asia and North America.

Corporate and other includes corporate office costs in various jurisdictions and is not considered a reportable segment.

Three months ended October 31, 2015	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	\$324,879	\$35,874	\$ —	\$ —	\$ 360,753
Add: Inter-segment revenues	—	16,903	—	(16,903)	—
Total revenue	324,879	52,777	—	(16,903)	360,753
Direct costs (i)	(192,394)	(46,534)	—	14,829	(224,099)
Earnings from equity accounted investees	1,338	—	—	—	1,338
General and administration costs	—	—	(18,097)	—	(18,097)
Adjusted EBITDAR (ii)	133,823	6,243	(18,097)	(2,074)	119,895
Helicopter lease and associated costs	(63,281)	—	—	—	(63,281)
Depreciation					(35,537)
Restructuring expense (note 4)					(16,211)
Asset impairments (note 5)					(10,459)
Loss on disposal of assets					(1,419)
Operating loss					(7,012)
Interest on debt obligations					(27,286)
Foreign exchange loss					(9,551)
Other financing income					5,827
Income tax expense					(3,942)
Net loss					\$ (41,964)

(i) Direct costs in the segment information presented excludes helicopter lease and associated costs. In the consolidated statements of operations these costs are combined.

Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense (recovery), asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss), other financing income (charges) and reorganization items, net, or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Three months ended October 31, 2016	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	\$228,345	\$21,191	\$ —	\$ —	\$ 249,536
Add: Inter-segment revenues	—	21,619	—	(21,619)	—
Total revenue	228,345	42,810	—	(21,619)	249,536
Direct costs (i)	(171,306)	(43,621)	—	21,262	(193,665)
Earnings from equity accounted investees	12,131	—	—	—	12,131
General and administration costs	—	—	(12,756)	—	(12,756)
Adjusted EBITDAR (ii)	69,170	(811)	(12,756)	(357)	55,246
Helicopter lease and associated costs	(35,722)	—	—	—	(35,722)
Depreciation					(42,146)
Restructuring recovery (note 4)					2,416
Asset impairments (note 5)					(2,691)
Loss on disposal of assets					(599)
Operating loss					(23,496)
Interest on debt obligations (note 9(a))					(6,891)
Foreign exchange loss					(30,667)
Other financing charges					(7,110)
Reorganization items, net (note 10)					(50,526)
Income tax expense					(11,166)
Net loss					\$ (129,856)

(i) Direct costs in the segment information presented excludes helicopter lease and associated costs. In the consolidated statements of operations these costs are combined.

Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense (recovery), asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss), other financing income (charges) and reorganization items, net, or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Six months ended October 31, 2015	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	\$665,379	\$71,311	\$ —	\$ —	\$ 736,690
Add: Inter-segment revenues	—	44,269	—	(44,269)	—
Total revenue	665,379	115,580	—	(44,269)	736,690
Direct costs (i)	(413,084)	(101,973)	—	41,462	(473,595)
Earnings from equity accounted investees	2,771	—	—	—	2,771
General and administration costs	—	—	(34,453)	—	(34,453)
Adjusted EBITDAR (ii)	255,066	13,607	(34,453)	(2,807)	231,413
Helicopter lease and associated costs	(127,955)	—	—	—	(127,955)
Depreciation					(75,818)
Restructuring expense (note 4)					(35,590)
Asset impairments (note 5)					(10,459)
Loss on disposal of assets					(2,406)
Operating loss					(20,815)
Interest on debt obligations					(54,232)
Foreign exchange loss					(19,630)
Other financing income					15,921
Income tax expense					(9,850)
Net loss					\$ (88,606)

(i) Direct costs in the segment information presented excludes helicopter lease and associated costs. In the consolidated statements of operations these costs are combined.

Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense (recovery), asset impairments, gain (loss) on disposal of assets, foreign exchange gain (loss), other financing income (charges) and reorganization items, net, or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Six months ended October 31, 2016	Helicopter Services	Heli-One	Corporate and other	Inter-segment eliminations	Consolidated
Revenue from external customers	\$470,277	\$49,695	\$ —	\$ —	\$ 519,972
Add: Inter-segment revenues	—	39,055	—	(39,055)	—
Total revenue	470,277	88,750	—	(39,055)	519,972
Direct costs (i)	(337,917)	(88,004)	—	38,631	(387,290)
Earnings from equity accounted investees	12,392	—	—	—	12,392
General and administration costs	—	—	(28,184)	—	(28,184)
Adjusted EBITDAR (ii)	144,752	746	(28,184)	(424)	116,890
Helicopter lease and associated costs	(88,958)	—	—	—	(88,958)
Depreciation					(77,844)
Restructuring recovery (note 4)					11
Asset impairments (note 5)					(2,691)
Loss on disposal of assets					(1,724)
Operating loss					(54,316)
Interest on debt obligations (note 9(a))					(15,482)
Foreign exchange loss					(49,099)
Other financing income					390
Reorganization items, net (note 10)					(835,916)
Income tax expense					(11,225)
Net loss					\$ (965,648)

(i) Direct costs in the segment information presented excludes helicopter lease and associated costs. In the consolidated statements of operations these costs are combined.

Adjusted EBITDAR is defined as earnings before interest, taxes, depreciation, amortization, helicopter lease and associated costs, restructuring expense (recovery), asset impairments, gain (loss) on disposal of assets, foreign

(ii) exchange gain (loss), other financing income (charges) and reorganization items, net, or total revenue plus earnings from equity accounted investees less direct costs, excluding helicopter lease and associated costs, and general and administration costs.

20. Supplemental condensed consolidated financial information:

The Company and certain of its direct and indirect wholly owned subsidiaries (the “Guarantor Subsidiaries”) fully and unconditionally guaranteed on a joint and several basis certain outstanding indebtedness of CHC Helicopter S.A. (the “Issuer”), one of our subsidiaries. The following consolidating schedules present financial information as of October 31, 2016 and for the six months ended October 31, 2015 and 2016, based on the guarantor structure that was in place at October 31, 2016.

The Parent columns in the condensed consolidated financial information are for CHC Group Ltd. on a standalone basis (the “Parent”) and the equity method of accounting is used to reflect ownership interest in its subsidiary.

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Balance Sheets as at April 30, 2016

(Expressed in thousands of United States dollars)

	Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Assets						
Current Assets						
Cash and cash equivalents	\$ 87	\$ 3,138	\$ 27,581	\$ 238,462	\$(3,138)	\$ 266,130
Receivables, net of allowance for doubtful accounts	45	113	88,406	94,852	(909)	182,507
Current intercompany receivables	115	821,992	730,082	551,552	(2,103,741)	—
Income taxes receivable	—	—	2,084	3,878	—	5,962
Inventories	—	—	87,330	4,919	—	92,249
Prepaid expenses	7,041	125	16,104	15,621	(125)	38,766
Other assets	—	35,016	53,540	55,395	(103,892)	40,059
	7,288	860,384	1,005,127	964,679	(2,211,805)	625,673
Property and equipment, net	—	—	623,825	343,794	—	967,619
Investments	—	—	665,220	29,503	(657,083)	37,640
Intangible assets	—	—	81,476	1,422	—	82,898
Restricted cash	—	—	5,415	19,667	—	25,082
Other assets	36	—	294,152	73,293	—	367,481
Long-term intercompany receivables	—	96,596	59,474	399,307	(555,377)	—
Deferred income tax assets	—	—	1,976	594	—	2,570
Assets held for sale	—	—	5,305	—	—	5,305
	\$ 7,324	\$ 956,980	\$ 2,741,970	\$ 1,832,259	\$(3,424,265)	\$ 2,114,268
Liabilities and Shareholders' Equity (Deficit)						
Current Liabilities						
Payables and accruals	\$ 4,385	\$ 58,592	\$ 181,322	\$ 93,317	\$(58,588)	\$ 279,028
Deferred revenue	—	—	27,347	7,066	—	34,413
Income taxes payable	—	12	33,863	4,097	(12)	37,960
Current intercompany payables	57,481	309,040	529,617	694,817	(1,590,955)	—
Current facility secured by accounts receivable	—	—	—	22,339	—	22,339
Other liabilities	68	33,860	98,530	40,819	(102,737)	70,540
Current portion of debt obligations	—	1,407,553	1,498,315	135,062	(1,407,553)	1,633,377
	61,934	1,809,057	2,368,994	997,517	(3,159,845)	2,077,657
Debt obligations	—	—	25,886	—	—	25,886
Long-term intercompany payables	—	—	398,593	60,188	(458,781)	—
Accumulated losses of unconsolidated investees in excess of investment	261,719	—	—	—	(261,719)	—
Deferred revenue	—	—	32,982	23,719	—	56,701
Other liabilities	—	—	168,019	74,692	—	242,711
Deferred income tax liabilities	—	—	565	8,210	—	8,775

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Total liabilities	323,653	1,809,057	2,995,039	1,164,326	(3,880,345)	2,411,730
Redeemable non-controlling interests	—	17,150	17,150	(41,495) 26,062	18,867
Redeemable convertible preferred shares	643,967	—	—	—	—	643,967
Shareholders' equity (deficit)	(960,296	(869,227)	(270,219)	709,428	430,018	(960,296)
	\$ 7,324	\$ 956,980	\$ 2,741,970	\$ 1,832,259	\$(3,424,265)	\$ 2,114,268

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Balance Sheets as at October 31, 2016

(Expressed in thousands of United States dollars)

	Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Assets						
Current Assets						
Cash and cash equivalents	\$ 46	\$ 535	\$ 36,155	\$ 251,493	\$(535)	\$ 287,694
Receivables, net of allowance for doubtful accounts	46	113	124,877	59,208	(807)	183,437
Current intercompany receivables	3,408	125,323	1,246,401	1,037,502	(2,412,634)	—
Income taxes receivable	—	—	2,707	4,105	—	6,812
Inventories	—	—	90,283	4,831	—	95,114
Prepaid expenses	3,719	125	11,631	14,352	(125)	29,702
Other assets	—	59,562	70,399	33,287	(127,523)	35,725
	7,219	185,658	1,582,453	1,404,778	(2,541,624)	638,484
Property and equipment, net	—	—	524,447	317,373	—	841,820
Investments	—	—	535,494	—	(528,190)	7,304
Intangible assets	—	—	81,409	1,326	—	82,735
Restricted cash	—	—	5,182	10,703	—	15,885
Other assets	—	—	117,148	80,282	—	197,430
Long-term intercompany receivables	—	—	43,403	334,873	(378,276)	—
Deferred income tax assets	—	—	—	162	(82)	80
Assets held for sale	—	—	3,516	—	—	3,516
	\$ 7,219	\$ 185,658	\$ 2,893,052	\$ 2,149,497	\$(3,448,172)	\$ 1,787,254
Liabilities and Shareholders' Equity						
(Deficit)						
Current Liabilities						
Payables and accruals	\$ 28,492	\$ 10,218	\$ 107,976	\$ 69,391	\$(10,251)	\$ 205,826
Deferred revenue	—	—	15,539	8,062	—	23,601
Income taxes payable	—	343	656	6,008	(343)	6,664
Current intercompany payables	30,104	19,306	498,271	1,052,561	(1,600,242)	—
Other liabilities	30	8,398	10,851	60,938	(76,358)	3,859
	58,626	38,265	633,293	1,196,960	(1,687,194)	239,950
Long-term intercompany payables	—	—	—	42,605	(42,605)	—
Accumulated losses of unconsolidated investees in excess of investment	1,113,349	—	—	—	(1,113,349)	—
Deferred revenue	—	—	7,194	20,383	—	27,577
Other liabilities	—	—	3,480	59,710	—	63,190
Deferred income tax liabilities	—	—	647	7,988	(82)	8,553
Total liabilities not subject to compromise	1,171,975	38,265	644,614	1,327,646	(2,843,230)	339,270
Liabilities subject to compromise	980	1,534,559	2,515,540	139,743	(1,534,534)	2,656,288
	60,911	328,211	836,404	144,781	(1,370,307)	—

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Liabilities subject to compromise -
intercompany

Total liabilities	1,233,866	1,901,035	3,996,558	1,612,170	(5,748,071)	2,995,558
Redeemable non-controlling interests	—	18,343	18,343	(43,964) 25,621	18,343
Redeemable convertible preferred shares	643,967	—	—	—	—	643,967
Shareholders' equity (deficit)	(1,870,614)	(1,733,720)	(1,121,849)	581,291	2,274,278	(1,870,614)
	\$ 7,219	\$ 185,658	\$ 2,893,052	\$ 2,149,497	\$ (3,448,172)	\$ 1,787,254

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Statements of Operations and

Comprehensive Loss for the three months

ended October 31, 2015

(Expressed in thousands of United States dollars)

	Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	\$—	\$—	\$235,953	\$247,866	\$(123,066)	\$360,753
Operating expenses:						
Direct costs	—	—	(179,546)	(230,900)	123,066	(287,380)
Earnings (loss) from equity accounted investees	(39,466)	(27,420)	6,717	1,256	60,251	1,338
General and administration costs	(3,949)	(320)	(12,618)	(1,530)	320	(18,097)
Depreciation	—	—	(27,241)	(8,296)	—	(35,537)
Restructuring expense	(707)	—	(13,178)	(2,326)	—	(16,211)
Asset impairments	—	—	(10,185)	(274)	—	(10,459)
Loss on disposal of assets	—	—	(1,223)	(196)	—	(1,419)
	(44,122)	(27,740)	(237,274)	(242,266)	183,637	(367,765)
Operating income (loss)	(44,122)	(27,740)	(1,321)	5,600	60,571	(7,012)
Financing income (charges)	3	(10,896)	(33,222)	2,209	10,896	(31,010)
Loss before income tax	(44,119)	(38,636)	(34,543)	7,809	71,467	(38,022)
Income tax recovery (expense)	3	(566)	(4,923)	978	566	(3,942)
Net loss	\$(44,116)	\$(39,202)	\$(39,466)	\$8,787	\$72,033	\$(41,964)
Net earnings (loss) attributable to:						
Controlling interest	\$(44,116)	\$(39,202)	\$(39,466)	\$6,635	\$72,033	\$(44,116)
Non-controlling interests	—	—	—	2,152	—	2,152
Net loss	\$(44,116)	\$(39,202)	\$(39,466)	\$8,787	\$72,033	\$(41,964)
Comprehensive loss	\$(55,546)	\$(49,946)	\$(50,896)	\$2,524	\$100,840	\$(53,024)

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Statements of Operations and Comprehensive Loss for the six months ended October 31, 2015 (Expressed in thousands of United States dollars)	Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	\$—	\$—	\$477,578	\$ 500,040	\$(240,928)	\$ 736,690
Operating expenses:						
Direct costs	—	—	(369,806)	(472,672)	240,928	(601,550)
Earnings (loss) from equity accounted investees	(87,119)	(71,627)	(32,685)	2,472	191,730	2,771
General and administration costs	(8,021)	(800)	(27,876)	1,444	800	(34,453)
Depreciation	—	—	(60,753)	(15,065)	—	(75,818)
Restructuring expense	(2,428)	—	(28,099)	(5,063)	—	(35,590)
Asset impairments	—	—	(10,185)	(274)	—	(10,459)
Loss on disposal of assets	—	—	(1,805)	(601)	—	(2,406)
	(97,568)	(72,427)	(531,209)	(489,759)	433,458	(757,505)
Operating income (loss)	(97,568)	(72,427)	(53,631)	10,281	192,530	(20,815)
Financing income (charges)	87	(12,422)	(23,802)	(34,226)	12,422	(57,941)
Loss before income tax	(97,481)	(84,849)	(77,433)	(23,945)	204,952	(78,756)
Income tax recovery (expense)	3	(1,162)	(9,686)	(167)	1,162	(9,850)
Net loss	\$(97,478)	\$(86,011)	\$(87,119)	\$(24,112)	\$ 206,114	\$(88,606)
Net earnings (loss) attributable to:						
Controlling interest	\$(97,478)	\$(86,011)	\$(87,119)	\$(32,984)	\$ 206,114	\$(97,478)
Non-controlling interests	—	—	—	8,872	—	8,872
Net loss	\$(97,478)	\$(86,011)	\$(87,119)	\$(24,112)	\$ 206,114	\$(88,606)
Comprehensive loss	\$(141,985)	\$(130,195)	\$(131,626)	\$(17,908)	\$ 298,993	\$(122,721)

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Cash flows for the six months ended October 31, 2015 (Expressed in thousands of US dollars)	Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Cash provided by (used in) operating activities	\$(98)	\$56,662	\$95,443	\$ (122,241)	\$(56,662)	\$(26,896)
Financing activities:						
Sold interest in accounts receivable, net of collections	—	—	—	8,305	—	8,305
Net proceeds from issuance of capital stock	—	—	—	200	(200)	—
Debt proceeds	—	312,000	312,000	14,400	(312,000)	326,400
Debt and capital lease repayments	—	(214,000)	(215,748)	—	214,000	(215,748)
Proceeds from bank indebtedness	—	—	—	130,447	(130,447)	—
Repurchases of senior unsecured notes	—	(22,101)	(22,101)	—	22,101	(22,101)
Increase in deferred financing costs	—	—	—	(4,868)	—	(4,868)
Cash provided by financing activities	—	75,899	74,151	148,484	(206,546)	91,988
Investing activities:						
Property and equipment additions	—	—	(53,407)	(53,545)	—	(106,952)
Proceeds from disposal of property and equipment	—	—	28,470	—	—	28,470
Helicopter deposits net of lease inception refunds	—	—	(32,050)	(557)	—	(32,607)
Investment in subsidiaries	—	—	(200)	—	200	—
Restricted cash	—	—	1,337	(10,073)	—	(8,736)
Cash used in investing activities	—	—	(55,850)	(64,175)	200	(119,825)
Cash provided by (used in) operations	(98)	132,561	113,744	(37,932)	(263,008)	(54,733)
Effect of exchange rate changes on cash and cash equivalents	—	—	(11,347)	175	—	(11,172)
Change in cash and cash equivalents during the period	(98)	132,561	102,397	(37,757)	(263,008)	(65,905)
Cash and cash equivalents, beginning of the period	112	82,458	96,428	37,757	(82,458)	134,297
Cash and cash equivalents, end of the period	\$ 14	\$215,019	\$198,825	\$ —	\$(345,466)	\$ 68,392

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CHC Group Ltd. (Debtor-in-Possession)

Notes to Interim Consolidated Financial Statements (Unaudited)

(Tabular amounts expressed in thousands of United States dollars unless otherwise noted, except share and per share information)

Statements of Operations and Comprehensive Loss for the three months ended October 31, 2016 (Expressed in thousands of United States dollars)	Parent	Issuer	Guarantor	Non-guarantor	Eliminations	Consolidated
Revenue	\$—	\$—	\$ 165,573	\$ 177,145	\$ (93,182)	\$ 249,536
Operating expenses:						
Direct costs	—	(13)	(145,490)	(177,080)	93,196	(229,387)
Earnings (loss) from equity accounted investees	(99,682)	(85,463)	(14,771)	11,930	200,117	12,131
General and administration costs	(5,014)	234	(10,155)	2,413	(234)	(12,756)
Depreciation	—	—	(25,591)	(16,555)	—	(42,146)
Restructuring recovery (expense)	(421)	4	3,922	(1,085)	(4)	2,416
Asset impairments	—	—	(2,691)	—	—	(2,691)
Loss on disposal of assets	—	—	(576)	(23)	—	(599)
	(105,117)	(85,238)	(195,352)	(180,400)	293,075	(273,032)
Operating loss	(105,117)	(85,238)	(29,779)	(3,255)	199,893	(23,496)
Financing income (charges)	7	(12,724)	(40,321)	(4,354)	12,724	(44,668)
Reorganization items, net	(22,502)	(4,792)	(27,422)	(601)	4,791	(50,526)
Loss before income tax	(127,612)	(102,754)	(97,522)	(8,210)	217,408	(118,690)
Income tax expense	(1)	(561)	(2,160)	(9,005)	561	(11,166)
Net loss	\$(127,613)	\$(103,315)	\$(99,682)	\$(17,215)	\$ 217,969	\$(129,856)
Net earnings (loss) attributable to:						