DISCOVERY AIR

Interim Condensed Consolidated Financial Statements
April 30, 2015
(Unaudited)

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(thousands of Canadian dollars)	Note	April 30, 2015	January 31, 2015
Assets			
Current assets:			
Cash		**$ 384**	$ 661
Restricted cash		**1,682**	955
Trade and other receivables		**38,101**	27,398
Income taxes receivable		**187**	310
Inventory		**25,998**	26,851
Prepaid expenses and other		**13,777**	11,586
Assets held for sale	4	**1,012**	1,732
		81,141	69,493
Property and equipment	5	**201,473**	180,388
Long term receivables		**1,391**	1,472
Goodwill		**37,861**	37,861
Intangible assets		**2,198**	2,818
Investments in associates		**5,078**	4,715
		$ 329,142	$ 296,747
Liabilities and Shareholders' equity			
Current liabilities:			
Operating line of credit	7	**$ 21,968**	$ 11,325
Trade and other payables		**33,005**	30,525
Current portion of loans and borrowings	6	**9,422**	5,998
		64,395	47,848
Loans and borrowings	6	**170,220**	157,659
Deferred income taxes		**14,534**	16,214
		184,754	173,873
Shareholders' equity:			
Share capital	8	**93,713**	83,041
Contributed surplus		**11,599**	11,586
Deficit		**(26,120)**	(21,827)
Accumulated other comprehensive income		**801**	2,226
Total equity		**79,993**	75,026
		$ 329,142	$ 296,747

See accompanying notes to the interim condensed consolidated financial statements.

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Loss

(Unaudited)

(thousands of Canadian dollars, except per share amounts)	Note	For the three months ended April 30, 2015	April 30, 2014
Revenue		**$ 42,415**	$ 41,083
Expenses		**40,620**	42,492
		1,795	(1,409)
Depreciation of property, equipment and intangible assets		**5,090**	5,273
Finance costs		**4,511**	4,669
Share of profit from associates (net of income tax)		**(626)**	(450)
Gains on disposal of equipment		**(1,095)**	(12)
		7,880	9,480
Loss before income taxes		**(6,085)**	(10,889)
Income tax provision (recovery):			
Current		**123**	-
Deferred		**(1,754)**	(3,153)
		(1,631)	(3,153)
Loss		**$ (4,454)**	$ (7,736)
Basic and diluted loss per share	9	**$ (0.07)**	$ (0.48)

Interim Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

(thousands of Canadian dollars)	April 30, 2015	April 30, 2014
Loss	**$ (4,454)**	$ (7,736)
Other comprehensive loss:		
Exchange differences on translation of foreign operations	**(1,425)**	(469)
Total comprehensive loss	**$ (5,879)**	$ (8,205)

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 income (loss)	Total equity
Balance at January 31, 2015		**$ 83,041**	**$ 11,586**	**$ (21,827)**	**$ 2,226**	**$ 75,026**
Loss		**-**	**-**	**(4,454)**	**-**	**(4,454)**
Other comprehensive (income) loss		**-**	**-**	**161**	**(1,425)**	**(1,264)**
Share-based compensation		**-**	**13**	**-**	**-**	**13**
Recent Rights Offering (net of transaction costs)	8	**10,672**	**-**	**-**	**-**	**10,672**
Balance at April 30, 2015		**$ 93,713**	**$ 11,599**	**$ (26,120)**	**$ 801**	**$ 79,993**
Balance at January 31, 2014		$ 68,469	$ 11,353	$ (2,946)	$ (22)	$ 76,854
Loss		-	-	(7,736)	-	(7,736)
Other comprehensive loss		-	-	-	(469)	(469)
Share-based compensation		-	54	-	-	54
Initial Rights Offering (net of transaction costs)	8	1,268	-	-	-	1,268
Balance at April 30, 2014		$ 69,737	$ 11,407	$ (10,682)	$ (491)	$ 69,971

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	**April 30, 2015**	April 30, 2014
Cash provided by (used in)			
Operating activities:			
Loss		**$ (4,454)**	(7,736)
Adjustments for:			
Current tax provision		**123**	-
Deferred tax recovery		**(1,754)**	(3,153)
Finance costs		**4,511**	4,669
Share-based compensation		**(8)**	(260)
Depreciation of property, equipment and intangible assets		**5,090**	5,273
Share of profit from associates (net of income tax)		**(626)**	(450)
Gain on disposal of equipment		**(1,095)**	(12)
		1,787	(1,669)
Change in non-cash operating working capital	10	**(10,689)**	(7,572)
Interest paid		**(891)**	(1,004)
Net income taxes received		**-**	143
Net cash used by operating activities		**(9,793)**	(10,102)
Investing activities:			
Dividends received		**257**	-
Acquisition of property and equipment		**(7,016)**	(4,134)
Long term receivable collections		**75**	135
Proceeds on disposal of property and equipment	4	**1,111**	8
Net cash used in investing activities		**(5,573)**	(3,991)
Financing activities:			
Proceeds from operating line of credit	7	**10,643**	13,633
Loans and borrowings transaction costs		**(255)**	(207)
Proceeds from loans and borrowings	6	**-**	23,088
Repayment of loans, borrowings and finance leases	6	**(6,524)**	(23,689)
Rights Offering	8	**11,000**	1,268
Net cash provided by financing activities		**14,864**	14,093
Increase (decrease) in cash		**(502)**	-
Effect of exchange rate changes on cash and cash equivalents		**225**	-
Cash, balance beginning of period		**661**	-
Cash, balance end of period		**$ 384**	$ -

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 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**"). The address of the registered is 170 Attwell Drive, Suite 370, Toronto, Ontario. The Corporation operates through two business segments, "**Aviation**" and "**Corporate Support and Other**". Through direct and indirect subsidiaries, the Corporation operates 148 aircraft with approximately 910 team members.

2. Basis of preparation:

Statement of compliance:

The Corporation prepares its interim condensed consolidated financial statements in accordance with International Accounting Standard ("**IAS**") 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 audited annual consolidated financial statements for the year ended January 31, 2015, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

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, 2015.

Unless otherwise noted, the following revised standards and amendments are effective for the Corporation on or after February 1, 2015.

The Corporation adopted various annual amendments including the disclosure on the aggregation of operating segments in IFRS 8, Operating Segments, and the definition of related party in IAS 24, Related Party Disclosures. The adoption of these amendments did not have a material impact on the Corporation's consolidated financial statements

In July 2014, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities. IFRS 9 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of the new standard on its financial statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of the new standard on its financial statements.

4. Assets held for sale:

In January 2015, the Corporation committed to a plan to dispose of two aircraft. Accordingly, the aircraft were valued at the lower cost and fair value less costs to dispose as at January 31, 2015. During the three months ended April 30, 2015, one aircraft was sold, and one remained held for sale. This held for sale aircraft was sold subsequent to April 30, 2015 in May 2015. No gain or loss was recorded on the disposal of this aircraft.

5. Property and Equipment:

On April 1, 2015, the Corporation purchased three aircraft for USD $13.3 million (CAD $16.7 million). The purchase of each aircraft was financed by an 8 year secured term loan (see note 6(c)) and a short term loan with a related party (see note 6(g)).

6. Loans and borrowings:

(thousands of Canadian dollars)

	Note	**April 30, 2015**	January 31, 2015
10.00% secured convertible debentures, maturing March 22, 2017 ("**Secured Debentures**") *(Subsequent to April 30, 2015 maturity was extended to September 30, 2017)*	6(a)	$ 91,053	$ 93,578
8.375% unsecured convertible debentures, maturing June 30, 2018 ("**Unsecured Debentures**")	6(b)	33,430	33,206
Long-term secured debt bearing interest at the BA rate plus 5.15%, maturing April 1, 2019	6(d)	15,907	16,724
Long-term secured debt bearing interest at prime rate plus 3.05%, maturing April 1, 2023	6(c)	14,819	-
Long-term secured debt bearing interest of lender's base rate plus 3.00%, maturing October 15, 2017	6(e)	13,700	13,857
Short-term unsecured debt bearing a fixed interest rate of 8.00%, maturing June 25, 2015	6(f)	3,129	-
Short-term unsecured debt bearing a fixed interest rate of 8.00%, maturing June 25, 2015	6(g)	1,701	-
Long-term secured debt bearing interest at the BA rate plus 4.55%, maturing March 1, 2019	6(h)	1,378	1,410
Long-term unsecured debt bearing a fixed interest rate of 9.00%, maturing July 22, 2015	6(i)	500	740
Long-term secured debt incurred by subsidiary companies bearing fixed and floating interest rates at a weighted average of 2.79% (January 31, 2015 - 3.16%), maturing fiscal 2016 through fiscal 2018		564	606
Finance leases		3,461	3,536
Loans and borrowings		**$ 179,642**	$ 163,657
Less current portion of loans and borrowings		**$ 9,422**	$ 5,998
		$ 170,220	$ 157,659

(a) On March 16, 2015, $5.0 million of accrued interest was repaid upon completing the rights offering announced on January 19, 2015 ("**Recent Offering**") (see note 8). As a result of the repayment the Secured Debentures are convertible into 8,814,148 Shares (formerly, 9,291,824 Shares).

On March 22, 2015, $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, 2015, the loan balance included accrued interest of $1.0 million (January 31, 2015 - $7.3 million).

On May 26, 2015, the Secured Debenture holders, Clairvest Group Inc. and its affiliates ("**Clairvest**"), agreed to extend the maturity date to September 30, 2017 and amend covenants (see note 6(j)).

(b) As a result of the Recent Offering (see note 8) the Unsecured Debentures conversion price changed to $5.07 per Share (formerly $6.53 per Share) for a potential debt conversion to Class A Shares of 6,804,734 (adjusted from 5,283,308).

On November 27, 2014, the holders of the Unsecured Debenture voted in favor of two amendments to the Unsecured Debentures. As a result: a) the definition of "change of control" was amended to allow for any shareholder controlling in excess of 10% of the Corporation's common shares as at the date of the amendment, to increase its equity interest above 50% without requiring the Company to repurchase the Unsecured Debentures; and b) the maturity date was extended from June 30, 2016 to June 30, 2018. The extension was subject to the Corporation completing, prior to June 29, 2016, an equity offering of Shares for minimum aggregate net proceeds of $5.0 million. The Corporation satisfied the equity offering requirement upon completing the Recent Offering (see note 8).

(c) On April 1, 2015, the Corporation entered into three loan agreements, each for $5.8 million, to purchase three new aircraft and related modifications. The lender has retained $0.8 million per aircraft until the modifications are complete. The loans are expected to mature on April 1, 2023. For the period of April 1, 2015 to August 1, 2015 the Corporation will make interest only payments. The loans bear interest at the Canadian prime rate plus 3.05% per annum. Two of the loans are repayable commencing August 1, 2015 with estimated blended monthly instalments of $75,000 for twenty four months, and estimated payments of $62,000 per month thereafter, with the balance due at maturity. The third loan is repayable commencing August 1, 2015 with estimated blended monthly instalments of $80,000 for five months, followed by four months of interest only payments while modifications to the aircraft are completed, then returning to estimated blended payments of $80,000 commencing May 1, 2016 for fifteen months, and estimated payments of $64,000 per month thereafter, with the balance due at maturity. In addition, commencing on August 1, 2015 the Corporation will make monthly payments of $13,000 per aircraft to the lender for engine reserves. Transaction costs of $256,000 are netted against the carrying value of the loan and are being accreted to the loan's face value based on an effective interest rate of 6.25% per annum. The loans are secured by a first charge on the aircraft purchased. The agreement requires that the Corporation observe a variety of non-financial covenants.

(d) On March 31, 2014, the Corporation entered into a $21.5 million term loan agreement to refinance five existing loans. The loan matures on April 1, 2019 and bears interest at a rate equal to the three-month Canadian dollar bankers' acceptance rate ("**BA rate**") plus 5.15% per annum. The loan is secured by charges on specific aircraft, as well as certain subsidiary guarantees and general security agreements. The agreement requires that the Corporation observe a variety of nonfinancial covenants, maintain a minimum debt service coverage ratio and not exceed a specified level of total liabilities to tangible net worth.

On March 4, 2015, the loan was amended, subject to certain conditions, to reduce the scheduled principal repayments to $0.1 million for the period April 1, 2015 to June 30, 2015, defer scheduled principal payments for the period of July 1, 2015 to September 30, 2015, require monthly payments of $0.2 million thereafter, and reduce the minimum fixed charge coverage ratio until and including the period ended January 31, 2016 (see note 6(j)).

(e) On March 26, 2012, the Corporation entered into a $20.0 million term loan agreement to refinance a portion an existing debt. 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. The agreement requires that the Corporation observe a variety of non-financial covenants and maintain a minimum fixed charge coverage (see note 6(j)).

On March 3, 2015, the loan was amended to defer scheduled principal payments for six months, extend the maturity to October 15, 2017, and to reduce the minimum fixed charge coverage until and including the period ended January 31, 2016.

(f) On April 24, 2015, the Corporation entered into an unsecured short term loan with Clairvest to fund additional deposits on aircraft. These deposits are included in prepaid expenses and other and are refundable under certain conditions. Total aircraft deposits included in prepaid expense and other are USD $6.7 million (CAD $7.6 million). The loan matures on June 25, 2015 and bears interest at 8% per annum.

(g) On March 30, 2015, the Corporation entered into as unsecured short term loan with Clairvest to provide additional financing for the aircraft purchased during the three months ended April 30, 2015 (see note 5 and note 6(c)). The loan matures on June 25, 2015 and bears interest at 8% per annum.

(h) On January 31, 2014, the Corporation entered into a $1.6 million term loan agreement to finance a previously acquired aircraft. The loan matures on March 1, 2019 and is repayable in monthly instalments of $19,000, with the balance due at maturity. The loan bears interest at a rate equal to the three-month Canadian dollar BA rate plus 4.55% per annum. The loan is secured by charge on the aircraft, as well as certain subsidiary guarantees and general security agreements. The agreement requires that the Corporation observe a variety of nonfinancial covenants, maintain a minimum fixed charge coverage and not exceed a specified level of leverage (see note 6(j)).

On March 4, 2015, the loan was amended to defer scheduled principal payments for six months, require monthly payments of $20,000 thereafter, and reduced the minimum fixed charge coverage ratio until and including the period ended January 31, 2016.

(i) On June 22, 2012, the Corporation entered into a $4.5 million term loan agreement to refinance a maturing debt. On June 12, 2014 the loan was amended to postpone the principal payments for three months, and adjust the maturity date to July 22, 2015. The loan bears a fixed interest rate of 9.00% and is payable monthly. The loan is secured by a subordinated general security agreement with the Corporation and certain of its subsidiaries. The agreement requires that the Corporation observe a variety of non-financial covenants and maintain a minimum fixed charge coverage (see note 6(j)).

On March 2, 2015, the loan was amended to reduce the minimum fixed charge coverage for the remaining term of the loan.

(j) The Corporation is required to maintain a minimum fixed charge coverage ratio and minimum debt service coverage ratio under several loan agreements. The Corporation is also required to comply with several other financial covenants in its debt agreements, including: a debt leverage covenant, which requires the Corporation to maintain a total debt to EBITDA (as specifically defined in the Secured Debentures) ratio of not more than 6.00:1.00 (the "**Debt Leverage Covenant**"), and a pledged asset ratio covenant, which requires the Corporation to provide the holders of the Secured Debentures with a first-lien security interest over assets having an appraised value equal to a prescribed ratio of the adjusted principal amount of the Secured Debentures (the "**PAR Covenant**"); a trailing four quarter consolidated EBITDAR to fixed charge ratio; a debt service coverage ratio; a total liabilities to tangible net worth ratio; and a total funded debt to EBITDAR ratio. The Corporation's ability to remain in compliance with its financial covenants is dependent on a number of factors, including (i) the profitability of its operations, (ii) its ability to generate cash flows, and (iii) the value of the security pledged to its lenders in relation to its debt levels. Since interest on the Secured Debentures is paid in kind (i.e., accrues and is added to the principal amount of the Secured Debentures), the aggregate value of the assets that must be pledged to remain in compliance with the PAR Covenant increases over time.

In March 2015, the Secured Debentures were amended to increase the Debt Leverage Covenant to 9.00:1.00 and increase EBITDA for the purpose of the covenant calculation for the periods April 30, 2015 until and including the period ended January 31, 2016 and decrease the PAR Covenant to 1.37:1.00 for the period ending January 31, 2016. Further in May 2015, the PAR covenant was amended to 1.37:1.00 for the period ending April 30, 2016.

Lenders' consent is required to incur additional indebtedness beyond a defined amount, pay dividends or make other distributions or repurchase or redeem its capital stock, prepay, redeem or repurchase certain debt, sell assets, and move aircraft internationally. There is no assurance that following the periods covered by the waivers that the Corporation will be able to remain in compliance with the Debt Leverage Covenant or the PAR Covenant.

The Corporation was in compliance with all financial and non-financial covenants as at April 30, 2015.

Repayments on or in respect of the outstanding loans and borrowings as at April 30, 2015 for each of the next five years and thereafter are as follows:

(thousands of Canadian dollars)		
Within 1 year	$	9,422
Within 2 years		5,858
Within 3 years		105,194
Within 4 years		47,291
Within 5 years		1,609
Thereafter		10,268
Total	$	179,642

Interest expense on or in respect of loans and borrowings for the three months ended April 30, 2015, was $4.1 million (April 30, 2014 - $4.1 million).

7. Operating line of credit:

On August 1, 2012, the Corporation entered into a committed operating line of credit ("**Operating Line**") that was expected to mature on April 9, 2015. This Operating Line was extended to May 28, 2015. On May 26, 2015 a new operating line of credit was executed with the same financial institution ("**New Operating Line**" see note 15). The Operating Line bears interest at the lender's prime rate plus 2% with an option to use bankers' acceptance rates upon payment of a 3% stamping fee. The Operating Line has a maximum borrowing limit of $15.0 million, increasing up to $25.0 million during the Corporation's peak season. Aggregate borrowings are also limited to eligible accounts receivable and inventory, subject to an allowance for specific reserves. The Operating Line, which may be used by the Corporation for working capital and general corporate purposes, is secured by a first charge on the receivables and inventory of the Corporation and certain of its subsidiaries, general security agreements and other customary security agreements. The credit agreement requires that the Corporation observe a variety of nonfinancial covenants, maintain a minimum debt service coverage ratio and not exceed a specified level of total liabilities to tangible net worth. In addition to financial covenants, during the non-peak season the Corporation is required to have no advances outstanding under the line of credit for 30 consecutive days. The Corporation is compliant with all applicable covenants as of April 30, 2015.

As at April 30, 2015, the Corporation had available a borrowing capacity of $25.0 million, against which $1.3 million was applied to issue letters of credit and $22.0 million was drawn (January 31, 2015 - $11.3 million).

8. Share capital:

Issued and outstanding:

(thousands of Canadian dollars, except for shares)	**April 30, 2015**			January 31, 2015		
	Shares		**Amount**	Shares		Amount
Class A Shares						
Outstanding, beginning of year	**31,510,148**	**$**	**81,622**	14,510,855	$	67,431
Issued from Initial Offering (net of transacation costs)	**-**		**-**	16,999,293		14,191
Issued from Recent Offering (net of transacation costs)	**50,000,000**		**10,672**	-		-
Outstanding, end of period	**81,510,148**	**$**	**92,294**	31,510,148	$	81,622
Class B Shares						
Outstanding, beginning of year	**487,327**	**$**	**1,419**	44,760	$	1,038
Issued from Initial Offering (net of transacation costs)	**-**		**-**	442,567		381
Outstanding, end of period	**487,327**	**$**	**1,419**	487,327	$	1,419
	81,997,475	**$**	**93,713**	31,997,475	$	83,041

In February 2014, the Corporation announced its intent to complete a rights offering ("**Initial Offering**") in order to raise up to $15.0 million of equity capital through the sale of Shares. Under the Initial Offering, the Corporation distributed a total of 14,555,661 rights to its shareholders of record on April 1, 2014 entitling them to subscribe for up to an aggregate of 17,441,860 Shares at a price of $0.86 per Share. The Initial Offering was completed in April 2014. The Corporation raised approximately $1.7 million in gross proceeds from the issuance of 1,952,009 Class A Shares. In May 2014 the Corporation issued 15,047,284 Class A Shares and 442,567 Class B Shares, for gross proceeds of $13.3 million (at $0.86 per Share).

On January 19, 2015, the Corporation announced its intent to complete the Recent Offering in order to raise up to $11.0 million of equity capital through the sale of Shares. Under the Recent Offering, the Corporation distributed a total of 31,997,475 rights to its shareholders of record on February 10, 2015 entitling them to subscribe for up to an aggregate of 50.0 million Shares at a price of $0.22 per Share.

The Recent Offering was completed on March 13, 2015. The Corporation raised $10.7 million in net proceeds (net of transaction costs) from the issuance of 50.0 million Shares. As a result of the Recent Offering Clairvest and its affiliates' became the majority shareholders (see note 12(a)).

9. Earnings per share:

(thousands of Canadian dollars, except per share amounts)	For the three months ended	
	April 30, 2015	April 30, 2014
Basic and Diluted loss per share:		
Loss attributable to shareholders	**$ (4,454)**	$ (7,736)
Weighted average number of Shares outstanding	**60,143**	16,116
Basic and Diluted loss per share	**$ (0.07)**	$ (0.48)

The weighted average number of shares has been retrospectively adjusted for the bonus element of the rights issued pursuant to the Initial Offering and the Recent Offering (see note 8). The Shares attributable to the bonus element of the Initial Offering were 310,983 and attributable to the Recent Offering were 2,526,200 with a 1.08 factor applied respectively.

For the three months ended April 30, 2015, 15,618,882 (April 30, 2014 - 14,616,641) potentially dilutive instruments were excluded from the computation of dilutive earnings per share as they were anti-dilutive. Although the Corporation's Class A Share price as at April 30, 2015 and 2014 was below the conversion price of the Unsecured Debentures and Secured Debentures, IAS 33, *Earnings per share*, considers these debentures dilutive if the interest savings per share (net of tax) is less than the basic earnings per share.

10. Change in non-cash operating working capital:

(thousands of Canadian dollars)	For the three months ended	
	April 30, 2015	April 30, 2014
Restricted cash	**$ (726)**	$ -
Trade and other receivables	**(10,036)**	(9,884)
Inventory	**(1,243)**	(806)
Prepaid expenses and other	**696**	248
Trade and other payables	**620**	2,870
	$ (10,689)	$ (7,572)

11. Fair value of financial assets and liabilities:

(a) Fair value estimation:

The Corporation classifies its fair value measurements by reference to the following fair value measurement hierarchy:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Carrying values for assets and liabilities classified as loans and receivables and financial liabilities at amortized cost (excluding loans and borrowings) approximate their fair value due to their short-term nature.

The fair value of the Secured Debentures and Unsecured Debentures as at April 30, 2015 was $111.7 million (January 31, 2015 - $110.8 million) as compared to a carrying value of $124.5 million (January 31, 2015 - $126.8 million). At April 30, 2015 and January 31, 2015 the fair value of the Unsecured Debentures was based on the closing trade price on the TSX (level 1) and the fair value for the Secured Debentures was based on management's estimates using observable market inputs (level 2).

The fair value of the Corporation's variable rate loans and borrowings approximates their carrying value, as the applicable interest rate is at a floating market rate.

12. Related party transactions:

(a) Loans and borrowings:

Clairvest and its affiliates' have the ability to exercise control or direction over the rights attaching to the Secured Debentures and have certain director nomination rights in relation to the Corporation. The Secured Debentures would represent, on a post-conversion basis, more than 10% of the issued and outstanding Shares of the Corporation. The interest on the Secured Debentures for the three months ended April 30, 2015 was $2.2 million (April 30. 2014 - $2.1 million). The Corporation also incurs a merchant bank fee of $250,000 per annum, payable to Clairvest on a monthly pro-rata basis.

As a result of the shares acquired in the Recent Offering (see note 8), Clairvest acquired the majority of the issued and outstanding Shares of the Corporation.

In the three months ended April 30, 2015, the Corporation borrowed on an unsecured commercial terms basis $4.8 million from its majority shareholder. The loans bear interest at 8% with maturity date of June 25, 2015 (see note 6(f) and 6(g)).

(b) Transactions with associates:

For the three months ended April 30, 2015, the Corporation's revenues include $3.1 million (April 30, 2014 - $4.2 million), and the Corporation's expenses include $0.9 million (April 30, 2014 - $0.4 million), from transactions with the Corporation's associates. As at April 30, 2015, $2.9 million (January 31, 2015 - $3.0 million) of the Corporation's accounts receivable were due from associates and $1.1 million (January 31, 2015 - $0.9 million) of the Corporation's accounts payable were due to associates.

13. Commitments and contingencies:

The Corporation has annual lease obligations for aircraft and premises. During the three months ended April 30, 2015, the Corporation incurred $4.6 million (April 30, 2014 - $2.4 million) in operating lease expenses. Future minimum lease payments under non-cancellable leases are due as follows:

(thousands of Canadian dollars)		
Within 1 year	$	8,810
Within 2 years		6,796
Within 3 years		2,384
Within 4 years		2,216
Within 5 years		1,752
Thereafter		9,416
	$	31,374

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.

14. Segmented information:

The Corporation's reportable segments are "**Aviation**", which includes Great Slave Helicopters Ltd. ("**GSH**"), Discovery Air Defence Services Inc. ("Defence Services"), Air Tindi Ltd. ("**Air Tindi**"), and Discovery Air Fire Services Inc. ("**Fire Services**") and "**Corporate Support and Other**", which includes Discovery Air Technical Services Inc. ("**Technical Services**"), Discovery Mining Services Ltd. ("**Mining Services**"), and Corporate (reflecting direct corporate overhead costs). In assessing the reportable segments, 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 Aviation segment aggregates operating units 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.

The revenues disclosed in the tables are from external customers. There are inter-segment revenues; however they are eliminated on consolidation. For the three months ended April 30, 2015, Corporate Support and Other inter-segment revenue was $0.1 million (April 30, 2014 - nil).

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 GSH, Fire Services, Air Tindi, and Mining Services normally commencing in the late spring and continuing through to the end of the summer; Defence Services revenue-generating opportunities are significantly higher in the February to June and September to November time periods; though Defence Services 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.

(thousands of Canadian dollars)	**For the three months ended April 30, 2015**			For the three months ended April 30, 2014		
	Aviation	**Corporate Support and Other**	**Total**	Aviation	Corporate Support and Other	Total
Revenue	**$ 37,985**	**$ 4,430**	**$ 42,415**	$ 31,965	$ 9,118	$ 41,083
Expenses	**33,723**	**6,897**	**40,620**	32,127	10,365	42,492
	4,262	**(2,467)**	**1,795**	(162)	(1,247)	(1,409)
Depreciation of property, equipment and intangible assets	**4,740**	**350**	**5,090**	4,819	454	5,273
Share of (profit) loss from associates (net of income tax)	**(615)**	**(11)**	**(626)**	14	(464)	(450)
	137	**(2,806)**	**(2,669)**	(4,995)	(1,237)	(6,232)
Finance costs			**4,511**			4,669
Gain on disposal of equipment			**(1,095)**			(12)
Loss before income taxes			**(6,085)**			(10,889)
Income tax provision (recovery):						
Current			**123**			-
Deferred			**(1,754)**			(3,153)
			(1,631)			(3,153)
Loss			**$ (4,454)**			$ (7,736)
Segment assets	**$ 313,419**	**$ 15,723**	**$ 329,142**	$ 280,728	$ 28,510	$ 309,238
Capital expenditures	**$ 6,782**	**$ 234**	**$ 7,016**	$ 3,994	$ 140	$ 4,134
Investments in associates	**$ 5,067**	**$ 11**	**$ 5,078**	$ 3,230	$ 2,167	$ 5,397

15. Subsequent events:

(a) Amendment to Secured Debentures:

On May 26, 2015, Secured Debentures were amended to extend the maturity date to September 30, 2017 and to amend the PAR covenant to 1.37:1.00 for the period ending April 30, 2016.

(b) New Operating Line:

On May 26, 2015, the Corporation entered into the New Operating Line to replace the Operating Line. The New Operating Line matures on June 30, 2017, and increases the borrowing limit to $30.0 million during the Corporation’s peak season and $20.0 million outside of the peak season. Aggregate borrowings are limited to eligible accounts receivable, inventory and aircraft parts, and an amount (no greater than $5.0 million) guaranteed by Clairvest, subject to an allowance for specific reserves. The Corporation is required to have no advances outstanding under the line of credit for thirty consecutive days during its non-peak season; this requirement was waived for the fiscal year ended January 31, 2016. The New Operating Line also includes an additional $10.0 million credit facility that is available subject to the lender receiving a letter of credit or guarantee from Clairvest, at 103% of the amount drawn. This additional credit facility matures on May 26, 2016 with an option for the lender to extend it for an additional year.

(c) Aircraft purchase and disposal:

Subsequent to April 30, 2015 the Corporation purchased three aircraft for USD $3.8 million and disposed of one aircraft for $1.0 million (see note 4). Two of the three aircraft purchased were partially financed by a short term unsecured loan for $2.3 million by Clairvest. The loan bears interest at 8% and matures on June 25, 2015.