Interim Condensed Consolidated Financial Statements
April 30, 2012
(Unaudited)

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

(thousands of Canadian dollars)	Note	April 30, 2012	April 30, 2011	January 31, 2012
Assets				
Current assets:				
Cash		$ 3,426	$ 3,922	$ 13,096
Restricted cash	10	638	634	638
Trade and other receivables		38,081	30,420	23,629
Inventory		20,590	14,157	17,861
Prepaid expenses and other		5,913	4,721	3,369
		68,648	53,854	58,593
Property and equipment		166,710	152,213	157,994
Long Term notes receivable		2,426	-	2,490
Goodwill	5	41,370	37,862	37,862
Intangible assets		13,683	18,049	14,789
Investments in equity accounted investees		3,048	2,762	2,907
		$ 295,885	$ 264,740	$ 274,635
Liabilities and Shareholders' Equity				
Current liabilities:				
Operating line of credit	7	$ 5,851	$ 13,991	$ -
Trade and other payables		24,296	15,726	18,349
Income taxes payable		5,242	1,791	3,307
Current portion of finance leases		538	117	333
Current portion of contingent liability	5	2,151	-	-
Current portion of loans and borrowings	6	8,124	50,981	112
		46,202	82,606	22,101
Finance leases		4,170	2,934	2,873
Contingent Liability	5	1,790	-	-
Loans and borrowings	6	127,303	85,242	132,298
Financial liabilities at fair value	6(e)	-	-	1,419
Deferred income taxes		21,278	21,459	23,246
		154,541	109,635	159,836
Shareholders' equity:				
Share capital		68,469	65,134	68,469
Contributed surplus		10,948	7,186	9,727
Retained earnings		15,773	179	14,413
Accumulated other comprehensive loss	5	(114)	-	-
Equity attributable to shareholders of Discovery Air Inc.		95,076	72,499	92,609
Equity attributable to non-controlling interest		66	-	89
Total equity		95,142	72,499	92,698
		$ 295,885	$ 264,740	$ 274,635

See accompanying notes to the interim condensed consolidated financial statements.

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Profit (Loss) and Comprehensive Income (Loss)

(Unaudited)

(thousands of Canadian dollars, except per share amounts)	Note	For the three months ended April 30, 2012		April 30, 2011	
Revenue		$	52,933	$	37,249
Expenses			44,207		32,464
Depreciation of property and equipment and intangible assets			5,596		4,503
			3,130		282
Finance costs			4,322		3,745
Change in fair value of financial liabilities at fair value	6(e)		(201)		-
Gain on extinguishment of debt	6(a)		(2,224)		-
Loss (gain) on disposal of property and equipment			(9)		255
Share of profit of equity accounted investees (net of income tax)			(141)		(229)
			1,747		3,771
Profit (loss) before income taxes			1,383		(3,489)
Income tax provision (recovery):					
Current			2,012		565
Deferred			(1,966)		(1,468)
			46		(903)
Profit (loss)		$	1,337	$	(2,586)
Other comprehensive income (loss):					
Exchange differences on translation of foreign operation	5		(114)		-
Total comprehensive income (loss)		$	1,223	$	(2,586)
Profit (loss) attributable to:					
Non-controlling interest			(23)		-
Shareholders of Discovery Air Inc.			1,360		(2,586)
		$	1,337	$	(2,586)
Total comprehensive income (loss) attributable to:					
Non-controlling interest			(23)		-
Shareholders of Discovery Air Inc.			1,246		(2,586)
		$	1,223	$	(2,586)
Earnings per share:					
Basic earnings per share	8	$	0.09	$	(0.19)
Diluted earnings per share	8	$	0.09	$	(0.19)

See accompanying notes to the interim condensed consolidated financial statements.

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

(thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive Loss	Non-controlling interest	Total equity
Balance at January 31, 2012		$ 68,469	$ 9,727	$ 14,413	$ -	$ 89	$ 92,698
Profit (loss)		-	-	1,360	-	(23)	1,337
Other comprehensive income (loss)	5	-	-	-	(114)	-	(114)
Share-based compensation		-	4	-	-	-	4
Amendment of convertible debentures	6(e)	-	1,217	-	-	-	1,217
Balance at April 30, 2012		$ 68,469	$ 10,948	$ 15,773	$ (114)	$ 66	$ 95,142
Balance at January 31, 2011		$ 65,134	$ 7,170	$ 2,765	$ -	$ -	$ 75,069
Loss		-	-	(2,586)	-	-	(2,586)
Share-based compensation		-	16	-	-	-	16
Balance at April 30, 2011		$ 65,134	$ 7,186	$ 179	$ -	$ -	$ 72,499

See accompanying notes to the interim condensed consolidated financial statements.

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

(thousands of Canadian dollars)	Note	For the three months ended April 30, 2012	For the three months ended April 30, 2011
Cash Provided by (used in)			
Operating activities			
Profit (loss)		$ 1,337	$ (2,586)
Adjustments for:			
Current tax expense		2,012	565
Deferred tax recovery		(1,966)	(1,468)
Finance costs		4,322	3,745
Change in fair value of financial liabilities	6(e)	(201)	-
Share-based compensation		4	16
Deferred share unit compensation		(25)	110
Depreciation of property, equipment and intangible assets		5,596	4,503
Share of profit of equity accounted investees		(141)	(229)
Loss (gain) on disposal of property and equipment		(9)	255
Gain on extinguishment of debt	6(a)	(2,224)	-
		8,705	4,911
Change in non-cash operating working capital	9	(12,976)	(12,607)
Interest paid		(1,117)	(2,683)
Net income taxes paid		(107)	(18)
Net cash used in operating activities		(5,495)	(10,397)
Investing activities:			
Acquisition of property and equipment		(8,510)	(4,886)
Acquisition of subsidiary, net of cash acquired	5	(2,863)	-
Long term notes receivable collections		60	-
Proceeds on disposal of property and equipment		68	1,164
Net cash used in investing activities		(11,245)	(3,722)
Financing Activities:			
Proceeds from operating line of credit	7	5,729	13,991
Loans and borrowings transaction costs		(318)	-
Proceeds from loans and borrowings	6	34,407	-
Repayment of loans, borrowings and finance leases	6(a)	(32,743)	(3,349)
Net cash from financing activities		7,075	10,642
Foreign exchange loss on cash held in foreign currency		(5)	-
Decrease in cash		(9,670)	(3,477)
Cash, balance beginning of period		13,096	7,399
Cash, balance end of period		$ 3,426	$ 3,922

See accompanying notes to the interim condensed consolidated financial statements.

1. Reporting entity:

Discovery Air Inc. ("the Corporation") was incorporated on November 12, 2004 under the Ontario *Business Corporations Act* and on March 27, 2006 was continued under the *Canada Business Corporations Act*. The address of the registered office is 200, 4915 – 48th Street, YK Centre East, Yellowknife, Northwest Territories, X1A 2N6. Its business consists of providing aviation and aviation-related services carried out by its wholly-owned subsidiaries Great Slave Helicopters Ltd. ("Great Slave"), Air Tindi Ltd. ("Air Tindi"), Top Aces Inc. ("Top Aces"), Discovery Air Fire Services Inc. ("Fire Services") (formerly Hicks & Lawrence Limited), Discovery Mining Services Ltd. ("Discovery Mining"), Discovery Air Technical Services Inc. ("Technical Services"), and Discovery Air Innovations Inc. ("Innovations"). Certain of these wholly-owned subsidiaries also conduct a portion of their business activities through their own wholly-owned subsidiaries and through jointly controlled entities or investments in associates. Through its direct and indirect subsidiaries, the Corporation operates over 150 aircraft with approximately 850 employees. The Corporation's Class A common voting shares (the "Class A Shares") are traded on the Toronto Stock Exchange ("TSX") under the symbol "DA.A". The Corporation also has Class B common variable voting shares (the "Class B Shares"), which are not listed for trading on any exchange (the Class B Shares and the Class A Shares are collectively referred to as the "Shares").

Great Slave is a helicopter company that, directly and through its wholly-owned subsidiaries and joint venture arrangements with Aboriginal groups in northern Canada, provides services throughout Canada and in a number of international locations utilizing a fleet of owned and leased helicopters. Services are provided to private sector companies and governments in areas such as resource and base mineral exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys, tourism and flight training. Great Slave's major operations are carried out in Yellowknife, Northwest Territories and Calgary, Alberta, and has additional facilities in Fort Simpson, Fort Liard, Norman Wells and Inuvik in the Northwest Territories, Rankin Inlet in Nunavut, Churchill in Manitoba, and Dryden in Ontario. Internationally, Great Slave has operations in Peru and Chile.

Air Tindi operates a diversified fleet of fixed-wing aircraft offering scheduled and chartered passenger and cargo services, as well as air ambulance services, in northern and western Canada. Air Tindi, both directly and through joint venture arrangements with Aboriginal groups in northern Canada, provides services to a diversified customer base that includes major diamond, mineral exploration and mining companies as well as the Governments of Canada and the Northwest Territories. Air Tindi provides chartered passenger and air ambulance services from its facility in Calgary, Alberta.

Discovery Mining provides remote exploration camps and expediting, logistics and staking services to the diamond and mineral exploration sector. Based in Yellowknife, Discovery Mining conducts operations in the Northwest Territories, Nunavut, Yukon, northern Alberta, northern Saskatchewan, and northern Ontario.

Top Aces provides airborne training services to the Canadian Department of National Defence and Canadian Forces ("DND"). Top Aces provides a variety of military training ranging from simulated combat to target tow. Top Aces has bases throughout Canada and operates internationally.

Fire Services is an Ontario-based aviation company that provides aerial fire management services to the Province of Ontario, utilizing aircraft from bases located in northern Ontario. Fire Services also provides air charter services to the Ontario government and various other corporate entities which conduct business in northern Ontario. Fire Services, through its Discovery Aviation Academy, also provides recreational and commercial flight training programs from its Sudbury, Ontario facility.

Technical Services' maintenance division based in Quebec City, Quebec provides a range of in-house capabilities, including welding, avionics, engineering, machining, heat treatment, plating, composite, non-destructive testing and sheet metal repairs. The engineering division based in Toronto, Ontario provides aircraft upgrade and modification design services, with experience working on civil and military fixed and rotary wing aircraft. Technical Services owns a majority stake in a subsidiary that carries on business as, Aero Vision Technologies International ("AVTi"), which specializes in the development of aviation software and imaging technology.

Innovations acts as the Corporation's business development arm, focused on identifying, pursuing and capitalizing on new market opportunities.

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

Some of the seasonal factors that impact quarterly results are as follows: there is increased demand for the services provided by Great Slave, Fire Services, Air Tindi and Discovery Mining normally commencing in the late spring and continuing through to the end of the summer; Top Aces' revenue-generating opportunities are significantly higher in the February to June and September to 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 weather conditions and its customers' priorities; weather conditions can have an impact on flight activity from one period to another, especially in the Corporation's fire suppression activities; the Corporation attempts to perform most major repairs and refurbishment during the slower periods of revenue-generating potential; and repair and maintenance on aircraft do not occur evenly throughout the year and the timing of related expenses within a year may vary from one period to another.

2. Basis of preparation:

(a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's consolidated financial statements for the year ended January 31, 2012, which were prepared in accordance with International Financial Reporting Standards. Effective February 1, 2012, the Corporation revised its reportable operating segments (see note 4).

(b) Basis of measurement:

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for liabilities for cash-settled share-based payment arrangements and embedded derivatives in the Corporation's 10.00% secured convertible debentures (the "Secured Debentures") (see note 6(e)), which were measured at fair value.

(c) Functional and presentation currency:

These interim condensed consolidated financial statements are presented in Canadian dollars. The Corporation has a Chilean subsidiary which has a functional currency of the Chilean Peso (see note 5). The consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations in translating the revenues and expenses of its operations in Chile to Canadian dollars. The assets and liabilities of the Corporation's Chilean subsidiary are translated to Canadian dollars at exchange rates applicable at each reporting date. Income and expenses are translated to Canadian dollars at exchange rates applicable at the dates of the transactions. Foreign currency translation differences relating to the impact of changes in exchange rates on the net assets of the Chilean subsidiary are recognized in other comprehensive income. The Corporation's remaining subsidiaries have a functional currency of the Canadian dollar.

(d) Future accounting standards:

A number of new standards, and amendments and interpretations of standards, are not yet effective for the quarter ended April 30, 2012, and have not been applied in preparing these interim condensed consolidated financial statements. Management is currently reviewing such standards to determine the impact on the Corporation's financial statements.

3. Significant accounting policies:

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the Corporation's most recent annual audited consolidated financial statements for the year ended January 31, 2012.

4. Segmented information:

Effective February 1, 2012, the Corporation revised its reportable segments from "Northern Services", which included Great Slave, Air Tindi and Discovery Mining; and "Government Services", which included Top Aces, Fire Services and Technical Services to "Aviation", which includes Great Slave, Top Aces, Air Tindi and Fire Services; and "Corporate Support and Other", which includes Technical Services, Discovery Mining, Innovations and Corporate. In assessing the reportable segment, the Corporation considered the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The revised reportable segments reflect the changing environment noted in the operating units and management's focus on allocating resources and measuring performances. The Aviation segment now captures operating units with similar core nature of operations. The Aviation segment aggregates the operations that have substantially the same basis of deriving revenues, infrastructure to conduct operations and regulatory environment.

Corporate Support and Other contains operating units which do not meet the basis for aggregation under Aviation and individually represent less than 10% of the Corporation's total assets, annual revenues and annual earnings. Corporate reflects direct corporate overhead costs.

The change in segment reporting had no impact on the Corporation's interim condensed consolidated statements of financial position, statement of income or cash flows for any periods.

The Aviation segment includes business entities that are economically reliant upon a single customer. Top Aces' revenue is primarily derived from Standing Offer Agreements ("SOAs") to provide airborne training services to the DND. These SOAs were extended in January 2011 for a further 16-month period, with an option in favour of DND to extend the SOAs for an additional 12 months thereafter. In November 2011, the Government of Canada exercised its option to extend the Standing Offers to June 2013.

In October 2010, Top Aces submitted a proposal in response to a request for proposals (the "2010 RFP") for contracted airborne training services ("CATS") issued by Public Works and Government Services Canada ("PWGSC"). The 2010 RFP was cancelled in early calendar 2011 (Fiscal 2012), with PWGSC indicating its intention to issue a new request for proposals for a long term CATS program. PWGSC reissued a request for proposals in August 2011 (the "2011 RFP") with substantially the same requirements as the 2010 RFP. Top Aces submitted a proposal in November 2011; however, the 2011 RFP was cancelled in November 2011. PWGSC has recently initiated a consultation process in anticipation of the issuance of a further solicitation for CATS.

Fire Services' revenue from aerial fire management services is derived from three, five-year contracts, entered into in 2010, with the Government of Ontario. The continuation of each contract for each new fiscal year is conditional upon a sufficient appropriation of funds by the Government of Ontario. Given the nature of the services being provided, the Corporation's management believes that it is unlikely that the appropriation of funds for these contracts will be discontinued. Any one of the contracts may be terminated by the Government of Ontario (i) upon the occurrence of certain events of default, including the insolvency of Fire Services or a breach by Fire Services of specified material terms or conditions of the contract, and (ii) without cause by giving 30 days prior written notice to Fire Services.

DISCOVERY AIR INC.

Notes to Interim Condensed Consolidated Financial Statements (continued)
(unaudited)

For the three months ended April 30, 2012 and 2011

(thousands of Canadian dollars)	April 30, 2012			April 30, 2011		
	Aviation	Corporate Support and Other	Total	Aviation	Corporate Support and Other	Total
Revenue	47,682	5,251	$ 52,933	33,201	4,048	$ 37,249
Expenses	36,397	7,810	44,207	26,450	6,014	32,464
Depreciation of property and equipment and intangible assets	5,353	243	5,596	4,380	123	4,503
	5,932	(2,802)	3,130	2,371	(2,089)	282
Finance costs			4,322			3,745
Change in fair value of financial liabilities at fair value			(201)			-
Gain on extinguishment of debt			(2,224)			-
Loss (gain) on disposal of property and equipment			(9)			255
Share of profit of equity accounted investees (net of income tax)			(141)			(229)
Profit (loss) before income tax			1,383			(3,489)
Income tax provision (recovery)						
Current			2,012			565
Deferred			(1,966)			(1,468)
Profit (loss)			$ 1,337			$ (2,586)
Loss attributable to non-controlling interest			(23)			-
Profit (loss) attributable to shareholders of Discovery Air Inc			$ 1,360			$ (2,586)
Segment assets	$ 281,106	$ 14,779	$ 295,885	$ 249,535	$ 15,205	$ 264,740
Capital expenditures	$ 11,468	$ 1,238	$ 12,706	$ 4,904	$ 233	$ 5,137

5. Business combinations:

On February 2, 2012, the Corporation, through Great Slave, purchased 100% of Helicopers.cl SpA (formerly, Servicios Aereos Helicopters.cl Ltda) ("SAL") and its subsidiaries. SAL was acquired due to its good strategic fit with Great Slave`s South American operations, providing helicopter services to domestic and multinational customers in Chile's mining, power construction and forestry sectors. SAL has two main operating bases in central and southern Chile, and currently operates a fleet of up to 10 intermediate and medium sized helicopters. The Chilean Peso is SAL's functional currency. Foreign exchange gains and loss arising from translating SAL's results and financial position into Canadian dollars are recorded in other comprehensive income.

The purchase price consisted of cash consideration of $2.5 million and contingent consideration of $4.5 million, payable in two installments on December 31, 2012 and on December 31, 2013. The contingent payments are based on a multiple of expected profit before income tax depreciation and amortization, adjusted for long term debt assumed and working capital requirements. The Corporation estimated the total purchase price to be $7.0 million. The contingent liability is recorded at its present value and will accrete to the face value of the liability at the scheduled payment dates. The purchase price allocation has not been finalized as the Corporation continues to assess the fair values of the assets acquired. The Corporation expects to finalize the purchase price allocation before the end of Fiscal 2013.

On February 20, 2012 the Corporation entered into an asset purchase agreement to acquire the assets of Northern Air Support ("NAS"). A deposit of $0.5 million was paid during the three months ended April 30, 2012. The deposit has been included in property and equipment in the Interim Condensed Consolidated Statements of Financial Position and included in investing activities on the Interim Condensed Consolidated Statements of Cash Flows under acquisition of subsidiary, net of cash acquired. On May 2, 2012 the asset purchase was finalized (see Subsequent events (note 12(b)) for more details).

6. Loans and borrowings:

(thousands of Canadian dollars)

	Note	April 30, 2012	April 30, 2011	January 31, 2012
Long-term secured debt bearing interest at the lender's floating base rate plus 3.00%, maturing March 15, 2017	6(b)	$ 15,541	$ -	$ -
Long-term secured debt bearing an interest at the BA rate plus 4.55%, maturing March 26, 2017	6(c)	14,052	-	-
Secured, 91-day term loan bearing an interest at 9.5% per annum	6(d)	4,500	-	-
10.00% secured convertible debentures, maturing March 22, 2017	6(e)	69,316	-	67,293
8.375% unsecured convertible debentures, maturing June 30, 2016		31,052	-	30,890
Long-term secured debt bearing a fixed interest rate of 10.00%, maturing February 1, 2013	6(a)	-	33,465	33,687
Long-term secured debt incurred by subsidiary companies bearing fixed and floating interest rates at a weighted average of 5.88% (January 31, 2012 - 7.48%, April 30, 2011 - 7.14%), maturing fiscal 2013 through fiscal 2016		966	1,960	540
8.75% unsecured convertible debentures		-	28,243	-
Long-term secured debt bearing a interest rate of 90 day BA rate plus 7.65%		-	44,368	-
Long-term secured debt incurred by a subsidiary bearing an interest rate of floating base bank rate plus 4.50%		-	11,390	-
Secured subordinated notes payable to officers and directors of the Corporation and its subsidiaries bearing an interest at prime plus 1.25%		-	13,264	-
Secured demand loan bearing an interest rate of 10.00% per annum		-	3,533	-
Loans and borrowings		$ 135,427	$ 136,223	$ 132,410
Less current portion of loans and		8,124	50,981	112
		$ 127,303	$ 85,242	$ 132,298

(a) On March 26, 2012, the Corporation repaid the $34.0 million term loan (the "$34 Million Term Loan") in full, ten months prior to its February 1, 2013 maturity. To repay this loan and related transaction costs, the Corporation entered into: two new credit facilities totaling $29.9 million (see notes 6(b) and (c) below), and a $4.5 million bridge loan from a related party (see note 6(d) below). The repayment of the $34 Million Term Loan was reduced by $2.2 million, comprised of a $2.0 million discount and $0.2 million in accrued interest, in return for the Corporation retiring it prior to maturity.

(b) On March 26, 2012, the Corporation entered into a $20.0 million term loan agreement to refinance a portion of the $34 Million Term Loan (see note 6(a)) and to fund the purchase of additional aircraft. As at April 30, 2012, $15.7 million was outstanding under this term facility and an additional $4.3 million can be drawn on or before March 23, 2014. The loan matures on March 15, 2017 and is repayable in monthly instalments of $167,000 plus interest, with the balance due at maturity. The loan bears an interest rate equal to the lender's floating base rate plus 3.00% per annum. The loan is secured by a charge on specific aircraft, as well as certain subsidiary guarantees and general security agreements. Transaction costs of $161,000 are netted against the carrying value of the loan and are being accreted to the loan's face value based on its effective interest rate of 4.99% per annum. The agreement requires that the Corporation observe a variety of non-financial covenants and maintain a minimum fixed charge coverage.

(c) On March 26, 2012 the Corporation entered into four term loan agreements for an aggregate principal amount of $14.2 million to refinance a portion of the $34 Million Term Loan (see note 6(a)) and to fund the purchase of additional aircraft. As at April 30, 2012, an additional $2.2 million can be drawn under a separate loan agreement with this lender on or before September 30, 2012. The loans mature on March 26, 2017 and are repayable in aggregate monthly instalments of $185,000 plus interest payments, with the balance due at maturity. The loans bear an interest at a rate equal to the one-month Canadian dollar banker's acceptance rate ("BA rate") plus 4.55% per annum. The loans are secured by charges on specific aircraft, as well as certain subsidiary guarantees and general security agreements. Transaction costs of $157,000 are netted against the carrying value of the loan and are being accreted to the loan's face value based on the loan's effective interest rate of 5.97% per annum. The agreements require that the Corporation observe a variety of non-financial covenants, maintain a minimum fixed charge coverage and not exceed a specified level of leverage.

(d) On March 26, 2012 the Corporation entered into a $4.5 million bridge loan agreement with a related party. The bridge lender is a related party as it is an affiliate of Clairvest Group Inc. whose affiliates and investors in certain of its funds hold approximately $58.3 million adjusted principal amount of the Secured Debentures and have certain director nomination rights. The bridge loan has a 91-day term and bears interest at 9.5% per annum with interest payable monthly and is secured by way of certain guarantees and real estate previously pledged as security for the $34 Million Term Loan. No financing fees were payable in connection with the bridge loan, and the bridge loan is not convertible into securities of the Corporation.

(e) On March 22, 2012, $3.5 million of accrued interest that is payable-in-kind was added to the adjusted principal amount of the Secured Debentures. As at April 30, 2012, the loan balance included accrued interest of $0.7 million. As at January 31, 2012, the loan balance included $2.5 million in accrued interest.

The Secured Debentures were amended to, among other things, facilitate the early repayment of the $34 Million Term Loan. The amendments also included, but where not limited to, revised language as to when and in what circumstances, the existing maturity date (presently set at March 22, 2017) of the Secured Debentures can be changed; revised language as to when and in what circumstances, the Corporation (as borrower) can early redeem the Secured Debentures; and new language requiring the consent of the holders of the Secured Debentures in the event that the Corporation issues equity securities or securities convertible into equity securities at a price less than the current conversion price of the Secured Debentures. As a result of these amendments, the conversion feature in the Secured Debentures will no longer be classified as a liability that is recorded at fair value each reporting period, but will instead will be classified as equity and included in contributed surplus. The amendment of the terms was not considered a significant modification of the Secured Debentures. However, the fair value of the liability related to the conversion feature was considered extinguished upon the amendment of the Secured Debentures. Accordingly, prior to extinguishment a final mark-to-market adjustment of $0.2 million was recorded in profit.

(f) As at April 30, 2012, the Corporation was in compliance with all covenants related to debt.

Repayments on or in respect of the above-listed outstanding loans and borrowings as at April 30, 2012 for each of the next five years and thereafter are as follows:

(thousands of Canadian dollars)		
Within 1 year	$	8,124
Within 2 years		3,719
Within 3 years		3,829
Within 4 years		3,839
Within 5 years		46,600
Thereafter		69,316
Total	$	135,427

Interest on or in respect of loans and borrowings for the three months ending April 30, 2012 totalled $3.6 million (April 30, 2011 - $3.2 million).

7. Operating line of credit:

The Corporation has a secured demand operating line of credit (the “Operating Line”) to finance its working capital requirements. The Operating Line bears interest at a rate of 13.00% per annum and is repayable on October 31, 2012 or earlier upon demand by the lender. The Operating Line has a maximum borrowing limit of $15.0 million, increasing to $25.0 million during the Corporation’s peak operating period of March through November, which is restricted by a lending margin applied to eligible accounts receivable and inventory, subject to an allowance for specific reserves.

On March 26, 2012, the Corporation also amended certain terms of the Operating Line. Among other things, these amendments allowed the Corporation to formalize a new intercreditor agreement, facilitate future borrowings by the Corporation from other non-operating lenders, extend the peak borrowing period to begin in March instead of April, increased the stand by fee to 2%, and change the borrowing margin applied to eligible accounts receivable and inventory.

As at April 30, 2012, the Corporation had available a borrowing capacity of $18.9 million, against which it had drawn $5.7 million (January 31, 2012 – nil, April 30, 2011 - $14.0 million). The Operating Line is secured by a first charge over the accounts receivable and inventories of all of the Corporation’s operating entities (except inventories of Top Aces), as well as a floating charge over all other assets of the Corporation and its subsidiaries (except real estate), subject to specific permitted encumbrances. As at April 30, 2012, the Corporation was in compliance with all covenants related to the Operating Line.

8. Earnings per share:

(thousands of Canadian dollars, except per share amounts)	for the three months ended April 30, 2012	April 30, 2011
Basic earnings per share:		
Profit (loss) attributable to holders of Common Shares	$ 1,360	$ (2,586)
Weighted average number of Common Shares outstanding (post - consolidation)	14,556	13,520
Basic earnings (loss) per share	$ 0.09	$ (0.19)

As at April 30, 2012, the conversion features of the convertible debentures were anti-dilutive. The employee stock options were dilutive; however, these had an immaterial impact on the Corporation's earnings per share. As at April 30, 2011, all employee stock options and the conversion feature on the 8.75% unsecured convertible debentures were anti-dilutive.

9. Change in non-cash operating working capital:

(thousands of Canadian dollars)	April 30, 2012	April 30, 2011
Restricted cash	$ -	$ 200
Trade and other receivables	(12,339)	(13,524)
Inventory	(1,486)	727
Prepaid expenses	(2,534)	(2,562)
Trade and other payables	3,383	2,552
	$ (12,976)	$ (12,607)

10. Commitments and contingencies:

The Corporation has annual lease obligations for aircraft and premises. During the three months ending April 30, 2012, the Corporation incurred $4.1 million (April 30, 2011 - $2.1 million) in operating lease expense. Future minimum lease payments under non-cancellable leases are due as follows:

(thousands of Canadian dollars)	
Within 1 year	$ 4,149
Within 2 years	1,316
Within 3 years	614
Within 4 years	419
Within 5 years	387
Thereafter	8,129
	$ 15,014

The lease terms range from a period of 1 to 50 years, the majority of which are renewable at the end of the lease term at market rates.

The Corporation is committed to purchase additional aircraft, related inventory, service contracts and a group of assets that are considered a business combination (note 12) for a total cost of $19.7 million. The Corporation provided non-refundable deposits totalling $1.6 million (January 31, 2012 - $1.1 million and April 30, 2011 - $0.3 million), which will be applied to the final purchase of aircraft and business combinations.

As at April 30, 2012, the Corporation had $0.6 million of restricted cash, which is required to collateralize contingent exposures. Included in this balance are letters of credit totalling $0.2 million. The letters of credit serve as collateral for customer contracts and certain contractual obligations of the Corporation's subsidiaries.

11. Comparative figures:

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.

12. Subsequent events:

(a) On May 2, 2012, the Corporation entered into a $15 million term loan agreement to fund the purchase of additional aircraft. $13.9 million was drawn on May 4, 2012 to purchase the aircraft of NAS and two additional aircraft (as noted below in 12(b) and (c)). The loan matures on February 15, 2016, and is repayable through an annual curtailment each December equal to 1/10th of the original amounts drawn and monthly payments of interest. The loan bears an interest rate equal to the greater of: 4.50% and the lender's floating base rate plus 1.50% per annum. The loan is secured by a charge on specific aircraft, as well as certain subsidiary guarantees and general security agreements. The agreement requires that the Corporation observe a variety of non-financial covenants, maintain a minimum fixed charge coverage and not exceed a specified level of leverage.

(b) On May 4, 2012 the Corporation completed the purchase of NAS' assets for $9.4 million. This purchase fulfills Great Slave's search for a partner in the British Columbia market. NAS is a helicopter charter company serving the western Canadian mining, forestry and oil and gas seismic sectors with bases in Kelowna, British Columbia and Rocky Mountain House, Alberta. The purchase price allocation is currently being finalized.

(c) Subsequent to April 30, 2012, the Corporation purchased four additional aircraft for a total purchase price of $10.2 million. Two of these aircraft are included in the commitment for $19.7 million that existed as at April 30, 2012 (see note 10).

(d) Subsequent to April 30, 2012, the Corporation entered into a commitment to purchase aircraft for $2.6 million.