DISCOVERY AIR

FIRST QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three-Month Period ended April 30, 2017

*This management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") for the three months ended April 30, 2017 should be read in conjunction with the Corporation's interim condensed consolidated financial statements and related notes for the three months ended April 30, 2017, and the audited consolidated financial statements and related notes for the year ended January 31, 2017 and the annual MD&A for the year ended January 31, 2017, all of which are available on SEDAR at www.sedar.com.*

*This MD&A includes statements which are forward-looking in nature; please refer to "Forward Looking Statements" below for an explanation of the assumptions, uncertainties and risks associated with these statements. This MD&A also includes a number of defined terms and abbreviations as well as several financial terms, such as "EBITDA" and "EBITDAR", that are not defined by International Financial Reporting Standards ("**IFRS**") but which are considered by the Corporation's management to be important in understanding the Corporation's financial results. Please refer to "Non-IFRS Measures" for explanations of the financial terms that are not defined by IFRS and the section titled "Definitions" for the meaning of all other defined terms and abbreviations.*

Business Profile

Discovery Air, founded in 2004, is a Canadian specialty aviation company. Its subsidiaries provide airborne training to the Canadian and German military, helicopter services, medevac equipped aircraft services, airborne fire services, fixed-wing air charter services, and expediting and logistics support. The Corporation has two reportable segments: Aviation, and Corporate Support and Other.

The Aviation segment includes four subsidiaries. Great Slave Helicopters Ltd. ("**GSH**"), one of the largest helicopter operators in Canada, has bases throughout Canada and South America from which it provides flight services to support mining, oil and gas seismic and exploration work, forest fire suppression, aerial construction and precision external load work, and environmental impact surveys. Air Tindi Ltd. ("**Air Tindi**"), a commercial fixed-wing operator with bases in Yellowknife and Cambridge Bay, utilizes a diversified fleet of fixed-wing aircraft to provide scheduled and charter passenger and cargo services, as well as medevac equipped aircraft services in northern and western Canada. Discovery Air Fire Services Inc. ("**Fire Services**") provided forest fire management and court-related air transport services to the Government of Ontario up to January 31, 2017, when the subsidiary was sold. Discovery Air Defence Services Inc. ("**DA Defence**"), primarily provides airborne training services to the Department of National Defence and the Canadian Forces ("**DND**") and to the German Armed Forces.

The Corporate Support and Other segment consists of certain support functions at Discovery Air (collectively, "**Corporate**") as well as one operating subsidiary, Discovery Mining Services Ltd. ("**Mining Services**"). Corporate support functions include shared services provided by personnel or professional advisors retained by the Corporation, such as finance, treasury, information technology, management, legal and human resources support. Mining Services provides remote exploration camp and expediting, logistics and staking services to a broad spectrum of resource exploration companies.

The Corporation's Unsecured Debentures (as defined below) trade on the Toronto Stock Exchange ("**TSX**") under the symbol "DA.DB.A".

Selected Financial Information

(Unaudited)

(thousands of Canadian dollars, except per share amounts)	Three months ended April 30 2017	2016	% change
Results of operations			
Revenue	**$ 32,760**	$ 42,529	*-23%*
Expenses	**$ 33,972**	$ 37,984	*-11%*
Depreciation and amortization	**$ 4,198**	$ 4,893	*-14%*
	$ (5,410)	$ (348)	
Finance costs	**$ 5,352**	$ 4,304	*24%*
Loss	**$ (8,324)**	$ (3,938)	*-111%*
Basic and diluted income (loss) per share	**$ (0.10)**	$ (0.05)	*-100%*
Financial position and liquidity			
Total assets	**$ 305,089**	$ 297,898	*2%*
Total debt	**$ 179,294**	$ 177,625	*1%*
Cash provided used in operations	**$ (10,708)**	$ (7,701)	*-39%*
Working Capital*	**$ 54,086**	$ 47,833	*13%*
Key non-IFRS performance measures* (unaudited)			
EBITDAR	**$ 278**	$ 6,675	*-96%*
EBITDA	**$ (1,140)**	$ 4,580	
EBITDA Margin	**-3%**	11%	

* See "Non-IFRS measures" and "Definitions" below

Recent Developments

- On June 5, 2017, DA Defence entered into a $13.0 million convertible revolving credit agreement ("**New Credit Agreement**") with certain Clairvest Group Inc. affiliates ("**Clairvest**"). The loan bears interest at 12% and the lender has committed to extend the maturity date to December 15, 2017.

- On May 31, 2017, DA Defence successfully completed its first training exercise with the Austrian Air Force in connection with services it provides in Germany. DA Defence's training qualified the Austrian pilots in air-to-air weapons and tactics.

- During the three months ended April 30, 2017, DA Defence signed a two year contract with the Australian Air Force to provide adversary and related combat support services, similar to those provided in Canada and Germany. The Corporation is currently mobilizing and expects to commence operations in the third quarter.

- During the three months ended April 30, 2017, GSH mobilized two aircraft to Bolivia operating under a long term contract to service a resource development project.

- On May 26, 2017, the Corporation announced the closing of the definitive agreement announced on March 24, 2017, resulting in Clairvest, along with certain management shareholders of the Corporation, holding all of the issued and outstanding shares in the capital of the Corporation by way of a plan of arrangement pursuant to the *Canada Business Corporations Act*. The Corporation's common shares were de-listed from the TSX on May 29, 2017.

Consolidated Results

Three months ended April 30, 2017

Revenue

Quarterly revenues were $32.8 million, a 23% decrease when compared to the three months ended April 30, 2016 (the "**comparative period**"). The Aviation segment had decreased revenue of $10.3 million or 25% from the comparative period with the majority of the decrease related to end of fiscal year government budget cuts resulting in reduced airborne training in Canada, the sale of Fire Services, and a shorter fire suppression season in Chile. Uneven airborne training flight hours from one period to another, typically balance out during the course of the fiscal year. In addition, following significant work performed in Chile under emergency conditions in the fourth quarter of the prior year, there was very little fire suppression activity in the current period.

The Corporation's two largest customer sectors are government and natural resource based. Revenues from the government sector represented 62% of total revenues compared to 70% in the comparative period. The Corporation's revenues from resource-based customers represented 22% of total revenues compared to 19% in the comparative period. The decrease in the government sector is primarily attributable to the decreased airborne training, reduced fire suppression activity in South America, and the sale of Fire Services.

Expenses

The largest expense items for the Corporation are crew, fleet and parts costs, as well as general and administrative expenses. While there are variable components to these costs, as typical in the aviation industry, a significant portion of these costs are fixed in nature within a given year.

Quarterly expenses were $34.0 million, an 11% decrease from the comparative period. The decrease in quarterly expenses are primarily attributable to reduced flight hours.

EBITDA and EBITDAR (see "Non-IFRS Measures" below)

Quarterly EBITDA loss was $1.1 million compared to EBITDA of $4.6 million in the comparative period, with the EBITDA loss largely attributable to decreased revenue.

EBITDAR in the quarter was $0.3 million compared to $6.7 million in the comparative period. The decreased EBITDAR is a result of decreased EBITDA and decreased aircraft leasing costs.

Depreciation, finance and other expenses

Depreciation expense in the quarter was $4.2 million, a 14% decrease from the comparative period.

Finance costs were $5.4 million in the quarter, a 24% increase from the comparative period. Non-cash finance charges and interest accretion on loans and borrowings were $3.6 million, compared to $2.8 million in the comparative period. The increase in non-cash finance charges is primarily due to increased interest payable-in-kind (i.e., accrues and is added to the principal amount) related to the DA Defence $25.0 million convertible secured revolving loan agreement ("**Credit Agreement**") entered into with Clairvest.

The Corporation's quarterly income tax recovery was $1.9 million, compared to a recovery of $0.7 million in the comparative period. The effective tax rate for the quarter was 19% compared with the Corporation's statutory income tax rate of 27% with the variance due to taxable permanent differences and other deferred tax assets for which the benefit has not been recognized. In the comparative period, the effective income tax rate of 15% was different from the Corporation's statutory income tax rate of 27% for the same reasons.

Earnings

The Corporation recorded a quarterly loss of $8.3 million ($0.10 basic and diluted loss per share) compared to loss of $3.9 million ($0.05 basic and diluted loss per share) in the comparative period.

Although the Corporation's Class A Share price at April 30, 2017 and 2016 was below the conversion price of the Unsecured Debentures and Secured Debentures (as defined below), IAS 33, *Earnings per share,* ("**IAS 33**") considers these debentures dilutive only if the interest savings per share (net of tax) is less than the basic earnings per share.

Aviation Segment

(thousands of Canadian dollars)	Three months ended April 30 (unaudited) 2017	2016	% Change
Revenue	**$ 31,280**	$ 41,623	*-25%*
Expenses	**30,875**	34,799	*-11%*
Share of profit from associates	**(71)**	(35)	*-103%*
EBITDA	**$ 476**	$ 6,859	*-93%*
Aircraft lease expense	**1,418**	2,095	*-32%*
EBITDAR	**$ 1,894**	$ 8,954	*-79%*
Capital expenditures	**$ 3,636**	$ 6,418	*-43%*

	As at April 30 2017	2016	% Change
Total assets	**$ 300,907**	$ 320,456	*-6%*
Goodwill	**$ 37,861**	$ 37,861	*0%*
Intangible assets	**$ 1,384**	$ 1,344	*3%*

Three months ended April 30, 2017

The Aviation segment's quarterly revenues were $31.3 million on 9,200 flight hours, compared to revenue of $41.6 million on 11,100 flight hours in the comparative period. The decrease in revenue is mainly attributable to a change in the timing of airborne training, the sale of Fire Services, and reduced fire suppression activity in South America.

Aviation segment quarterly expenses were $30.9 million in the current quarter compared to $34.8 million in the comparative period. The 11% decrease in expenses is mainly attributable to the sale of Fire Services, reduced flight hours and cost containment initiatives.

In April 2017, DA Defence was advised of a decision by Transport Canada to suspend the Special Certificates of Airworthiness - Limited of its Alpha Jet fleet. The decision was in connection with Transport Canada's implementation of a new airworthiness policy for the oversight of ex-military aircraft; and resulted in the temporary grounding of DA Defence's Alpha Jet Fleet. Following a review of DA Defence aircraft data and records, Transport Canada authorized DA Defence to resume flight operations under flight permits as it transitions its Alpha Jet fleet back to certificates of airworthiness under the new policy. There were a number of customer taskings impacted during the short period in which the Alpha Jets were not flying and, while there can be no assurances, the Corporation expects to make up the flight hours from this period over the balance of the current fiscal year.

Crew costs, which include wages, benefits, travel and training for pilots and maintenance engineers, for the quarter were $15.9 million, compared to $15.8 million in the comparative period.

Fleet costs include aircraft lease, facility, parts, maintenance, and fuel costs. Fleet costs, excluding fuel costs, for the quarter were $8.4 million, compared to $10.3 million in the comparative period. The Corporation's fuel costs are typically recovered from customers and recorded as revenue with the exception of non-contracted ferrying costs or training-related costs.

General and administrative expenses primarily consist of wages and benefits for administrative personnel, facility costs, travel costs, insurance costs and other overhead expenses. General and administrative expenses were $4.4 million in the quarter, compared to $6.0 million in the comparative period. The reduction in general and administrative costs was driven by cost efficiency measures.

The profit from associates was $0.1 million compared to nil in the comparative period.

The segment's EBITDA was $0.5 million compared to EBITDA of $6.9 million in the comparative period, with the decrease in EBITDA attributable to decreased flight hours partially offset by reduced expenses as outlined above.

EBITDAR was $1.9 million compared to an EBITDAR of $9.0 million in the comparative period. The decrease in EBITDAR is primarily due to reduced EBITDA coupled with decreased aircraft leasing expenses as outlined above.

Depreciation expense in the current quarter was $4.0 million (or 13% of revenues) compared to $4.7 million (or 11% of revenues) in the comparative period.

Corporate Support and Other

(thousands of Canadian dollars)	Three months ended April 30 (unaudited)				
		2017		2016	*% Change*
Revenue	**$**	**1,480**	$	906	*63%*
Expenses		**3,097**		3,185	*-3%*
Share of profit (loss) from associates		**(1)**		-	
EBITDA	**$**	**(1,616)**	$	(2,279)	*29%*
Capital expenditures	**$**	**49**	$	31	*58%*
	As at April 30				
		2017		2016	*% Change*
Total assets	**$**	**4,182**	$	3,714	*13%*

Three months ended April 30, 2017

Corporate Support and Other revenues were $1.5 million in the quarter compared to $0.9 million in the comparative period. The 63% increase in revenue reflects increased revenue from Mining Services.

The segment incurred expenses totaling $3.1 million compared to $3.2 million in the comparative period, a decrease of 3%. The decrease is primarily attributable to cost containment initiatives in corporate support functions, offset by increased expenses to service increased revenue at Mining Services.

The segment reported an EBITDA loss of $1.6 million in the quarter, compared to an EBITDA loss of $2.3 million in the comparative period. The reduction in EBITDA loss was due to increased revenue from Mining Services, along with cost reductions in corporate support functions.

Liquidity and Financial Resources

The following schedule summarizes the movement in cash flow components:

	Three months ended April 30			
(thousands of Canadian dollars)		**2017**		2016
Operating activities	**$**	**(10,708)**	$	(7,701)
Investing activities		**(1,838)**		(6,270)
Financing activities		**12,565**		13,642
Exchange gain on cash held in foreign currency		**(138)**		700
Net decrease in cash for the period	**$**	**(119)**	$	371

Operating Activities

Cash used by operating activities for the year ended April 30, 2017 was $10.7 million, a $3.0 million increase over the comparative period. The unfavourable variance was largely attributable to a $5.7 million decrease in EBITDA, a $0.4 million increase in interest and taxes paid, partially offset by a $3.2 million decrease in the use of working capital.

Working Capital

As at April 30, 2017 the Corporation had Working Capital (defined below) of $54.1 million, compared to $47.8 million at January 31, 2017. The current ratio of Working Capital was 3.1 as at April 30, 2017 and 2.9 as at January 31, 2017.

The increase in Working Capital from January 31, 2017 is attributable to increased trade and other receivables and increased prepaid expenses.

There are no significant commitments for any expenditure that would significantly change the Corporation's working capital requirements for existing operations. Each significant, non-maintenance related capital expenditure for these operations is assessed to obtain reasonable assurance that the capital expenditure will at least be matched by projected revenues or cost savings generated by the expenditure.

Investing Activities

Net cash outlays for investing activities was $1.8 million compared to $6.3 million in the comparative period. Capital expenditures of $3.7 million were mainly comprised of net cash outlays (net of financing) of $0.9 million for DA Defence growth initiatives, and $2.8 million for sustaining capital expenditures and aircraft overhaul costs. The comparative period's capital expenditures of $6.4 million were comprised of $2.6 million for DA Defence growth initiatives, and $3.3 million for sustaining capital expenditures and aircraft overhaul costs.

Total asset divestitures of $1.8 million was primarily due to the disposal two aircraft and an aircraft exchange at GSH. The comparative period asset divestitures included the disposal of aircraft parts for proceeds of $0.1 million.

Financing Activities

As at April 30, 2017, the Corporation had unused borrowing capacity of $10.5 million to fund its operating requirements. Consistent with the seasonal nature of its business, the Corporation draws on its operating line of credit primarily in the first and second quarters to fund costs associated with seasonal increases in business volumes, as well as to fund increased working capital. These draws are typically reduced during the second half of the fiscal year.

On May 26, 2015, the Corporation entered into an Operating Line agreement. The lender has committed to extend the Operating Line to November 30, 2017 and amend the loan covenants from July 31, 2017 through to maturity. The Operating Line 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 also limited to eligible accounts receivable, inventory and aircraft parts, and an amount (no greater than $5.0 million) guaranteed by Clairvest Group Inc., subject to an allowance for specific reserves. The 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 Group Inc., for 103% of the amount drawn. The lender has also committed to extend the additional credit facility to November 30, 2017. Total transactions costs for this facility were $0.4 million.

On December 20, 2016, DA Defence entered into the $25.0 million Credit Agreement with Clairvest. The loan bears interest of 12% and the lender has committed to extend the maturity date to December 15, 2017. Prior to the maturity date, the Corporation expects the Credit Agreement to be extended at similar terms and conditions, or that it will be converted it into DA Defence common shares, as per the terms of the agreement.

On June 5, 2017, DA Defence entered into the $13.0 million New Credit Agreement with Clairvest. The loan bears interest of 12% and the lender has committed to extend the maturity date to December 15, 2017.

Although the Corporation believes it can renew or extend the Operating Line, Credit Agreement, and New Credit Agreement prior to maturity, there can be no assurance that the Operating Line, Credit Agreement, and New Credit Agreement will be renewed or extended.

During the three months ended April 30, 2017, the Corporation made scheduled term debt repayments of $1.1 million. In the comparative period, the Corporation made debt repayments of $2.0 million.

On March 22, 2017, $4.7 million of the Secured Debenture accrued interest that was payable-in-kind was added to the adjusted principal amount. As at April 30, 2017, the loan balance included accrued interest of $1.1 million (January 31, 2017 - $3.3 million). During the quarter, the Secured Debentures maturity was extended to May 5, 2018. The debenture holders have provided loan covenant amendments from July 31, 2017 through to April 30, 2018 on terms acceptable to the Corporation. In the event the Corporation requires additional amendments in the future, the Corporation expects to obtain amendments as needed.

On June 2, 2015, the Corporation entered into an unsecured short term loan with Clairvest Group Inc. for the purchase of two new aircraft. In June 2017, the maturity was extended to September 15, 2017, and the loan bears interest at 8% per annum.

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, (iii) the adequacy of the security pledged to its lenders in relation to its debt levels, and (iv) its continued ability to obtain waivers or amendments in the event of non-compliance with its covenants in the future. As interest on the Secured Debentures is payable-in-kind, the aggregate value of the assets that must be pledged to remain in compliance with the Pledged Asset Ratio Covenant increases over time. 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 can be no assurance that following the periods covered by the amendments, the Corporation will be able to remain in compliance with the covenants.

The Corporation was in compliance with all financial and non-financial covenants as at April 30, 2017. In June 2017, certain lenders have provided, or have committed to provide, loan covenant amendments from July 31, 2017 through to January 31, 2018, on terms acceptable to the Corporation. In the event the Corporation requires additional amendments in the future, the Corporation expects to obtain amendments as needed. However, no assurances can be provided that additional amendments can be obtained.

Contractual Obligations and Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements that management is aware of other than those disclosed in note 11 of the Corporation's interim condensed consolidated financial statements for the three months ended April 30, 2017 and 2016.

Shareholders' Equity

At April 30, 2017, there were 79,286,721 Class A Shares and 2,710,754 Class B Shares outstanding. At the same date, there were 7,847,948 stock options outstanding. During the three months year ended April 30, 2017, 19,095 stock options expired or were otherwise terminated in accordance with their terms.

Additional information with respect to shareholders' equity is contained in the consolidated financial statements for the year ended January 31, 2017, which can be found on SEDAR at www.sedar.com.

Related Party

The Secured Debentures held by Clairvest would represent, on a post-conversion basis, approximately 9% of the issued and outstanding Shares of the Corporation. The interest on the Secured Debentures for the three months ended April 30, 2017 was $2.6 million (April 30, 2016 - $2.3 million). In addition, the Corporation also incurs a merchant bank fee of $250,000 per annum, payable to Clairvest Group Inc. on a monthly pro-rata basis.

Clairvest holds the majority of the issued and outstanding Shares of the Corporation.

During the year ended January 31, 2016, the Corporation borrowed on an unsecured commercial terms basis $2.3 million from Clairvest Group Inc. The loan bears interest at 8% with a maturity date of September 15, 2017.

On December 20, 2016, DA Defence entered into the $25.0 million Credit Agreement and on June 5, 2017, DA Defence entered into the $13.0 million New Credit Agreement, with Clairvest. Both loans bear interest of 12% and mature on June 30, 2017 and July 31, 2017, respectively, subject to extension, if certain terms and conditions are met.

For the three months ended April 30, 2017, the Corporation's revenues include $2.4 million (April 30, 2016 - $3.8 million), and the Corporation's expenses include $0.8 million (April 30, 2016 - $0.8 million), from transactions with the Corporation's associates. As at April 30, 2017, $2.0 million (January 31, 2017 - $2.5 million) of the Corporation's accounts receivable were due from associates, and $0.5 million (January 31, 2017 - $0.5 million) of the Corporation's accounts payable were due to associates. As at April 30, 2017, $0.7 million (January 31, 2017 - $0.8 million) of the Corporation's long term receivables were due from associates, and $0.4 million (January 31, 2017 - $0.4 million) of the Corporation's loans and borrowings were due to associates.

RISK FACTORS

The Corporation is subject to a number of risks and uncertainties and is affected by a number of factors outside of the control of its management. Some of those risks and uncertainties are described in this MD&A and are supplemented by risks and uncertainties described in the "Risk Factors" section of the Corporation's MD&A for the year ended January 31, 2017, as well as in the "Risk Factors" section of the Corporation's Annual Information Form dated April 13, 2017, both of which can be found on SEDAR at www.sedar.com.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

In preparing the unaudited interim condensed consolidated 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 as they are important to the Corporation's financial condition and results. There have been no changes to the Corporation's significant account estimates disclosed in the Corporation's MD&A for the year ended January 31, 2017, which can be found on SEDAR at www.sedar.com.

RECENTLY ISSUED STANDARDS

Unless otherwise noted, the following revised standards and amendments are effective for the Corporation on or after February 1, 2017.

In July 2014, the International Accounting Standards Board ("**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. 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. The Corporation expects to apply IFRS 15 retrospectively and it is effective for annual periods beginning on or after January 1, 2018. The Corporation does not expect that IFRS 15 will have a significant impact on the recognition and measurement of revenue from contracts with customers.

In January 2016, the IASB issued IFRS 16, Leases ("**IFRS 16**"). IFRS 16 replaces IAS 17, Leases. IFRS 16 will require all leases, with the exception of those leases that meet the limited exception criteria, to be to be capitalized with a corresponding lease liability while the lease expense will be replaced by the amortization of the right to use the related assets and interest accretion expense from the liabilities recorded. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Corporation anticipates that IFRS 16 will have a significant impact on the presentation and classification of leases in the Corporation's financial statements when adopted.

NON-IFRS MEASURES

Management believes "**EBITDA**" to be an important metric in measuring the performance of the Corporation's day-to-day operations. This measurement is useful in assessing the Corporation's ability to service debt and to meet other payment obligations, and as a basis for valuation. "**EBITDAR**" is a measure commonly used in the aviation industry to evaluate results by excluding differences in the method by which companies finance and lease aircraft.

The following is a reconciliation of EBITDA and EBITDAR to net profit (loss):

	Three months ended April 30 (unaudited)	
(thousands of Canadian dollars)	**2017**	2016
Loss	**$ (8,324)**	$ (3,938)
Income tax provision (recovery)	**(1,931)**	(679)
Finance costs	**5,352**	4,304
Depreciation and amortization	**4,198**	4,893
Other (gains) and losses	**(435)**	-
EBITDA	**$ (1,140)**	$ 4,580
Aircraft lease expenses	**1,418**	2,095
EBITDAR	**$ 278**	$ 6,675

Segmented breakdown of EBITDA and EBITDAR

(thousands of Canadian dollars)	**Three months ended April 30, 2017 (unaudited)**			Three months ended April 30, 2016 (unaudited)		
	Aviation	**Corporate Support and Other**	**Total**	Aviation	Corporate Support and Other	Total
Revenue	**$ 31,280**	**$ 1,480**	**$ 32,760**	$ 41,623	$ 906	$ 42,529
Expenses	**30,875**	**3,097**	**33,972**	34,799	3,185	37,984
Share of (profit) loss from associates	**(71)**	**(1)**	**(72)**	(35)	-	(35)
EBITDA	**$ 476**	**$ (1,616)**	**$ (1,140)**	$ 6,859	$ (2,279)	$ 4,580
Aircraft lease expenses	**1,418**	**-**	**1,418**	2,095	-	2,095
EBITDAR	**$ 1,894**	**$ (1,616)**	**$ 278**	$ 8,954	$ (2,279)	$ 6,675

SUMMARY OF QUARTERLY RESULTS

(thousands of Canadian dollars, except per share amounts)

	(unaudited)							
	Apr-17	Jan-17	Oct-16	Jul-16	Apr-16	Jan-16	Oct-15	Jul-15
Results of operations:								
Total Revenue	**$ 32,760**	$ 31,957	$ 42,919	$ 53,968	$ 42,529	$ 35,636	$ 59,989	$ 62,531
EBITDA*	**$ (1,140)**	$ (3,399)	$ 6,219	$ 14,532	$ 4,580	$ (5,884)	$ 13,716	$ 16,851
Cash from (used in) operations	**$ (10,708)**	$ (3,770)	$ 10,188	$ 3,840	$ (7,701)	$ 12,738	$ 6,469	$ 4,584
Income (loss) attributable to shareholders of Discovery Air	**$ (8,324)**	$ (12,238)	$ (3,885)	$ 2,015	$ (3,938)	$ (12,865)	$ 1,893	$ (587)
Basic earnings (loss) per share	**$ (0.10)**	$ (0.15)	$ (0.05)	$ 0.02	$ (0.05)	$ (0.16)	$ 0.02	$ (0.01)
Diluted earnings (loss) per share	**$ (0.10)**	$ (0.15)	$ (0.05)	$ 0.02	$ (0.05)	$ (0.16)	$ 0.02	$ (0.01)

*See "Non-IFRS Measures"

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, demand for the services provided by the Aviation segment is higher commencing in the spring and continuing through the end of the summer.
- DA Defence revenue-generation opportunities are usually significantly higher in the February to June and September to November time periods. Although DA Defence revenues are relatively predictable over a 12 month period, they can vary substantially from month to month depending on the customers' training priorities and, on occasion, weather conditions.
- The Corporation attempts to perform most major repairs and refurbishments during the slower periods of revenue-generating activity. Since repairs and maintenance on aircraft are not required evenly throughout the year, 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, particularly as it relates to forest fire suppression operations.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

There were no material changes in the Corporation's disclosure controls and procedures and internal controls over financial reporting that occurred during the three months ended April 30, 2017 that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting and disclosures of required information.

DEFINITIONS

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

(a) "**Unsecured Debentures**" means the $34,500,000 aggregate principal amount of 8.375% convertible unsecured subordinated debentures issued by the Corporation pursuant to a short form prospectus dated May 5, 2011, which trade on the Toronto Stock Exchange under the symbol "DA.DB.A";
(b) "**Class A Shares**" means the Corporation's Class A common voting shares, which traded on the Toronto Stock Exchange under the symbol "DA.A" until May 29, 2017;
(c) "**Class B Shares**" means the Corporation's Class B common variable voting shares;
(d) "**Secured Debentures**" means the $70,000,005 aggregate principal amount of senior secured convertible debentures issued by the Corporation on September 23, 2011 pursuant to a private placement, which, as of April 30, 2017, had an adjusted principal amount of $107,455,267 (inclusive of accrued interest);
(e) "**Shares**" means the Class A Shares and the Class B Shares.
(f) "**Working Capital**" means current assets less current liabilities excluding current portion of loans and borrowings and operating lines of credit.

FORWARD-LOOKING STATEMENTS

Forward-looking information and statements are included in this management's discussion and analysis. 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 "likely", "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 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 their 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 its debt covenants and other terms and conditions of its credit agreements; and plans and/or requirements to make new capital investments.

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 dated April 13, 2017, which contains a further discussion of risk factors, can be found on SEDAR at www.sedar.com.

Dated: June 14, 2017