MANAGEMENT'S DISCUSSION AND ANALYSIS

of

Third Quarter Report
October 31, 2011

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations for the three and nine months ended October 31, 2011 and October 31, 2010 of Discovery Air Inc. ("Discovery Air" or the "Corporation") should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes of the Corporation for the three and nine months ended October 31, 2011 and 2010 and the annual audited consolidated financial statements and related notes for the year ended January 31, 2011, which are available on SEDAR at www.sedar.com. On February 1, 2011, the Corporation adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes using a transition date of February 1, 2010. The interim condensed consolidated financial statements for the nine months ended October 31, 2011, including required comparative information, have been prepared in accordance with International Financial Reporting Standards 1, *First-time Adoption of International Financial Reporting Standards,* and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), and are reported in Canadian dollars. Previously, the Corporation prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles. Unless otherwise noted, Fiscal 2011 comparative information has been prepared in accordance with IFRS.

Financial Definitions

In this MD&A, the following financial terms have the meanings ascribed to them below:

(a) "EBITDA" means earnings before interest and financing charges, income taxes and depreciation;
(b) "EBITDAR" means EBITDA before aircraft lease costs;
(c) "Fiscal 2012" means the fiscal year of the Corporation ending January 31, 2012;
(d) "Fiscal 2011" means the fiscal year of the Corporation ending January 31, 2011;
(e) "Q1/12", "Q2/12", "Q3/12" and "Q4/12" mean the first, second, third and fourth quarters, respectively, of Fiscal 2012;
(f) "Q1/11", "Q2/11", "Q3/11" and "Q4/11" mean the first, second, third and fourth quarters, respectively, of Fiscal 2011; and
(g) "YTD/12" and "YTD/11" mean the nine month year-to-date periods, respectively, of Fiscal 2012 and Fiscal 2011.

Business Profile

Discovery Air, founded in 2004, is a specialty aviation services company operating across Canada and in select markets internationally. With over 140 aircraft, it is one of the largest aircraft operators in Canada, employing during its peak periods over 850 flight crew, maintainers and support staff working to deliver a variety of air transport and logistics solutions to a wide range of government and business customers. Discovery Air offers fixed-wing and rotary-wing capabilities and aircraft maintenance services, as well as logistics and remote operations management services. These services are provided through the following subsidiaries of the Corporation: Top Aces Inc. ("Top Aces"), which delivers airborne training and special mission services to the Canadian military; Hicks & Lawrence Limited ("Hicks"), a supplier of airborne fire management services to the Ontario government and charter services to government agencies and corporate customers; Discovery Air Technical Services Inc. ("Technical Services"), which provides a range of maintenance, repair, overhaul, modification, engineering and certification services ("MRO"); Great Slave Helicopters Ltd. ("Great Slave"), one of the largest Visual Flight Rules ("VFR") helicopter operators in Canada; Air Tindi Ltd. ("Air Tindi"), the largest fixed-wing aircraft charter provider based in Northern Canada; Discovery Mining Services Ltd. ("Discovery Mining"), which supplies all-weather exploration camps as well as expediting and logistics support services; and Discovery Air Innovations Inc. ("Innovations"), the innovation arm of Discovery Air that identifies and captures large, new market opportunities.

Selected Financial Information

(thousands of dollars, except per share amounts)	Q3/12	Q3/11	YTD/12	YTD/11
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Results of operations				
Revenue	$ 55,115	$ 44,066	$ 163,021	$ 127,538
Expenses	$ 39,198	$ 29,798	$ 112,866	$ 85,053
Depreciation of property and equipment and intangible assets	$ 5,158	$ 5,274	$ 15,846	$ 15,629
	$ 10,759	$ 8,994	$ 34,309	$ 26,856
Finance costs	$ 4,612	$ 3,638	$ 13,082	$ 11,492
Earnings and comprehensive earnings	$ 6,184	$ 3,843	$ 21,577	$ 11,240
Basic earnings per common share	$ 0.42	$ 0.28	$ 1.52	$ 0.83
Basic adjusted earnings per common share*	$ 0.35	$ 0.28	$ 1.14	$ 0.83
Diluted earnings per common share	$ 0.31	$ 0.28	$ 1.23	$ 0.83
Diluted adjusted earnings per common share*	$ 0.26	$ 0.28	$ 0.95	$ 0.83
Financial position and liquidity				
Total assets	$ 289,673	$ 262,458	$ 289,673	$ 262,458
Total loans, borrowings and finance leases	$ 132,876	$ 138,788	$ 132,876	$ 138,788
Cash from (used) in operations	$ 18,944	$ 18,415	$ 15,316	$ 11,142
Working capital	$ 48,720	$ 26,500	$ 48,720	$ 26,500
Key non-IFRS performance measures*				
Adjusted Earnings	$ 5,084	$ 3,843	$ 16,229	$ 11,240
EBITDAR	$ 21,503	$ 17,304	$ 62,731	$ 51,441
EBITDA	$ 16,624	$ 14,501	$ 51,451	$ 43,324
EBITDA Margin	30%	33%	32%	34%

* See Non-IFRS measures

Segmented information

Through six operating subsidiaries, Discovery Air offers fixed-wing and rotary-wing capabilities, logistics and remote operations management services and aircraft MRO. Discovery Air has two reportable business segments: Government Services and Northern Services.

The Corporation's Government Services segment includes three subsidiaries. Top Aces delivers airborne training and special mission services to the Canadian military. Top Aces provides close air support training to the Canadian Army, as well as maritime support, electronic warfare training and target tow services to the Canadian Navy. Top Aces also delivers adversary fighter support, target tow and electronic warfare training support to the Canadian Air Force. Most electronic warfare training is accomplished with military personnel on board Top Aces' aircraft. Hicks is a primary supplier of airborne fire management services to the Ontario government, and also provides charter service to government agencies and corporate customers throughout northern Ontario. Technical Services provides a range of aircraft maintenance, repair and overhaul, modification, engineering and certification services from its Quebec City location.

Discovery Air's Northern Services segment includes three subsidiaries. Great Slave, one of the largest VFR helicopter operators in Canada, has bases throughout northern Canada from which it operates support flights for mining and oil and gas seismic and exploration work, forest fire suppression, aerial construction and precision external load applications and environmental impact surveys. Air Tindi utilizes a varied fleet of fixed-wing aircraft to provide vital air ambulance services and to operate both scheduled and charter cargo and passenger flights to remote areas of northern Canada. Finally, Discovery Mining constructs and rents all-weather exploration camps and provides expediting and logistical support services.

All activities that are not allocated to these two business segments are reported under Corporate Support, including Innovations.

Seasonality and quarterly fluctuations

The Corporation's businesses are, to varying degrees, seasonal in nature. Seasonality and other factors can affect the comparability of results from one period to another, particularly from quarter to quarter.

- In Canada, there is normally increased demand for the services provided by the Northern Services segment and Hicks commencing in the spring and continuing through to the end of the summer.
- Top Aces' revenue-generating opportunities are usually significantly higher in the February - June and September - November time periods. Though Top Aces' revenues are relatively predictable over a twelve-month period, they can vary substantially from month to month depending on customers' training priorities and weather conditions.
- The Corporation attempts to perform most major repairs and refurbishments during the slower periods of revenue-generating activity. As well, repairs and maintenance on aircraft are not required evenly throughout the year and the timing of related expenses within a year may vary from one period to another.
- Weather conditions can have an impact on flight activity from one period to another, especially in the forest fire suppression businesses.

Results of operations for Q3/12 and Q3/11

(thousands of dollars)	Q3/12 (unaudited) Northern Services	Q3/12 Government Services	Q3/12 Corporate Support	Q3/12 Total	Q3/11 (unaudited) Northern Services	Q3/11 Government Services	Q3/11 Corporate Support	Q3/11 Total
Revenue	$ 36,815	$ 18,300	$ -	$ 55,115	$ 26,529	$ 17,537	$ -	$ 44,066
Expenses	25,922	11,069	2,207	39,198	19,106	9,239	1,453	29,798
Depreciation of property and equipment and intangible assets	3,018	2,114	26	5,158	3,156	2,076	42	5,274
Earnings (loss) before undernoted items	**$ 7,875**	**$ 5,117**	**$ (2,233)**	**$ 10,759**	**$ 4,267**	**$ 6,222**	**$ (1,495)**	**$ 8,994**
Finance costs				4,612				3,638
Change in fair value of financial liabilities designated as fair value through profit or loss				(1,100)				-
Gain on extinguishment of related party debt				-				-
Gain on sale of property and equipment				(812)				(190)
Share of earnings of equity accounted investees				105				(43)
Income tax provision				1,770				1,746
Earnings and comprehensive income				**6,184**				**3,843**
EBITDA*	**$ 11,592**	**$ 7,239**	**$ (2,207)**	**$ 16,624**	**$ 7,656**	**$ 8,298**	**$ (1,453)**	**$ 14,501**
Capital expenditures	**$ 6,642**	**$ 1,775**	**$ 4,722**	**$ 13,139**	**$ 1,025**	**$ 901**	**$ 18**	**$ 1,944**
	As at October 31, 2011				**As at October 31, 2010**			
Total assets	**$ 146,997**	**$ 127,088**	**$ 15,588**	**$ 289,673**	**$ 136,644**	**$ 123,280**	**$ 2,534**	**$ 262,458**
Goodwill	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**
Intangible assets	**$ 6,321**	**$ 9,502**	**$ -**	**$ 15,823**	**$ 8,466**	**$ 11,797**	**$ -**	**$ 20,263**

* See Non-IFRS measures

Consolidated results

Revenue and Hours Flown

Revenue was $55.1 million for Q3/12, compared to $44.1 million for Q3/11, representing a 25% increase. The Corporation's revenue, which is largely driven by flight hours, is primarily generated from aviation transportation services that are delivered through its subsidiaries. Revenues from non-flight hour sources include revenue earned by Discovery Mining and Technical Services, scheduled passenger services to remote communities provided by Air Tindi and basing, standby and minimum fees that are typical of government contracts, such as those held by Top Aces, Hicks, and to a lesser extent, Great Slave. Revenue generated from flight hours for Q3/12 was $43.8 million (79% of total revenue), compared to $37.3 million (85% of total revenue) for Q3/11. Hours flown in Q3/12 were 20,384 compared to 15,179 for Q3/11, a 34% increase. Flight hour revenue decreased as a percentage of total revenue due to the inclusion of Technical Services revenues following its commencement of operations in late Fiscal 2011, higher fuel recoveries and a shift in flight hour composition which saw the current quarter reflecting higher flight hour contributions from the Corporation's lower margin aircraft. The Northern Services and Government Services segments recorded year-over-year increases in revenues of 39% and 5%, respectively, in Q3/12. The third quarter revenues reflect the continuation of the Northern Services segment's peak operating season servicing its resource-based customers. The 39% increase in revenues was derived primarily from services provided to its mining exploration and oil and gas customers, which combined represented an 84% increase over the comparative period. The segment also benefited from increased forest fire suppression activity. The Government Services segment's increase in revenues reflects increased revenues from the segment's MRO operation and increased forest fire activity in northern Ontario offset somewhat by the lower year-over-year revenues from the segment's airborne training and special mission services provided to the Canadian military.

Expenses
Expenses were $39.2 million for Q3/12, a 32% increase compared to $29.8 million for Q3/11. Expenses consist of operating fixed and variable expenses, which include crew and fleet related costs, as well as general and administrative expenses. The year over year increase in expenses was attributable to the following factors:

- increased direct costs, primarily wages and leased aircraft costs, associated with higher revenue;
- incremental costs related to Technical Services which began operations in late Fiscal 2011; and
- increase in business development and start-up costs associated with initiatives to expand into new markets.

Crew and fleet related costs are the largest operating expense categories. Crew related costs, consisting primarily of wages, benefits, travel and training for pilots and maintenance engineers, totalled $13.9 million for Q3/12, compared to $10.7 million for Q3/11, representing a 30% increase. Fleet related costs consist primarily of aircraft lease costs, fuel, maintenance, and facility costs. Fleet related costs for Q3/12 were $12.4 million compared to $9.1 million for Q3/11, representing a 36% increase. While fuel costs represent a significant component of the Corporation's operating expenses, the Corporation recovers substantially all of these and other recoverable costs from its customers, and classifies these recoveries as revenue. The historically high level of fuel recovery has greatly mitigated the impact of rising fuel prices on the Corporation's earnings. General and administrative expenses are mainly wages and benefits of administrative personnel, facility costs, travel costs, insurance costs and other overhead expenses. For Q3/12, these costs were $9.5 million compared to $7.6 million for Q3/11. The 25% increase was largely attributable to increased infrastructure and business development costs to support a higher level of operating activities.

EBITDA and EBITDAR (see Non-IFRS Measures)
EBITDA was $16.6 million for Q3/12, compared to $14.5 million for Q3/11, while the EBITDA margin for Q3/12 was 30% compared to 33% for Q3/11. The year-over-year increase in EBITDA was primarily driven by increased revenues. The lower EBITDA margin for Q3/12 was largely attributable to Technical Services revenues not yet matching full operating costs for that operation, increased business development costs primarily from Innovations' work developing new markets for existing operations and new businesses and investment in infrastructure to support higher revenue levels. The Corporation's share of equity accounted investees' losses (net of income tax) was $0.1 million for Q3/12, compared to $0.0 million in Q3/11. The Corporation recorded a $0.8 million gain on disposal of aircraft in Q3/12. EBITDAR for Q3/12 was $21.5 million, compared to $17.3 million for Q3/11. Aircraft lease costs were $4.9 million in Q3/12, compared to $2.8 million in Q3/11. In Q3/12, the Corporation continued to utilize more short-term aircraft lease arrangements to meet increased year-over-year demand.

Earnings
In Q3/12, the Corporation recorded earnings of $6.2 million compared to earnings of $3.8 million for Q3/11. The adjusted earnings, which exclude a $1.1 million non-cash gain related to the fair value change of an embedded derivative, was $5.1 million in Q3/12 representing a 34% increase over Q3/11. The embedded derivative relates to the conversion value of the Corporation's $70 million secured convertible debentures issued in Q3/12 (see "Embedded Derivative" below). The Q3/12 depreciation expense related to capital and intangible assets was $5.2 million compared to $5.3 million for Q3/11. The depreciation remained consistent despite increased flight hours due to the higher utilization of leased aircraft. Finance costs for Q3/12 was $4.6 million compared to $3.6 million for Q3/11. The current quarter finance cost includes a $1.1 million charge related to unamortized deferred finance costs and prepayment fees resulting from repayment of long term debt facilities with the proceeds received from the issue of $70 million secured convertible debentures in the quarter (see "Debt Financing" below). The Q3/12 income tax provision was $1.8 million, compared to $1.7 million for Q3/11. The Corporation's statutory income tax rate for Q3/12 was approximately 28% compared to 30% for Q3/11. The difference between the Corporation's income tax provision rate and the statutory rate arises from changes in the timing of the reversal of temporary tax and accounting differences and permanent tax differences.

Northern Services

The Northern Services segment generated revenue of $36.8 million on 16,814 flight hours for Q3/12, compared to revenue of $26.5 million on 12,737 flight hours for Q3/11. The 39% increase in revenue and 32% increase in flight hours from Q3/11 were largely attributable to the segment's 84% year-over-year increase in revenues from its mining and oil and gas based customers. The segment also benefited from increased forest fire suppression work in northern Ontario. The segment's higher revenue increase in relation to flight hour increase reflects a favourable shift to higher margin aircraft, increased recoverable revenue and increased revenue from the segment's expediting and logistics support.

Segment expenses totalled $25.9 million for Q3/12, compared to $19.1 million for Q3/11, a 36% increase. The increase was largely attributable to increased activity noted above, plus additional costs incurred to support new opportunities both in and outside the Corporation's northern Canadian markets. Consistent with the second quarter, the segment continued incurring higher aircraft lease expense in Q3/12 compared to Q3/11 to meet customer demand. Crew expenses were also higher in Q3/12 compared to Q3/11 to support a higher volume of revenue.

The segment recorded EBITDA of $11.6 million for Q3/12, compared to $7.7 million for Q3/11, with the variance attributable to higher revenue levels. EBITDAR for Q3/12 was $16.3 million, compared to $10.1 million for Q3/11. The segment incurred higher aircraft lease expense in Q3/12 to meet the demand for increased flight hours in Q3/12.

Government Services

The Government Services segment generated revenue of $18.3 million on 3,571 flight hours for Q3/12, compared to revenue of $17.5 million on 2,442 flight hours for Q3/11. The 5% increase in revenues relates to incremental revenues generated by Technical Services, which began operations in late Fiscal 2011, and an increase in forest fire suppression service in northern Ontario, partially offset by lower revenues from airborne training and special mission services provided to the Canadian military. The decline in the segment's military training revenue reflects short term shifts in priorities by the Department of National Defence ("DND") and is not reflective of the operation's yearly result. The variance between the 5% revenue increase and 46% flight hour increase reflect a significant increase in flight hour contribution from the segment's lower margin aircraft in Q3/12 compared to Q3/11.

The segment incurred expenses totaling $11.1 million for Q3/12, an increase of 21% compared to $9.2 million for Q3/11. The operating expenses were higher in relation to the increase in revenue due to lower flight revenues from the segment's military training and special services operations and the costs related to the expansion of the MRO operation's services.

The segment generated EBITDA of $7.2 million for Q3/12, compared to $8.3 million for Q3/11. While the forest fire suppression services activity was higher in the quarter the overall EBITDA for the segment was lower due to lower military training and special services activity, and the MRO operation incurring higher costs in relation to revenues. EBITDAR for Q3/12 was $7.4 million, compared to $8.7 million for Q3/11.

Corporate Support

Corporate support expenses totalled $2.2 million for Q3/12, compared to $1.5 million for Q3/11. The increase was primarily attributable to increased business development costs.

Results of operations for YTD/12 and YTD/11

(thousands of dollars)	YTD/12 (unaudited)				YTD/11 (unaudited)			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	$ 98,896	$ 64,125	$ -	$ 163,021	$ 77,777	$ 49,757	$ 4	$ 127,538
Expenses	70,368	36,156	6,342	112,866	54,641	25,408	5,004	85,053
Depreciation of property and equipment and intangible assets	9,141	6,649	56	15,846	9,488	6,097	44	15,629
Earnings (loss) before undernoted items	$ 19,387	$ 21,320	$ (6,398)	$ 34,309	$ 13,648	$ 18,252	$ (5,044)	$ 26,856
Finance costs				13,082				11,492
Change in fair value of liabilities designated as fair value through profit or loss				(1,100)				-
Gain on extinguishment of related party debt				(5,900)				-
Gain on sale of property and equipment				(927)				(452)
Share of earnings of equity accounted investees (net of income tax)				(369)				(387)
Income tax provision				7,946				4,963
Earnings and comprehensive income				21,577				11,240
EBITDA*	$ 29,779	$ 28,014	$ (6,342)	$ 51,451	$ 23,975	$ 24,349	$ (5,000)	$ 43,324
Capital expenditures	$ 11,446	$ 5,806	$ 4,900	$ 22,152	$ 4,260	$ 4,945	$ 55	$ 9,260
	As at October, 31 2011				As at October 31, 2010			
Total assets	$ 146,997	$ 127,088	$ 15,588	$ 289,673	$ 136,644	$ 123,280	$ 2,534	$ 262,458
Goodwill	$ -	$ 37,862	$ -	$ 37,862	$ -	$ 37,862	$ -	$ 37,862
Intangible assets	$ 6,321	$ 9,502	$ -	$ 15,823	$ 8,466	$ 11,797	$ -	$ 20,263

* See Non-IFRS measures

Consolidated results

Revenue and Hours Flown

Revenue was $163.0 million for YTD/12, compared to $127.5 million for YTD/11, a 28% increase. Revenue generated from flight hours for YTD/12 was $129.2 million (79% of total revenue), compared to $108.6 million (85% of total revenue) for YTD/11. Hours flown in YTD/12 were 55,336 compared to 46,288 for YTD/11, an increase of 20%. As noted in the quarterly results, flight hour revenue decreased as a percentage of total revenue due to higher contribution from the Corporation’s MRO and expediting operations as well as higher basing fees which are not based on flight hours, and higher recoverables. The Northern Services and Government Services segments recorded year-over-year revenue increases of 27% and 29%, respectively, in YTD/12. The Northern Services segment’s year-to-date revenue increase reflects continuing strong activity from the segment’s resource-based customers, both in northern Canada and Peru, as well as higher seasonal forest fire suppression activity in northern Ontario. The Government Services segment’s year-to-date revenue increase reflects increased flight hours to support the Canadian military’s airborne training and special mission services, the incremental revenue contribution from Technical Services, and the increase in forest fire suppression support in northern Ontario.

The Corporation’s YTD/12 revenue reflects increases from all major industry sectors that the Corporation operates in over the comparative period. Revenues from the Corporation’s mining exploration, mining production and oil and gas sectors combined reflect a 48% increase over the comparative period. Revenue from government-based customers increased 11% year-over-year as a result of higher flight hour demand from the Canadian military and increased forest fire suppression activity in northern Ontario.

Expenses
Expenses were $112.9 million for YTD/12, a 33% increase from $85.1 million for YTD/11. As noted in the quarterly results, in addition to higher expenses associated with increased revenues, the Corporation also incurred higher costs associated with business development, and infrastructure to support a higher volume of activity from operations.

Crew related costs totalled $40.9 million for YTD/12 compared to $30.0 million for YTD/11, representing a 34% increase. Fleet related costs consist primarily of aircraft lease costs, fuel, maintenance, and facility costs. Fleet related costs for YTD/12 were $35.6 million compared to $25.6 million for YTD/11, representing a 39% increase. As noted in the quarterly results, while fuel costs represent a significant component of the Corporation's operating expenses, a significant portion of this cost is recoverable from customers. General and administrative expenses were $27.9 million for YTD/12 compared to $22.6 million for YTD/11, a 23% increase. The increase was largely attributable to increased infrastructure and business development costs to support a higher level of operating activities.

EBITDA and EBITDAR (see Non-IFRS Measures)
EBITDA was $51.5 million for YTD/12, compared to $43.3 million for YTD/11, while the EBITDA margin for YTD/12 was 32% compared to 34% for YTD/11. The year-over-year increase in EBITDA was largely attributable to higher revenue levels from all of the Corporation's operations. The EBITDA margin for YTD/12 was lower due to higher operating costs as noted in the Q3/12 results. The Corporation's share of equity accounted investees' earnings (net of income tax) was $0.4 million for YTD/12 compared to $0.4 million in YTD/11. The Corporation recorded a $0.9 million gain on sale of aircraft in YTD/12. EBITDAR for YTD/12 was $62.7 million, compared to $51.4 million for YTD/11. Aircraft lease costs were $11.3 million in YTD/12, compared to $8.1 million in YTD/11. In YTD/12, the Corporation utilized more short-term aircraft lease arrangements to meet increased year-over-year demand.

Earnings
In YTD/12, the Corporation recorded earnings of $21.6 million compared to earnings of $11.2 million for YTD/11. Excluding the tax-effect gain of $4.2 million on extinguishment of a $13.2 million related party debt in Q2/12 (see "Related Party Transactions" below) and the $1.1 million gain on the change in the fair value of the Corporation's embedded derivative noted in the current quarter earnings brings YTD/12 earnings to approximately $16.2 million, a 45% increase over YTD/11. Depreciation expense related to capital assets and intangible assets for YTD/12 was $15.8 million compared to $15.6 million for YTD/11. Finance costs of $13.1 million for YTD/12 were comparable to $11.5 million for YTD/11. As noted in the quarterly earnings, the finance cost includes a $1.1 million charge related to unamortized deferred finance costs and prepayment fees resulting from repayment of long term debt facilities with the proceeds received from the issue of $70 million secured convertible debentures in the quarter (see "Debt Financing" below). The Corporation had an income tax provision of $7.9 million for YTD/12, compared to an income tax provision of $5.0 million for YTD/11. The Corporation's statutory income tax rate for YTD/12 was approximately 28% compared to 30% for YTD/11.

Northern Services

The Northern Services segment generated revenue of $98.9 million on 43,900 flight hours for YTD/12, compared to revenue of $77.8 million on 37,638 flight hours for YTD/11. The 27% increase in revenue and 17% increase in flight hours from YTD/11 were largely attributable to the segment's 48% year-over-year increase in revenues from its mining exploration and production and oil and gas based customers. The segment also benefited from a year-over-year increase in forest fire suppression activity in northern Ontario.

The segment incurred expenses totaling $70.4 million for YTD/12, compared to $54.6 million for YTD/11, a 29% increase. In addition to higher aircraft lease and crew related costs associated with increased revenues, the segment incurred costs to support new revenue sources both in and outside the northern Canadian markets.

The segment recorded EBITDA of $29.8 million for YTD/12, compared to $24.0 million for YTD/11 with the variance attributable to higher revenue levels. EBITDAR for YTD/12 was $40.6 million, compared to $31.3 million for YTD/11.

Government Services

The Government Services segment generated revenue of $64.1 million on 11,436 flight hours for YTD/12, compared to revenue of $49.8 million on 8,650 flight hours for YTD/11, representing a 29% increase in revenue and a 32% increase in total flight hours. The variance between revenue increase and flight hour increase reflects increased revenue contribution from the MRO operation, higher basing fees and higher flight hours by to the segment's lower margin aircraft. The increase in revenues reflect demand for airborne training and special mission services from the Canadian military, incremental revenues generated by Technical Services and higher forest fire suppression activity in northern Ontario.

The segment incurred expenses totaling $36.2 million for YTD/12, compared to $25.4 million for YTD/11, an increase of 43%. The increase in operating costs corresponds to the increased volume of revenue with the exception of the segment's MRO operation which continues to expand its services.

The segment generated EBITDA of $28.0 million for YTD/12, compared to EBITDA of $24.3 million for YTD/11. The increase in EBITDA results directly from increased revenues and higher forest fire suppression activity. EBITDAR for YTD/12 was $28.5 million, compared to EBITDAR of $25.2 million for YTD/11.

Corporate Support

Corporate support expenses totalled $6.3 million for YTD/12, compared to $5.0 million for YTD/11. The increase was primarily attributable to increased business development costs.

Liquidity and Financial Resources

The schedule below summarizes changes in cash flow components for YTD/12 and YTD/11:

(thousands of dollars)		**YTD/12**		**YTD/11**
Operating activities	$	15,316	$	11,142
Investing activities		(16,895)		(6,405)
Financing activities		3,616		(7,527)
Net increase (decrease) in cash for the year	$	2,037	$	(2,790)

Operating activities

Operating activities for YTD/12 recorded a net cash inflow of $15.3 million compared to YTD/11 net cash inflow of $11.1 million. The increase in cash flow from operations was driven by higher year-over-year earnings in the current period of $10.3 million, and adjustments to deferred income tax related to loss utilization anticipated in the current fiscal year ($2.6 million). Offsetting the increase in cash flow was the add-back of a $5.9 million gain on debt extinguishment.

Investing activities

YTD/12 expenditures of $16.9 million included the purchase of two fixed wing aircraft for $2.0 million in Q1/12, a fixed wing aircraft purchase for $1.8 million in Q2/12, and the purchase of three fixed wing aircraft and two rotary wing aircraft for $8.2 million in Q3/12 along with costs incurred for constructing and equipping three facilities, sustaining capital expenditures, capitalized aircraft overhaul costs and facilities costs. On a comparative basis, the Corporation's YTD/11 net capital expenditures of $6.4 million reflected the aircraft purchases for $2.7 million along with costs incurred for sustaining capital expenditures and capitalized aircraft overhaul costs. Offsetting these comparative expenditures were proceeds on the sale of aircraft of $2.7 million.

The Corporation is committed to the purchase of 3 fixed wing aircraft for approximately USD $4.2 million in Q4/12.

In addition, the Corporation is committed to the purchase of 1 fixed wing aircraft for approximately € 0.8 million in Q4/12. In connection with the purchase of this aircraft, the Corporation provided a € 0.4 million non-refundable deposit on August 4, 2011 that will be applied to the final purchase price of this aircraft.

The Corporation also has other commitments (including servicing of aircraft) which total approximately USD $0.6M.

Each significant, non-maintenance-related capital expenditure is assessed to gain reasonable assurance that the capital expenditure will, at a minimum, be matched by projected revenues or cost savings generated by the expenditure.

Financing activities

The Corporation did not have a balance outstanding on its operating line of credit as at October 31, 2011, which is consistent with the same period last year. As at October 31, 2011, the Corporation had unrestricted cash of $9.4 million and $18.1 million in unused borrowing capacity on its line of credit to fund its operating requirement needs. Consistent with the seasonal nature of the Corporation's business cycle, the Corporation draws on its operating line of credit primarily in the first and second quarters to fund start-up costs associated with seasonal increases in business volumes, as well as to fund investments in non-cash working capital; these draws are typically substantially repaid during the third quarter. The October 31, 2011 unrestricted cash balance is higher than in previous comparative periods due to the cash remaining after the application of proceeds from the issuance by the Corporation of $70.0 million convertible debentures to the repayment of various long term debt facilities (see Debt financing below).

In May 2011, the Corporation extinguished a $13.2 million related party debt via a cash payment of $3.1 million and the issuance of 10,352,000 common shares (1,035,200 post-consolidation common shares). In the same month the Corporation issued $34.5 million (8.375%) convertible debentures with net proceeds, after issue costs of $2.2 million, being used to repay the Corporation's $28.8 million (8.75%) convertible debentures and accrued interest in June 2011, with the remaining $2.4 million used to reduce the Corporation's operating line of credit indebtedness. In September 2011, the Corporation closed a private placement of $70.0 million secured convertible debentures with net proceeds (after issue costs of $2.0 million) used to repay four long-term debt facilities and related interest and fees for $57.6 million (see Debt financing below). The Corporation made scheduled debt repayments of $8.6 million during YTD/12. On a comparative basis, for YTD/11 the Corporation did not undertake any new significant long-term financing and made scheduled repayments of $7.1 million.

Working capital and cash position

At the end of Q3/12, the Corporation had a working capital position of $48.7 million and a current ratio of 2.8 compared to a negative working capital position of $10.3 million and a current ratio of 0.8 at the end of Fiscal 2011. Given the seasonal nature of the Corporation's businesses and the classification of the Corporation's $28.1 million convertible debentures as a current liability at January 31, a more meaningful comparison would be of the working capital position as at the end of Q3/12 and Q3/11. As at the end of Q3/11, the working capital position was $26.5 million with a current ratio of 1.9.

The Corporation is aware of the following balance sheet conditions, income items or cash flow items that could materially impact liquidity in the foreseeable future:

- a reduction in resource sector demand leading to lower revenues in the Corporation's Northern Services segment;
- capital expenditures related to aircraft purchases or fleet maintenance that are higher than expected; and,
- on a longer term basis Top Aces not being awarded a follow-on contract for the delivery of military training services following June 2013.

While the Corporation believes it will have sufficient liquidity to meet its current and future operating requirements based on its existing working capital position, cash generated from operations and the operating credit facilities it maintains, this belief could change if any or all of the above factors materialize. The Corporation's management continues to monitor factors that could adversely impact its working capital and cash position.

The Corporation's operating line of credit is used to fund short-term financing requirements which arise as a result of the seasonality of the Corporation's revenue and cash flow generation. Except as noted above in "Investing Activities", the Corporation has not committed to any expenditure that would significantly change its working capital requirements for the foreseeable future. For further information on the Corporation's operating line of credit, see "Subsequent Events" below.

Debt financing

The Corporation was liable for $132.9 million in term debt obligations as at the end of Q3/12 compared to $139.3 million as at the end of Fiscal 2011. In May 2011, the Corporation extinguished a $13.2 million related party debt through a cash payment of $3.1 million and the issuance of common shares, as described above.

In the same month, the Corporation completed the issuance of $34.5 million convertible debentures ("$34.5 million debentures"). The $34.5 million debentures mature on June 30, 2016 and will accrue interest at 8.375% per annum payable semi-annually. Holders of the $34.5 million debentures may elect to convert their respective holdings into the Corporation's Class A common voting or Class B variable voting shares at any time prior to the maturity date at a conversion price of $7.30 for each common share, subject to standard anti-dilution provisions. The $34.5 million debentures will not be redeemable before June 30, 2014. From June 30, 2014 to the maturity date, the Corporation may, at its option and subject to notice period requirements, redeem the $34.5 million debentures, in whole or in part, at par plus accrued and unpaid interest, provided that the weighted average trading price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. As at October 31, 2011, the fair value of the obligation to make future payments of principal and interest under the $34.5 million debentures was $32.8 million. The net book value of the $34.5 million debentures is $30.7 million and the interest and finance costs are recognized to increase the liability component to the debentures' face value of $34.5 million, calculated based on the effective interest rate of 11.86%.

On June 16, 2011, the Corporation used the net proceeds of issuance of the $34.5 million debentures to fully repay its $28.8 million 8.75% convertible unsecured subordinated debentures due December 31, 2011 and accrued interest payable thereon. Remaining proceeds were used to reduce the Corporation's operating line of credit indebtedness.

On September 23, 2011, the Corporation closed the private placement of $70.0 million secured convertible debentures (the "$70 million debentures") announced in its press release of July 21, 2011. The $70 million debentures have a 5 ½ year term, subject to earlier redemption rights in favour of the Corporation relating to the achievement of certain milestone events by the Corporation. The Corporation may also redeem the $70 million debentures three years from September 23, 2011 providing the Corporation's common share weighted average trading price exceeds 116% of the then-applicable conversion price of the $70 million debentures over a specified trading period prior to issuance of the redemption notice and the Corporation has previously redeemed the $34.5 million Debentures. The lender may elect to adjust the maturity date to September 23, 2014 should certain milestone events not be met by the Corporation. At the maturity date, the lenders have the option to receive a lump sum cash payment of the outstanding principal and accrued interest or to convert the $70 million Debentures at the conversion price. Interest on the $70 million debentures will accrue at a rate of 10% per annum and will be payable annually commencing on September 23, 2012 on an "in kind" basis through the issuance of additional debentures. The original conversion price of the Debentures, $7.50 per common share (post consolidation), will also increase at 10% per annum, and as a result, the original face amount of the $70 million debentures plus all paid-in-kind interest will continue to be convertible into 9,333,333 post consolidation common shares (subject to customary anti-dilution adjustments). The $70 million debentures have a first-lien security interest on all assets of the Corporation except with respect to accounts receivable and certain inventory, and except with respect to certain assets already pledged to existing senior lenders to the Corporation. The Corporation has the right to require full subordination of the $70 million debentures' security interest in respect of new indebtedness upon the achievement of agreed milestone events by the Corporation. Prior to any of the milestone events being achieved, the Corporation can require subordination of the $70 million debentures' security interest in yet-to-be acquired assets in an amount up to $50 million. Net proceeds after issue costs of $2.0 million were used to repay $57.6 million of four long term debt facilities and related interest and fees with the residual amount of $10.4 million being used to reduce the Corporation's operating line of credit and added to working capital. As at October 31, 2011, the fair value of the obligation to make future payments of principal and interest under the $70 million debentures was $68.1 million and the fair value of the holders' conversion option was $2.2 million. Financing costs of $2.0 million, included in the long-term debt obligation, represent unamortized issuance costs. Interest and finance costs are recognized to increase the liability component to the debentures' face value of $70.0 million, calculated based on the effective interest rate of 10.86%.

The conversion feature in the $70 million debentures meets the definition of a liability-classified embedded derivative and as such is bifurcated from the host debt contract. The embedded derivative was initially measured at a fair value of $3.3 million at the issuance of the $70 million debentures and the residual amount of the proceeds was allocated to the host debt contract. Mark-to-market changes in the fair value of the conversion feature embedded derivative are recorded in the consolidated statements of earnings and comprehensive earnings.

Embedded Derivatives

The fair value of the embedded derivative of the conversion feature in the $70 million Debentures was estimated using appropriate price modeling commonly used by market participants with inputs of observable market data including the Corporation's stock price, implied volatility, and risk free interest rates. The measurement of embedded derivative, as required by IFRS, will subject the Corporation's reported earnings to potential fluctuation related to the measurement updates. The accounting treatment of the embedded derivative has no impact on the Corporation's operations or how management evaluates the Corporation's performance.

As at October 31, 2011, the fair value of the embedded derivative was $2.2 million. The change in fair value of the embedded derivative from the date of issue to October 31, 2011 resulted in a non-cash increase adjustment to earnings of $1.1 million in the current quarter

The Corporation was in compliance with all covenants established by its lenders as at October 31, 2011.

Share Consolidation

On September 23, 2011, the Corporation received the approval of the TSX to effect a share consolidation on the basis of 10 "old" Common Shares for every 1 "new" Common Share. The Common Shares commenced trading on a post-consolidated basis on September 30, 2011. The consolidation reduced the number of shares outstanding as at the date of the share consolidation from 145,556,159 to 14,555,615.

Shareholders' Equity

Shareholders' equity increased by the amount of the YTD/12 net earnings and by the increase to share capital from the issuance of 1,035,200 (post consolidation) common shares valued at $4.4 million in respect of the $13.2 million related party debt extinguishment in May 2011. Contributed surplus increased by $1.8 million representing the fair value of the conversion feature on the issuance of the $34.5 million debentures noted above, completed in May 2011.

At October 31, 2011, there were 14,510,855 Class A common shares and 44,760 Class B common shares outstanding. This share count included the 1,035,200 (post consolidation) common shares issued in May 2011 as partial consideration in the $13.2 million related party debt extinguishment. At October 31, 2011, there were 453,530 common share options outstanding and no common share purchase warrants outstanding. During Q3/12, the Corporation did not grant any additional stock options under the employee stock option plan approved by the shareholders in June 2010. The Corporation maintains 282,380 outstanding stock options issued under an employee stock option plan created in January 2006. This plan was terminated in June 2008, eliminating any additional grants under this plan. Total stock options expiring during the quarter relating to the January 2006 plan were 10,050 and total stock options being forfeited during the quarter relating to the January 2010 plan were 30,000.

Related Party Transactions

On May 2, 2011, the Corporation completed a transaction to repay related party debts and accrued interest totalling $13.4 million through a cash payment of $3.1 million and the issuance of 1,035,200 (post consolidation) Class A common shares. Based on the $4.30 (post consolidation) market value of the Class A common shares at the date of the transaction, the Corporation recorded a Q2/12 pre-tax gain on the transaction of approximately $5.9 million. Interest expense on this debt for Q3/12 was zero (Q3/11 - $109,000) and $143,000 for YTD/12 (YTD/11 - $274,000).

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements that management is aware of other than those disclosed in note 14 of the Corporation's annual audited consolidated financial statements for the year ended January 31, 2011 and note 10 in the Q3/12 interim condensed consolidated financial statements.

Risk Factors

The Corporation is subject to a number of risks and uncertainties and is affected by a number of factors outside the control of its management. Details are provided in the "Risk Factors" section of the Corporation's management's discussion and analysis for the year ended January 31, 2011, which can be found on SEDAR at www.sedar.com.

Changes in Accounting Policies

Refer to notes 2, 12 and 13 of the Corporation's April 30, 2011 interim condensed consolidated financial statements for a detailed discussion of the Corporation's transition to IFRS.

Recently Issued Standards

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ending January 31, 2012, and have not been applied in preparing these interim condensed consolidated financial statements. Management is currently reviewing the standards to determine the impact on the interim condensed consolidated financial statements.

IFRS 9 Financial Instruments

The IASB issued IFRS 9 Financial Instruments in November 2009 and subsequently added to the scope of the standard in October 2010. The standard introduces new requirements for the classification and measurement of financial assets and liabilities and is applicable for annual periods beginning on or after January 1, 2013. The Corporation has not early adopted IFRS 9 Financial Instruments, and has yet to assess its full impact.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation intends to adopt IFRS 10 in its financial statements for the annual period beginning on February 1, 2013. The Corporation has not yet determined the impact of adoption of IFRS 10.

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11 Joint Arrangements. The standard introduces new requirements for entities which had previously accounted for joint ventures using proportionate consolidation. The Corporation intends to adopt IFRS 11 in its financial statements for the annual period beginning on February 1, 2013, when the standard becomes effective. The Corporation does not expect IFRS 11 to have a material impact on the Corporation's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after January 1, 2013. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Corporation intends to adopt IFRS 12 in its financial statements for the annual period beginning on February 1, 2013. While the Corporation has not yet determined the impact of adoption of IFRS 12, it is expected that the amendment of IFRS 12 will increase the current level of disclosure of interests in other entities.

IFRS 13 Fair Value Measurement

The IASB issued IFRS 13 Fair Value Measurement in May 2010, which is effective prospectively for annual periods beginning on or after January 1, 2013. The standard replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e., an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on income or loss or other comprehensive income. The Corporation intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on February 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

Amendments to IAS 28 Investments in Associates and Joint Ventures

In May 2011, the IASB issued Amendments to IAS 28 Investments in Associates and Joint Ventures which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted; previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases with gain recognition in earnings or loss, even if significant influence was succeeded by joint control; IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured; the Corporation intends to adopt the amendments in its financial statements for the annual period beginning on February 1, 2013; the extent of the impact of adoption of the amendments has not yet been determined; and

IAS 1 Presentation of Financial Statements – Presentation of items of Other Comprehensive Income ("OCI")

On June 16, 2011 the International Accounting Standards Board (IASB) issued amendments to IAS 1, which will require entities to present separately items of OCI that may be reclassified to profit or loss in the future from items that would never be reclassified to profit or loss; consequently, those entities that present items of OCI before related tax effects will have to allocate the aggregated tax amount between these categories; the amendments are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively; early adoption is permitted; the extent of the impact of adoption of the amendments has not yet been determined.

Use of Accounting Estimates

In preparing the interim financial statements, various accounting estimates are made in applying the Corporation's accounting policies. These estimates require significant judgment on the part of management and are considered critical in assessing the Corporation's financial condition and results. There have been no changes to the Corporation's significant accounting estimates disclosed in the Corporation's Fiscal 2011 MD&A.

NON-IFRS MEASURES

The EBITDA margin is EBITDA as a percentage of revenue. Management believes EBITDA and EBITDAR to be important measures, as they exclude the effects of long-term investment decisions from the performance of the Corporation's day-to-day operations. Management believes these measurements are useful in assessing a company's ability to service debt and to meet other payment obligations, and as a valuation measurement.

Prior to Fiscal 2012, the Corporation's EBITDA and EBITDAR were calculated on the basis of depreciation of rotable and overhauled components being classified as operating expenses. Starting in Fiscal 2012 with the Corporation's conversion to IFRS, depreciation of rotable and overhauled components is included in depreciation, and is therefore excluded in the calculation of EBITDA and EBITDAR.

The following table reflects the calculation of EBITDA and EBITDAR:

(thousands of dollars)	Q3/12	Q3/11	YTD/12	YTD/11
Earnings	$ 6,184	$ 3,843	$ 21,577	$ 11,240
Income tax provision	1,770	1,746	7,946	4,963
Gain on extinguishment of related party debt	-	-	(5,900)	-
Financing charges	4,612	3,638	13,082	11,492
Change in fair value of financial liabilities	(1,100)	-	(1,100)	-
Depreciation of property and equipment and intangible assets	5,158	5,274	15,846	15,629
EBITDA	$ 16,624	$ 14,501	$ 51,451	$ 43,324
Aircraft lease expenses	4,879	2,803	11,280	8,117
EBITDAR	$ 21,503	$ 17,304	$ 62,731	$ 51,441

Adjusted earnings is equal to net earnings (loss) excluding a non-recurring gain on extinguishment of related party debt and gains and losses resulting from the change in fair value of financial liabilities. Management believes adjusted earnings better reflects the Corporation's operational performance. Adjusted earnings (loss) per share is equal to earnings (loss) per share excluding the above noted items.

The following table reflects the calculation of adjusted earnings:

(thousands of dollars)	Q3/12	Q3/11	YTD/12	YTD/11
Earnings	$ 6,184	$ 3,843	$ 21,577	$ 11,240
Gain on extinguishment of related party debt	-	-	(5,900)	-
Tax effect on gain on extinguishment of related party debt	-	-	1,652	-
Change in fair value of financial liabilities	(1,100)	-	(1,100)	-
Adjusted Earnings	$ 5,084	$ 3,843	$ 16,229	$ 11,240

Segmented breakdown of EBITDA and EBITDAR

(thousands of dollars)	Q3/12 (unaudited)				Q3/11 (unaudited)			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	$ 36,815	$ 18,300	$ -	$ 55,115	$ 26,529	$ 17,537	$ -	$ 44,066
Expenses	$ 25,922	$ 11,069	$ 2,207	$ 39,198	$ 19,106	$ 9,239	$ 1,453	$ 29,798
Loss (gain) on sale of property and equipment	(812)	-	-	(812)	(190)	-	-	$ (190)
Share of (earnings) loss of equity accounted investees (net of income tax)	113	(8)	-	105	(43)	-	-	$ (43)
EBITDA	**$ 11,592**	**$ 7,239**	**$ (2,207)**	**$ 16,624**	**$ 7,656**	**$ 8,298**	**$ (1,453)**	**$ 14,501**
Aircraft lease expenses	4,693	186	-	4,879	2,451	352	-	2,803
EBITDAR	**$ 16,285**	**$ 7,425**	**$ (2,207)**	**$ 21,503**	**$ 10,107**	**$ 8,650**	**$ (1,453)**	**$ 17,304**

(thousands of dollars)	YTD/12 (unaudited)				YTD/11 (unaudited)			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	$ 98,896	$ 64,125	$ -	$ 163,021	$ 77,777	$ 49,757	$ 4	$ 127,538
Expenses	$ 70,368	$ 36,156	$ 6,342	$ 112,866	$ 54,641	$ 25,408	$ 5,004	$ 85,053
Loss (gain) on sale of property and equipment	$ (927)	$ -	$ -	$ (927)	$ (452)	$ -	$ -	$ (452)
Share of earnings of equity accounted investees (net of income tax)	$ (324)	$ (45)	$ -	$ (369)	$ (387)	$ -	$ -	$ (387)
EBITDA	**$ 29,779**	**$ 28,014**	**$ (6,342)**	**$ 51,451**	**$ 23,975**	**$ 24,349**	**$ (5,000)**	**$ 43,324**
Aircraft lease expenses	10,780	500	-	11,280	7,292	825	-	8,117
EBITDAR	**$ 40,559**	**$ 28,514**	**$ (6,342)**	**$ 62,731**	**$ 31,267**	**$ 25,174**	**$ (5,000)**	**$ 51,441**

SUMMARY OF QUARTERLY RESULTS

(thousands of dollars, except per share amounts)

	2012 - IFRS (unaudited)			2011 - IFRS (unaudited)				2010 - GAAP (unaudited)
	IFRS Q3/12	IFRS Q2/12	IFRS Q1/12 Apr 30	IFRS Q4/11	IFRS Q3/11	IFRS Q2/11	IFRS Q1/11 Apr 30	CGAAP Q4/10
Results of operations:								
Total revenue	$ 55,115	$ 70,657	$ 37,249	$ 23,746	$ 44,066	$ 57,658	$ 25,815	$ 17,749
EBITDA	$ 16,624	$ 30,063	$ 4,766	$ (658)	$ 14,501	$ 26,386	$ 2,433	$ (2,296)
Adjusted earnings (loss)	$ 5,084	$ 13,731	$ (2,586)	$ (6,079)	$ 3,843	$ 11,324	$ (3,929)	$ (4,837)
Earnings (loss)	$ 6,184	$ 17,979	$ (2,586)	$ (6,079)	$ 3,843	$ 11,324	$ (3,929)	$ (4,837)
Basic earnings per share	$ 0.42	$ 1.24	$ (0.19)	$ (0.45)	$ 0.28	$ 0.84	$ (0.29)	$ (0.36)
Basic adjusted earnings per share	$ 0.35	$ 1.24	$ (0.19)	$ (0.45)	$ 0.28	$ 0.84	$ (0.29)	$ (0.36)
Diluted earnings per share	$ 0.31	$ 0.97	$ (0.19)	$ (0.45)	$ 0.28	$ 0.84	$ (0.29)	$ (0.36)
Diluted adjusted earnings per share	$ 0.26	$ 0.97	$ (0.19)	$ (0.45)	$ 0.28	$ 0.84	$ (0.29)	$ (0.36)

The business of the Corporation follows a seasonal pattern with the lowest revenue occurring from November to April. Therefore, the Corporation's results vary from quarter to quarter and results for an interim period are not necessarily indicative of results that may be expected for a full year.

SUBSEQUENT EVENTS

On November 17, 2011, Top Aces announced that it had been notified by Public Works and Government Services Canada ("PWGSC") that the Contracted Airborne Training Services ("CATS") solicitation released in August 2011 had been cancelled. The Government has stated its intention to re-issue a solicitation for the CATS requirement at a later date, and that the CATS program is approved and funded to 2031.

Shortly thereafter on November 21, 2011, PWGSC confirmed that its Interim CATS Standing Offer arrangements with Top Aces had been extended by the Government of Canada for a 12 month period, taking the service delivery by Top Aces to June 2013.

On December 6, 2011, Air Tindi announced that its aboriginal partnership, Aqsaqniq Airways Ltd., was selected by the Government of Nunavut to supply Air Ambulance Services in the Kitikmeot Region. This contract spans over a five-year period and is expected to be worth in excess of $30 million.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The change from CGAAP to IFRS has resulted in various accounting process changes within the Corporation's operating units, specifically related to the Corporation's property, plant and equipment and consolidation accounting. While there were no control deficiencies identified during the current quarter, the Corporation's management will continue to monitor the internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") to ensure that they have not been materially affected as a result of transitioning to IFRS. There were no other changes during the period that materially affected or are reasonably likely to materially affect the Corporation's ICFR and DC&P.

FORWARD-LOOKING STATEMENTS

Forward-looking information and statements are included in this MD&A. Forward-looking information and statements include, but are not limited to, statements concerning possible or assumed future financial and operating results set out in this document, the Corporation's strengths, strategies and priorities and the Corporation's assessment of the economic and business outlook for the Corporation and the Corporation's industry. Generally, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "could", "should", "would", "expect", "believe", "plan", "estimate", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. More particularly, and without limitation, this MD&A contains forward-looking statements relating to: the seasonality of the Corporation's business; its business development; the impact of the current economic conditions on the results of its operations and/or financial condition; management's outlook for the future; management's ability to reduce costs and/or contain them at the existing levels; management's ability to continue to manage working capital effectively; the impact of weather conditions on the results of the Corporation's operations and/or financial condition; its ability to utilize planned and/or existing fleet capacity; its ability to continue to meet lender covenants and other terms and conditions of its credit agreements; plans and/or requirements to make new capital investments; and, its plans, decisions and the impacts resulting from the implementation of IFRS.

All forward-looking information and statements presented in this document are based on reasonable assumptions, estimates and analysis that take into account management's experience and perception of trends and interpretation of external factors, such as economic conditions. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the Corporation's ability to secure operating contracts; the strength of the Canadian economy in general and the strength of the local economies within Canada in which the Corporation conducts operations; the effects of changes in interest rates; the effects of competition in the markets in which the Corporation operates; inflation; capital market fluctuations, including the availability of equity and/or debt capital to the Corporation; the impact of changes in the laws and regulations regulating aviation services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings and decisions; weather conditions in the geographical regions in which the Corporation operates; and the Corporation's anticipation of and success in managing the risks implied by the foregoing.

The foregoing list of important factors is not exhaustive. When relying on forward-looking information and statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Additional information relating to the Corporation, including the Corporation's Annual Information Form, can be found on SEDAR at www.sedar.com.

Dated: December 13, 2011