MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of the financial condition and results of operations for the year ended January 31, 2010 of Discovery Air Inc. ("Discovery Air" or the "Corporation") should be read in conjunction with the audited consolidated financial statements and related notes of the Corporation for the years ended January 31, 2010 and 2009.

Business Profile

Discovery Air is a specialty aviation company that operates across Canada and, from time to time, in locations around the world. With 145 aircraft, it is one of the largest air operators in Canada, and its 500 person team provides unique and tailored flying solutions to each of its customers, be they Government or business, by offering fixed-wing and rotary-wing services as well as logistics and remote operations management services. Services include vital air ambulance services, utility flying for mining exploration and production, forest fire detection and suppression, cargo and passenger services to remote areas of Canada and airborne training and special mission services to the Canadian Army, Navy and Air Force. Discovery Air's success is fundamentally based upon strong customer service, a reputation for quality and safety, a loyal customer base and a dominant position in its markets. Discovery Air's subsidiaries specialize in deploying highly-trained and qualified employees and specialized, high-value equipment, often under extremely challenging conditions, to meet and exceed our customers' expectations.

Organization structure

Discovery Air, formed in November 2004, currently has five operating subsidiaries which are segregated into two operating segments:

1. Northern Services, being the operations of Great Slave Helicopters Ltd. ("Great Slave"), Air Tindi Ltd. ("Air Tindi") and Discovery Mining Services Ltd. ("Discovery Mining"); and
2. Government Services, being the operations of Top Aces Inc. ("Top Aces") and Hicks & Lawrence Limited ("Hicks").

All other operating activities are classified as Corporate Support.

Northern Services Segment

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

Government Services Segment

Top Aces delivers airborne training and special mission services to the Canadian Army, Navy and Air Force, including adversary fighter and electronic warfare training, and maritime and close air support. Hicks and Lawrence is a primary supplier of airborne fire management services to the Ontario government, and delivers charter service to government agencies and corporate customers throughout northern Ontario.

Overarching Objective

Discovery Air's Five Year Overarching Objective is to significantly increase annual earnings per share and to position its businesses for long-term, profitable growth thereafter. The Overarching Objective replaces the Corporation's mission statement established when the Corporation was formed in 2004. Building an alliance of profitable aviation businesses continues to be important; however, the Overarching Objective is intended to define a much broader scope of opportunity in creating shareholder value. It requires the organization to leverage its full range of capabilities. Management has established internal milestones to measure the Corporation's progress in relation to this objective. The Overarching Objective will be a constant consideration in management's decision making process.

Results of operations for the comparative years ended January 31, 2010 and January 31, 2009

Selected Financial Information

(thousands of dollars, except per share amounts)		Year ended January 31 2010		Year ended January 31 2009
Results of operations				
Revenue	$	123,173	$	151,930
Operating expenses	$	94,362	$	123,488
Earnings before undernoted items	$	28,811	$	28,442
Interest expense	$	14,343	$	12,306
Amortization	$	14,078	$	12,965
Relocation of corporate office	$	1,678	$	-
Financing transaction costs	$	1,067	$	-
Goodwill & intangible assets impairment charge	$	-	$	133,579
Loss	$	(286)	$	(130,325)
Basic and diluted loss per common share:	$	(0.00)	$	(0.96)
Financial position and liquidity				
Total assets	$	256,310	$	260,026
Total long-term debt	$	146,107	$	145,726
Cash provided by operations	$	21,438	$	25,536
Working capital	$	15,314	$	16,906
Key non-GAAP performance measures*				
Adjusted earnings	$	899	$	2,872
EBITDAR	$	33,610	$	40,049
Adjusted EBITDAR	$	35,288	$	40,049
EBITDA	$	27,133	$	28,442
EBITDA Margin		22%		19%
Adjusted EBITDA	$	28,811	$	28,442
Adjusted EBITDA Margin		23%		19%
After-tax operating cash flow	$	17,421	$	23,319
After-tax operating cash flow per common share	$	0.13	$	0.17

* See Non-GAAP measures

Financial Highlights of the Year Ended January 31, 2010

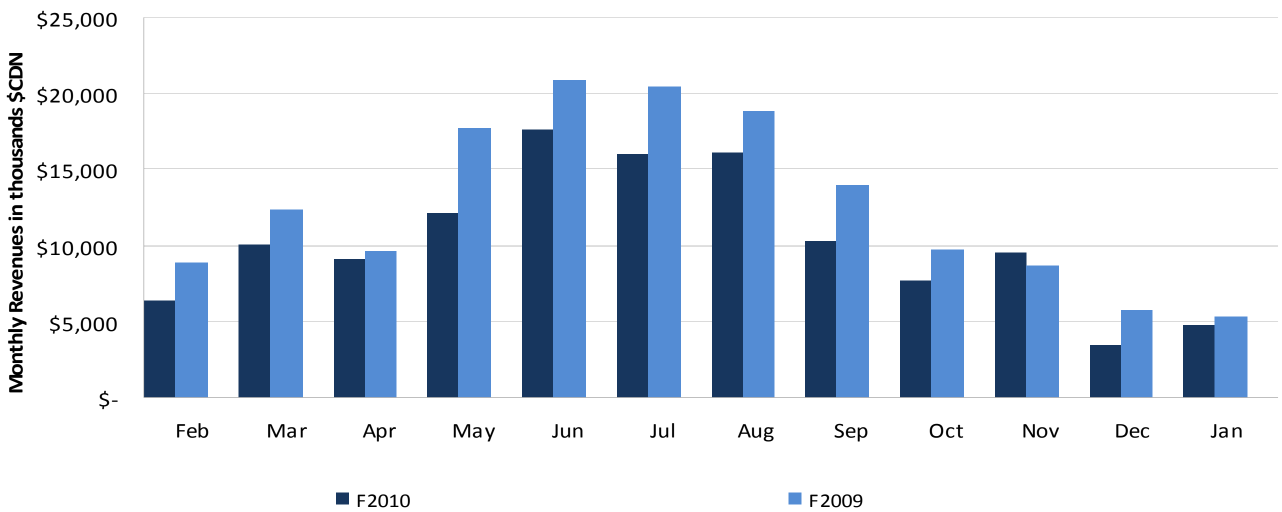
- The Corporation saw a dramatic decline in the demand for its services in the resource-related sectors, including forest fire suppression services. Conversely, revenues from the Corporation's non-resource based sectors saw a year over year increase, most notably from Corporation's Top Aces' subsidiary which benefited from increased flight capacity with additional Alpha jets brought on line this past year. The net result yielded a 19% year over year decline in consolidated revenues reflecting the severity of the drop in demand for services in the resource sectors this year.
- The Corporation's EBITDA reflects a 5% year over year decline. Included in current year EBITDA is a non-recurring charge of $1.7 million for severance and other related costs incurred in relocating the Corporation's head office to Yellowknife, Northwest Territories. Adjusting for this cost, the Adjusted EBITDA was marginally higher year over year, a significant achievement given the notable decline in corresponding consolidated revenues. The increased Adjusted EBITDA is attributable to the operating units' ability to scale costs to match the lower demand for services. Also contributing to the favourable variance in Adjusted EBITDA was a favourable mix in flight activity and revenue by aircraft type.
- In conjunction with cost control measures, working capital and the level of capital investments were closely managed resulting in balance sheet liquidity being maintained at a sufficient level to fund operations and capital expenditures.
- The Corporation successfully refinanced $33 million term debt that matured in the first quarter. In the same quarter, the Corporation also secured a new $15 million operating line of credit which increases to $25 million during the Corporation's peak season.
- The Corporation was successful in renewing Hicks' forest fire management services contract for a further 5 year period and Top Aces' airborne combat training services agreements for a further 1 year period.

Seasonality and quarterly fluctuations

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

- There is normally increased demand for the services provided by the Northern Services segment and Hicks commencing in the spring and continuing through to the end of the summer.
- Top Aces' revenue-generating opportunities are usually significantly higher in the February 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 largely on its customer's priorities and on occasion due to weather conditions.
- The Corporation attempts to perform most major repairs and refurbishment during the slower periods of revenue-generating potential. As well, repair and maintenance on aircraft are not required evenly throughout the year and the timing of related expenses within a year may vary from one period to another.
- Weather conditions can have an impact on available flight activity from one period to another, especially related to the forest fire suppression businesses.

Seasonality of monthly revenues



Impact of continuing tight capital and credit markets on resource-based sectors in the north ("Resource Industry Slowdown")

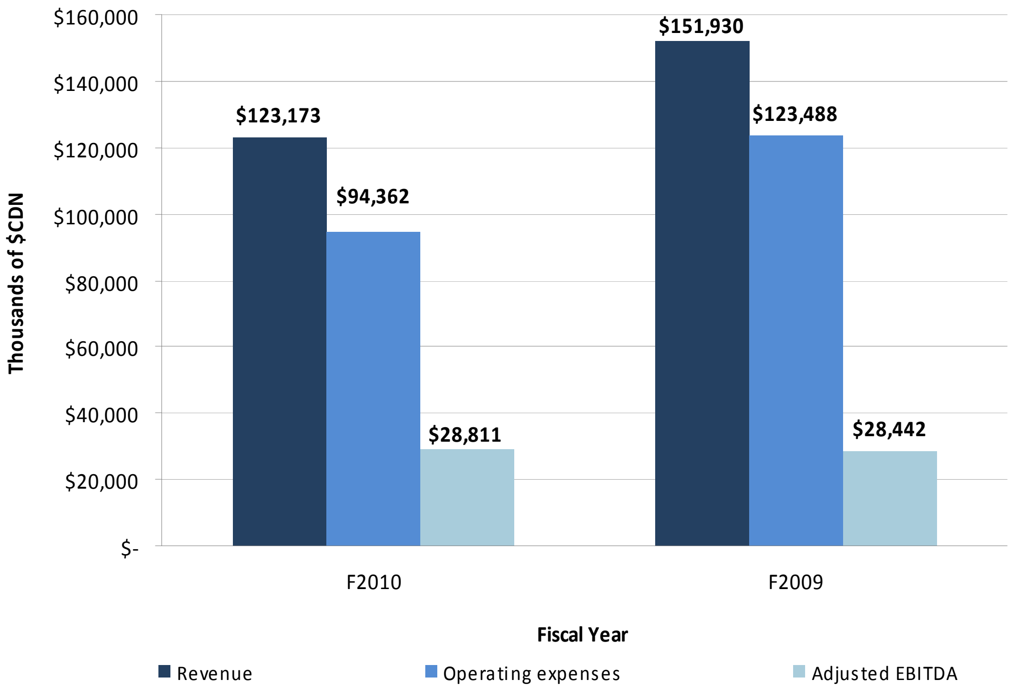
For the Corporation and many of its resource exploration and oil and gas based customers, access to funds from lending and capital markets remained a challenge for this past year. Many of the Corporation's resource customers rely heavily on the capital markets and were not able to commit the funds to support the activity levels seen in previous years. The residual impact to the Corporation was evident in the current year's flight revenues from the exploration sector which were lower by 63% compared to the same period last year and the oil and gas sector which were lower by 65% compared to the same period last year. While there is still some uncertainty over the pace of recovery in activity the Corporation can expect in fiscal 2011, the outlook for the Canadian resource industry is much more positive going into this fiscal year than it was last year.

Impact of wet weather conditions on the forest fire management revenues ("Reduced Fire Activity")

The unseasonably cool and wet weather conditions in northern Ontario continued to dampen revenues from the Corporation's businesses that provide forest fire management in that province, as disclosed by the Natural Resources Canada report on the number of forest fires for the period from January 1 to September 3 in Ontario, where it reported 352 fires in calendar 2009 compared to a 10-year average of 1,043 fires.

Hicks has successfully renewed its fire management contract for a further 5 year period. The renewed contract terms have a fee structure in place that provides enhanced revenue certainty while still leaving upside potential depending on fire conditions.

Overview



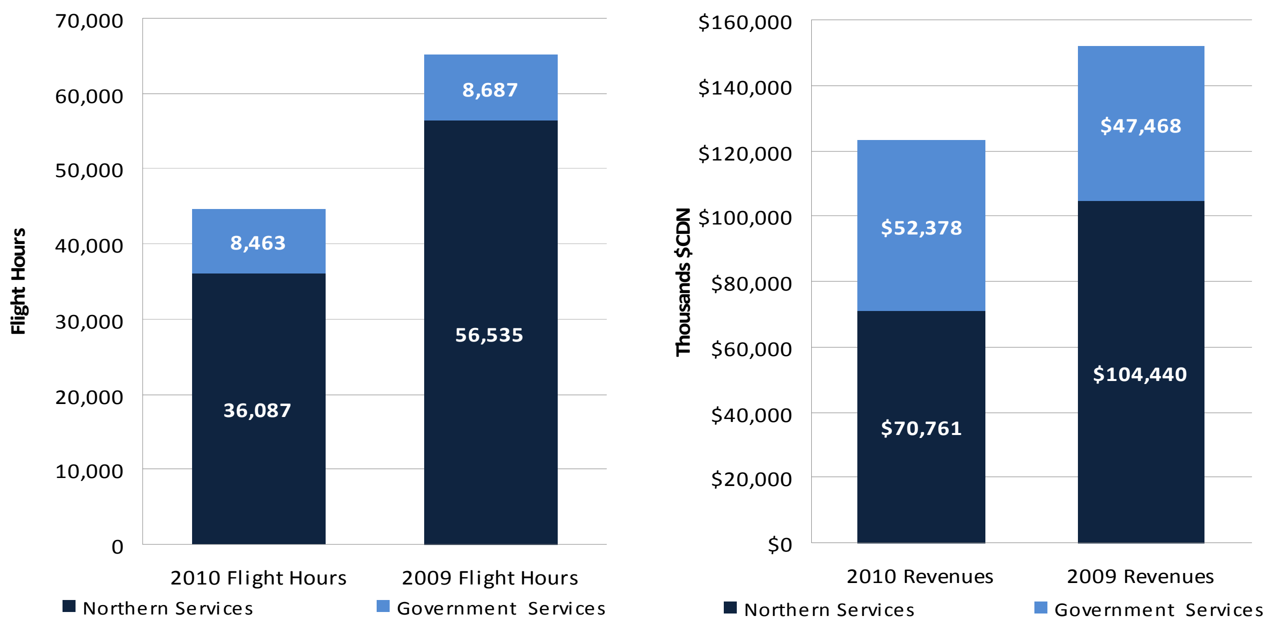
The Corporation generated revenues of $123.2 million for the current year, representing a 19% decrease in revenues from the prior year. While the Corporation has a diverse base of revenues to draw from, services to the resource sector, including fire management services, remain a significant part of the Corporation's revenue. Therefore, while there was a year over year 6% increase in contribution from the non-resource sector, it was not enough to fully offset the decline in contribution from the resource sector.

The Corporation's EBITDA of $27.1 million reflects a 5% decline from prior year. Adjusted EBITDA (which excludes the impact of relocation of corporate office costs incurred in fiscal 2010) was $28.8 million which represents a marginal year over year increase of 1%. The Corporation was able to sustain comparable EBITDA to the prior year despite the sharp decline in revenues due to significant cost optimizing initiatives throughout the operating units and a favourable mix in flight activity and revenue by aircraft type.

Discovery Air recorded Adjusted Earnings (see non-GAAP measures) for the year of $0.9 million compared to Adjusted Earnings of $2.9 million in the prior year. The reduced level was attributable to increased amortization associated with a higher average level of investment in capital assets as well as higher interest expense and financing transaction costs related to arranging new demand credit facilities and amendment fees charged by existing lenders.

The Corporation generated after-tax operating cash flow (see non-GAAP measures) of $17.4 million in the current year compared to $23.3 million for the prior year. The level of after-tax operating cash flow was reduced by the same factors that affected Adjusted Earnings, except for the amortization impact which is a non-cash charge. The Corporation's management was able to maintain adequate levels of after-tax operating cash flow and working capital in spite of the impact on its operations caused by the Resource Industry Slowdown and Reduced Fire Activity. Throughout the 2010 fiscal year, management placed increased emphasis on cash flow preservation in light of the uncertain economic conditions and the tight credit and equity markets that existed through the first three quarters of the year. The economic outlook going into fiscal 2011 is much more positive than that going into fiscal 2010; however, the Corporation's management is of the view that it will take some time for resource-based customers to fully recover from the impact of the Resource Industry Slowdown. That being said, the Corporation will continue to seek capital investment opportunities as they present themselves that contribute to the Overarching Objective.

Revenue and Hours Flown

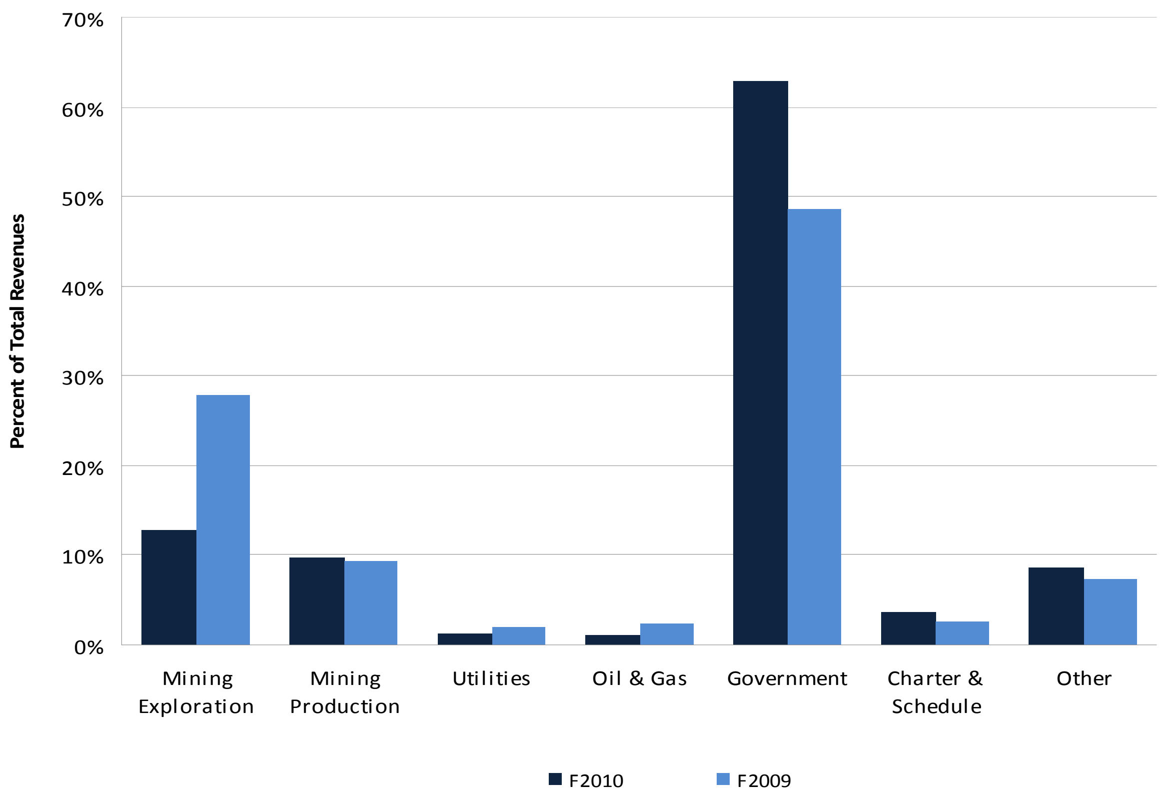


The Corporation's revenue is primarily generated from helicopter and airplane transportation services that are delivered through its subsidiaries and is largely driven by flight hours. There are several exceptions to this, such as the business of Discovery Mining, the scheduled services to remote communities provided by Air Tindi, and the basing, standby and minimum fees that are typical of Government contracts, such as those held by Top Aces, Hicks, and to a lesser extent, Great Slave. Revenues were $123.2 million for the year ended January 31, 2010, compared to $151.9 million for the prior year, representing a 19% decrease compared to the prior year. Hours flown for the year ended January 31, 2010 were 44,550 compared to 65,222 for the prior year, representing a 32% decrease. Revenues reduced at a lower rate than flight hours due to a favourable mix in flight activity and revenue by aircraft type and the impact of basing fee revenues that do not stem from hours flown. In addition, revenues from recoverable costs were $7.4 million compared to $9.8 million for the prior year, representing a 24% reduction.

The Northern Services segment generated revenues of $70.8 million on 36,087 flight hours for the year ended January 31, 2010, compared to revenues of $104.4 million on 56,535 flight hours for the prior year. The 36% reduction in flight hours from the prior year is largely attributable to weaker demand for helicopter services, where flight hours were down by 47%. The lower level of helicopter flight hours is attributable to the Resource Industry Slowdown and Reduced Fire Activity. Segment revenues reduced at a lower rate than flight hours due to a favourable mix in flight hour composition between types of aircraft that resulted in a higher level of revenue per hour flown.

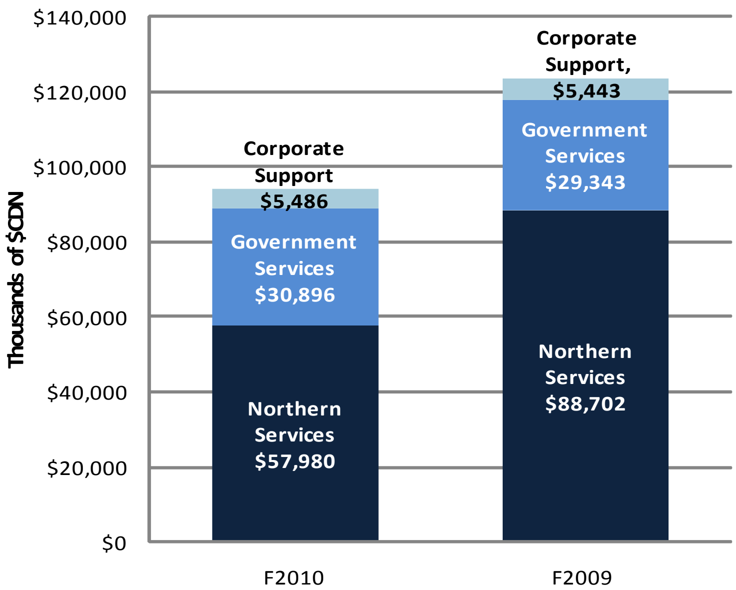
The Government Services segment generated revenues of $52.4 million on 8,463 flight hours for the year ended January 31, 2010, compared to revenues of $47.5 million on 8,687 flight hours for the prior year. This represented a 10% increase in revenues and 3% decrease in total flight hours. Top Aces increased its fleet size over the course of the 2010 fiscal year which enabled it to increase the hours flown and revenue recorded, which was offset by a decrease in flight hours at Hicks due to lower levels of forest fire activity.

Percentage of Consolidated Revenues by Industry Sector



The Resource Industry Slowdown and Reduced Fire Activity had an impact on the composition of revenue by industry sector. Revenues from the mining exploration, utilities and oil and gas sectors decreased by 63%, 48% and 65%, respectively, from the prior year, with reduced mining exploration activity having the largest negative impact on the Corporation's revenues. While revenues from the government sector increased by only 5% year over year, the increase represented a higher percentage of total revenues due to the reduction in revenues from other sectors.

Operating Expenses



Operating expenses consist of fixed and variable expenses including crew and fleet costs and general and administrative expenses. Crew and fleet costs are the largest expense categories. Crew costs are comprised of wages, benefits, travel and training for pilots and maintenance engineers. Fleet costs are comprised of aircraft lease cost and maintenance costs, the latter consisting of the purchase, repair and overhaul of parts, major components and accessories. Fuel costs represent a significant component of the Corporation's operating expenses; however, a significant portion of these and other costs are recoverable from customers and these recoveries are classified as revenues. The amortization of engine and rotable component overhauls is included in maintenance costs and is classified as operating expense for financial reporting purposes. General and administrative expenses are mainly comprised of wages and benefits of administrative personnel, facility costs, travel costs, insurance costs and other overhead expenses. These operating expenses contain both a fixed and variable cost component.

Operating expenses were $94.4 million for the year ended January 31, 2010, compared to $123.5 million for the prior year. The 24% decrease in operating expenses was largely attributable to the following factors:

- A lower level of business activity, which led to lower levels of variable costs and infrastructure requirements.
- A concentrated effort by management to scale fixed costs to service demands without compromising service delivery or safety.
- Better visibility and cost optimizing measures taken to address the potential adverse impact the Resource Industry Slowdown would have on activity levels going into the current fiscal year. Given the severity of the economic downturn in the fourth quarter of fiscal 2009, it was abundantly clear to management that trend would continue into fiscal 2010 with little expectation of turnaround, especially in the resource sector market.

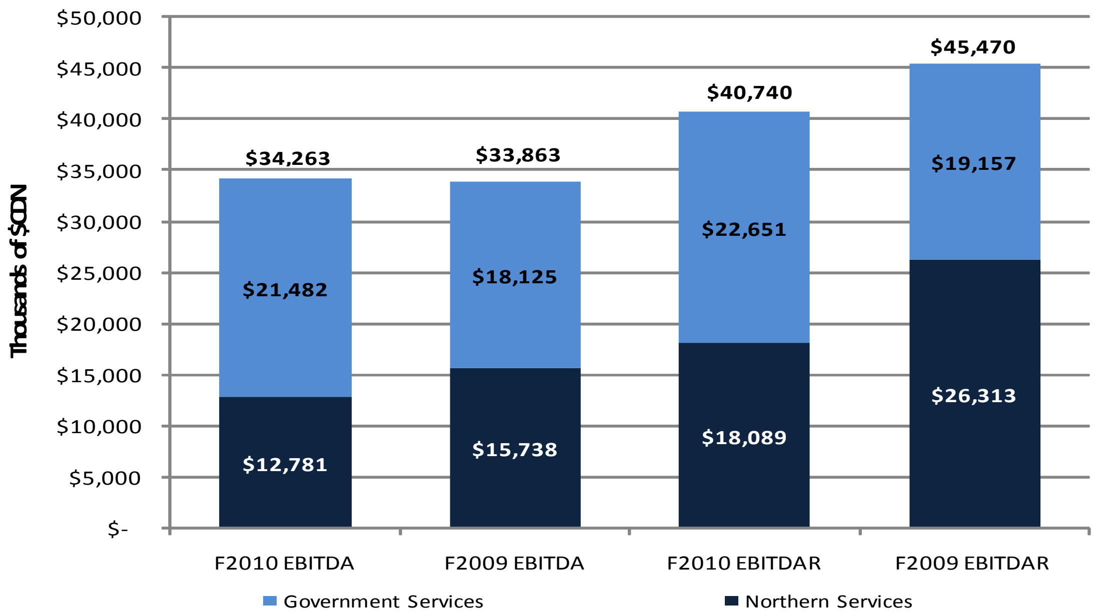
The Northern Services segment incurred operating expenses totaling $58.0 million for the year ended January 31, 2010, compared to $88.7 million for the same period last year, a 35% reduction. In fiscal 2009, the Northern Services segment committed to higher wage costs and leased aircraft costs in the first three quarters based on early indications of strong market demand and a shortage in the supply of skilled labour and certain types of aircraft. The Corporation did not address these increased costs until the fourth quarter of fiscal 2009 when management was reasonably assured that the reduction in staff complement would not adversely affect revenue opportunities during the peak season. With clear indications entering into fiscal 2010 of continued Resource Industry Slowdown, the segment was able to implement measures to scale down infrastructure and costs in anticipation of the weaker demand for services in many of the segment's lines of business. Management balanced this need with the necessity to maintain the safety of its operations and a capacity level sufficient to meet the anticipated needs of its customers.

The Government Services segment incurred operating expenses totaling $30.9 million for the year ended January 31, 2010 compared to $29.3 million for the prior year, an increase of 5%. The increase in costs is consistent with the segment's increased revenue level. Over the course of the year, Top Aces increased its fleet size which resulted in higher revenue levels and increased operating costs. Hicks reduced its costs year over year, which can be attributed to lower flight hours compared to the prior year.

Corporate support incurred operating expenses of $5.5 million for the year ended January 31, 2010, compared to $5.4 million for the prior year.

EBITDA and EBITDAR (see Non-GAAP Measures)

The following is a summary of EBITDA generated by the operating segments; the summary ignores the operating costs of the Corporate Services Segment.



EBITDA was $27.1 million for the year ended January 31, 2010, compared to $28.4 million for the prior year. EBITDA margin for the current year was 22% compared to 19% for the prior year. EBITDA includes one-time costs totaling $1.7 million related to the Corporation's relocation of its head office to Yellowknife, NWT. Adjusted EBITDA adds these costs back to provide a more meaningful year over year comparison. Adjusted EBITDA for fiscal 2010 was $28.8 million, approximately the same level as the prior year. The adjusted EBITDA margin was 23% compared to 19% in the prior year. The comparable year–over-year EBITDA and EBITDAR and the improvement in the related margin in the 2010 fiscal year was largely attributable to lower operating costs and increased revenue from higher margin aircraft. EBITDAR was $33.6 million for the year ended January 31, 2010, compared to $40.0 million for the prior year. The lower year over year lease costs mirror the reduction in the number of leased aircraft in the Northern Services segment. Aircraft lease costs were $6.5 million in fiscal 2010, compared to $11.6 million in the prior year.

The Northern Services segment had EBITDA of $12.8 million for the year ended January 31, 2010, compared to $15.7 million for the prior year. EBITDAR for the year ended January 31, 2010 was $18.1 million, compared to $ 26.3 million for the prior year. The lower level of EBITDAR arose from the lower level of EBITDA and a reduction in the leased fleet in the segment's helicopter business. Aircraft lease expenses reduced to $5.3 million in fiscal 2010 from $10.6 million in fiscal 2009.

The Government Services segment had EBITDA of $21.5 million for the year ended January 31, 2010, compared to EBITDA of $18.1 million for the prior year. The improvement arises from improved economies of scale in the Top Aces operation and lower operating costs at Hicks. EBITDAR for the year ended January 31, 2010 was $22.7 million, compared to EBITDAR of $19.2 million for the prior year.

Loss

The Corporation recorded a loss of $0.3 million compared to a loss of $130.3 million last year. Last year's results were impacted by $133.6 million of impairment charges related to goodwill and intangible assets. Adjusted earnings of $0.9 million, which adjusts for one-time head office relocation cost, declined compared to adjusted earnings of $2.9 million last year, which adjusted for the impact of the goodwill and intangible asset impairment charges. The following account for the difference in earnings year over year:

- Interest expense was $14.3 million for the year, compared to $12.3 million for the prior year. The Corporation's interest expense was higher due to increased interest rates on its term debt and operating line, as well as the expensing of a portion of the deferred financing charges related to non-scheduled revolving term loan repayments in the current year. The Corporation uses the effective interest rate method to account for transaction costs on its term loan financings.
- The Corporation incurred non-recurring costs associated with its financing activities totaling $1.1 million for the year. These costs are classified as financing transaction costs in the Corporation's statement of net earnings and comprehensive income. A large portion of these costs relates to transaction costs associated with the arranging of a new operating line of credit and a demand loan to finance the purchase of additional aircraft for a new revenue program during the fourth quarter of fiscal 2010.
- Amortization of buildings and equipment was $9.6 million for the year ended January 31, 2010, compared to $8.5 million for the prior year. The increase is reflective of additions to land, buildings and equipment during the year.
- The Corporation had income tax recovery for the year of $2.3 million compared to a recovery of $0.4 million for the prior year. While a component of the year-over-year increase in tax recovery is attributable to lower taxable earnings, the Corporation also benefited from corporate income tax rate reductions enacted in a number of provincial jurisdictions in which the Corporation operates.

Liquidity and Financial Resources

The following schedule summarizes the movement in cash flow components for the years ended January 31, 2010 and 2009.

(thousands of dollars)	*for the year ended* **January 31 2010**	*for the year ended* **January 31 2009**
Operating activities	$ 21,438	$ 25,536
Investing acitivities	(17,918)	(32,724)
Financing activities	(1,148)	10,297
Net increase in cash for the year	$ 2,372	$ 3,109

The cash position for the year ended January 31, 2010 reflected a net cash inflow of $2.4 million compared to a net cash inflow of $3.1 million for the prior year. Positive net cash flow was generated in the current year in spite of the negative impact of the Resource Industry Slowdown and Reduced Fire Activity on the Corporation's level of business activity year-over-year.

Operating activities

The 2010 operating activities generated net cash inflow of $21.4 million, compared to net cash inflow of $25.5 million for the prior year. The year over year reduction can be largely attributed to higher interest costs, one-time transaction costs related to financing activities that were charged to earnings and costs associated with the relocation of the corporate head office to Yellowknife, NWT. These increased costs were partially offset by the benefits of the Corporation's close monitoring of its working capital and cash positions during the 2010 fiscal year due to the expected deterioration in activity levels caused by the Resource Industry Slowdown. The 2010 fiscal year change in non-cash operating working capital was $4.0 million compared to $2.2 million for the prior year. After-tax operating cash flow was $17.4 million for the 2010 year or $0.13 per share compared to $23.3 million or $0.17 per share for the prior year (see Non-GAAP Measures).

Cash in the twelve month period was negatively impacted by a $1.3 million increase in restricted cash. The restricted cash balance arose at the time the operating line of credit was refinanced. The new lender is unable to provide certain contingent exposures such as letters of credit. These contingent exposures must be arranged through third parties who require them to be cash collateralized by the Corporation.

Investing activities
The net cash outlay from investing activities for the current year was $17.9 million compared to $32.7 million for the prior year. In addition to sustaining capital expenditures and capitalized aircraft overhaul coats, the Corporation made growth investments in the prior year to expand the fleet at Great Slave, Air Tindi and Top Aces. In the 2010 year, the investing activities relate to completion of the Top Aces fleet expansion program that was initiated last year, sustaining capital expenditures and capitalized aircraft overhaul costs. In the third quarter of fiscal 2010, Top Aces was awarded an eighteen month aviation services contract with the Government of Canada, with services to commence in the second quarter of fiscal 2011. Investing activities for the purchase of land, buildings and equipment were offset by proceeds from the sale of aircraft in the Northern Services segment in the third and fourth quarter of this year.

Other than aircraft overhaul costs related to the Corporation's existing fleet, the Corporation has not committed to any specific plans for any significant purchases of capital assets in the immediate future. However, consistent with its Overarching Objective, the Corporation will actively pursue feasible capital expenditure opportunities that support sustained long-term growth.

Financing activities
Financing activities were impacted by the following factors:

- The completion of a $34.0 million term loan in the first quarter to refinance a maturing $33 million term loan.
- The balance of term debt funding during the year related to Top Aces' increase in its Alpha jet fleet. During the fourth quarter of fiscal 2010, the lender advanced the remaining available balance of the $21.5 million term financing arranged last year for these program purchases.
- During the fourth quarter, the Corporation closed a $4.6 million demand credit facility to provide interim financing for the purchase of aircraft completed during the third quarter.

The Corporation made principal repayments totaling $43.6 million during the 2010 year, of which $33.0 million related to the repayment of the term loan that matured in February, 2009 and $3.6 million related to one-time reductions in fleet term debt. The balance of the repayments relate to scheduled term loan repayments. In the prior year, the Corporation made principal repayments totaling $6.2 million, all of which were regularly scheduled term debt repayments.

The Corporation did not have a balance outstanding on its operating line of credit as at January 31, 2010. Consistent with the seasonal nature of the Corporation's overall business cycle, the Corporation draws on its operating line of credit in the first and second quarter of the year to fund the seasonal start-up costs leading into the summer months. Additionally, the operating line of credit is required to fund any rapid build-up in accounts receivable. At the end of the prior year, the Corporation had no outstanding balance on its operating line of credit. As at January 31, 2010, the Corporation had unrestricted cash of $9.2 million and $8.3 million in unused borrowing capacity on its line of credit available to fund its operating requirement needs.

Working capital and cash position
At January 31, 2010, the Corporation had a positive working capital position of $15.3 million and a current ratio of 1.7 compared to a positive working capital position of $16.9 million and a current ratio of 1.8 as at January 31, 2009. The working capital position of the Corporation has been impacted by a decrease in year over year earnings (excluding the impact of the goodwill and intangible asset impairment charges on fiscal 2009 earnings). The Corporation funded lower levels of capital expenditure out of working capital in the 2010 year compared to the prior year but funded higher levels of debt repayment out of working capital. While the Corporation currently believes it has sufficient working capital to meet its current and future operating requirements based on its existing working capital position, cash generated from operations and operating credit facilities, this could change depending on how long the economic downturn continues to impact our businesses, the continuing support we receive from lenders who provide credit facilities on a demand basis and the terms upon which we are able to extend our non-revolving term loan in July 2010. The Corporation's management continues to monitor factors that could adversely impact the Corporation's working capital and cash position.

The operating line of credit facility is used to fund any short-term financing requirements which arise as a result of the seasonality of the Corporation's revenue and cash flow patterns. It is a critically important source of working capital during certain periods of the Corporation's year. Except as noted above, the Corporation does not expect any significant changes to its working capital requirements for the next year. Any significant non-maintenance related capital expenditure is assessed to ensure reasonable support exists to match the capital expenditure to projected revenues or cost savings generated from the transaction. The Corporation's management will continue to identify ways to conduct its businesses more efficiently and reduce costs.

Debt financing

The Corporation maintained $146.1 million in term debt obligations as at January 31, 2010 compared to $145.7 million for the prior year. Regardless of very challenging credit market conditions in the last year, the Corporation was able to successfully refinance a maturing $33.0 million term loan and arrange a new operating line of credit, which has a peak maximum limit of $25.0 million. The Corporation was also able to successfully arrange bridge financing for aircraft purchased to support a new revenue program in the Government Services segment that will begin to generate revenue in fiscal 2011. The past year required the support of the Corporation's term and operating lenders as the Corporation undertook the actions that were necessary to align its businesses with the rapidly deteriorating level of operating activity. This support did not come without a cost in the form of increased interest rates, transaction fees and a requirement to relocate the Corporation's head office. The Corporation will continue to be dependent upon the co-operation of its term and operating lenders as it deals with the opportunities and challenges that present themselves in the coming year. The Corporation was in compliance with the covenants established by its lenders as at January 31, 2010.

A key success factor for the Corporation will be to ensure it maintains access to an adequate level of term and operating credit. Over the course of the next year, management will be focused on extending or refinancing the operating line of credit and interim aircraft financing provided by one of its lenders. It will also be focused on developing a plan for dealing with the cycle of maturing term debt that begins with the maturity of the unsecured subordinated debentures in December of 2011. As well, it will need to prepare for the impact that current foreign exchange rates and updated aircraft appraisals may have on the borrowing availability for the non-revolving term loan provided by one of its lenders.

Contractual Obligations

The following chart outlines the Corporation's contractual obligations as at January 31, 2010.

(thousands of dollars)	Due within 1 year	Due between 1 & 2 years	Due between 2 & 3 years	Due between 3 & 4 years	Due between 4 & 5 years	Due after 5 years	Total
Accounts payable and accrued liabilities	$ 10,444	$ -	$ -	$ -	$ -	$ -	**$ 10,444**
Operating leases	4,277	1,852	1,357	596	205	425	**8,712**
Long-term debt	10,330	31,754	52,081	45,504	6,296	142	**146,107**
	$ 25,051	$ 33,606	$ 53,438	$ 46,100	$ 6,501	$ 567	**$ 165,263**

Long-term debt due within one year includes scheduled repayments in addition to the $4.6 million interim demand loan facility that was arranged in the fourth quarter of the current year to finance the purchase of aircraft for a new revenue program.

Off-Balance Sheet Arrangements

The Corporation has annual lease obligations for aircraft and premises. Minimum lease payments under these leases for each of the five succeeding years and thereafter are as follows:

(thousands of dollars)	
2011	$4,277
2012	1,852
2013	1,357
2014	596
2015 and thereafter	630

The Corporation took action to substantially reduce its fleet of leased aircraft beginning in the fourth quarter of fiscal 2009 in response to the expectation for much lower demand for aviation services from customers of its Northern services segment in fiscal 2010. The Corporation has the flexibility to increase its fleet of leased aircraft should an increased demand for services warrant.

The Corporation was required to obtain letters of credit issued by its lenders totaling $0.5 million (2009 - $2.0 million). The letters of credit serve as collateral for customer contracts and certain contractual obligations of the Corporation's subsidiaries.

Shareholders' Equity and Updated Share Information

The only material change to Shareholders' Equity was the impact of the net loss recorded for the current year. Share capital was unchanged and there was only a nominal charge to contributed surplus related to vesting stock options granted in previous years. The Corporation's shareholders voted to terminate additional grants under the Corporation's stock option plan at its annual general meeting held in June 2008 and, therefore, no additional grants have been made since that time.

At April 29, 2010, there were 134,461,555 Class A common shares outstanding and 742,604 Class B common shares outstanding. At the same date, there were 3,129,900 common share options outstanding and no common share purchase warrants outstanding.

Additional information with respect to shareholders' equity is contained in the consolidated financial statements for the years ended January 31, 2010 and 2009.

Related Party Transactions

The only transactions with related parties involve debt obligations of the Corporation. At January 31, 2010, the Corporation had long-term debt including accrued interest totaling $15.0 million (2009 - $18.3 million) owing primarily to current and former officers and directors of the Corporation or its subsidiaries who were former owners of the subsidiaries. This debt was assumed at the time the Corporation acquired certain of its subsidiaries. Additional information with respect to related party debt is contained in the consolidated financial statements for the years ended January 31, 2010 and 2009.

Subsequent to the 2010 year end, the Corporation was served with a Statement of Claim by two former officers of one of the Corporation's subsidiaries whose employment was terminated in February 2009. The Statement of Claim alleges wrongful dismissal and makes a claim for damages totaling $1.8 million plus costs and pre-judgment interest. Additionally, the claim alleges that the balance outstanding on promissory notes payable to the claimants by the Corporation's subsidiary is due in its entirety. The face value of these notes as at January 31, 2010 was $1.1 million. Prior to the Statement of Claim being received, the Corporation made a set-off claim against the amounts outstanding under the promissory notes. Although it is not possible as at this date to determine with a reasonable degree of certainty the outcome of this legal proceeding, management believes the claims are without merit and intends to defend its position.

Results of operations for the three-month period ended January 31, 2010 ("Q4 2010") and for the three-month period ended January 31, 2009 ("Q4 2009")

Selected Financial Information

(thousands of dollars, except per share amounts)		**Q4 2010**		**Q4 2009**
		(unaudited)		(unaudited)
Results of operations				
Revenue	$	17,749	$	19,590
Operating expenses	$	19,978	$	23,578
Loss before undernoted items	$	(2,229)	$	(3,988)
Interest expense	$	3,560	$	2,944
Amortization	$	3,774	$	3,325
Goodwill & intangible assets impairment charge	$	-	$	133,579
Relocation of corporate office	$	67	$	-
Financing transaction costs	$	112	$	-
Loss	$	(4,837)	$	(139,139)
Basic and diluted loss per share	$	(0.04)	$	(1.03)
Financial position and liquidity				
Total assets	$	256,310	$	260,026
Total long-term debt	$	146,107	$	145,726
Cash provided by operations	$	1,795	$	10,535
Working capital	$	15,314	$	16,906
Key non-GAAP performance measures*				
Adjusted loss	$	(4,790)	$	(5,942)
EBITDAR	$	(1,762)	$	(3,049)
Adjusted EBITDAR	$	(1,695)	$	(3,049)
EBITDA	$	(2,296)	$	(3,988)
EBITDA Margin		-13%		-20%
Adjusted EBITDA	$	(2,229)	$	(3,988)
Adjusted EBITDA Margin		-13%		-20%
After-tax operating cash flow	$	(1,989)	$	(1,178)
After-tax operating cash flow per common share	$	(0.01)	$	(0.01)

* See Non-GAAP measures

The business of the Corporation follows a seasonal pattern with the lowest revenues generally occurring from November to April. The Corporation's revenues for the three-month period ended January 31 are at the lowest point in the seasonal cycle. Accordingly, the Corporation typically expects to incur a loss from operations in the fourth quarter. In addition, repair and maintenance costs on aircraft are not incurred evenly during the year and the timing of these costs can vary from year to year. Therefore, the Corporation's results for a quarter are not indicative of the results that may be expected for a full year.

Revenue and Hours Flown

Revenues were $17.8 million for Q4 2010, compared to $19.6 million for Q4 2009. Hours flown for Q4 2010 were 5,495 compared to 5,814 for Q4 2009, representing a 5% decrease in year-over-year flight hours. The decrease in the year-over-year flight hours is attributable to lower flight hours in the Government Services segment. Revenues decreased by 9% regardless of only a 5% reduction in flight hours due to the lower contribution provided by the Government Services segment during Q4 2010.

The Northern Services segment generated revenues of $8.4 million from 4,283 flight hours for Q4 2010, compared to revenues of $9.1 million from 4,411 flight hours for Q4 2009. Revenue decreased by 8% compared to a 3% decrease in flight hours primarily due to a change in the composition of hours flown by aircraft type.

The Government Services segment generated revenues of $9.4 million from 1,212 flight hours for Q4 2010, compared to revenues of $10.4 million from 1,403 flight hours for Q4 2009. The decrease in year-over-year revenues was attributable to reduced demand for services compared to the prior year. The segment is subject to quarterly fluctuations in demand for services due to short term priority shifts by one of its customers. The percentage reduction in flight hours was greater than the percentage reduction in revenue due to a higher level of revenues from other sources in Q4 2010.

Operating Expenses

Operating expenses were $20.0 million for Q4 2010, compared to $23.6 million for Q4 2009. The 15% decrease in operating expense reflects efforts to curtail costs in Q4 2010.

The Northern Services segment incurred operating expenses totaling $11.8 million for Q4 2010, compared to $14.9 million for Q4 2009, a 21% reduction. The segment reduced its level of operating costs during Q4 2010 in response to a lower expected demand for its services.

The Government Services segment incurred operating expenses totaling $6.7 million for Q4 2010, compared to $7.4 million for Q4 2009, a reduction of 9%. This is consistent with the level of revenue reduction for Q4 2010.

Corporate support incurred operating expenses of $1.5 million for Q4 2010, compared to $1.2 million for Q4 2009.

EBITDA and EBITDAR (see Non-GAAP Measures)

EBITDA loss was $2.3 million for Q4 2010, compared to EBITDA loss of $4.0 million for Q4 2009. There is no material difference between EBITDA and Adjusted EBITDA. The level of EBITDA loss year-over-year was lower in spite of lower revenues due to a reduced level of operating costs, driven largely by cost reductions in the Northern Services segment.

The Northern Services segment had EBITDA loss of $3.4 million for Q4 2010, compared to EBITDA loss of $5.8 million for Q4 2009. The decrease in year-over-year EBITDA loss was largely due to lower operating costs. EBITDAR loss for Q4 2010 was $3.2 million compared to EBITDAR loss of $5.1 million for Q4 2009. Similar to EBITDA, EBITDAR was positively impacted by lower operating costs.

The Government Services segment had EBITDA of $2.7 million for Q4 2010 compared to $3.0 million for Q4 2009. EBITDAR for Q4 2010 was $3.0 million, compared to EBITDAR of $3.2 million for Q4 2009. Both EBITDA and EBITDAR were impacted by lower revenue levels.

Loss

The loss for Q4 2010 was $4.8 million, compared to $139.1 million for Q4 2009. Results for Q4 2009 were negatively impacted by a $133.6 million impairment charge related to the carrying value of goodwill and intangible assets. Adjusted loss for Q4 2009 (which eliminates the impact of this impairment charge on results) was $5.9 million compared to $4.8 million in Q4 2010. The loss was lower in Q4 2010 primarily due to a lower operating loss and higher income tax recoveries offset by higher interest expense and higher amortization of buildings and equipment.

RISK FACTORS

The Corporation's operations involve a variety of risks and uncertainties, and the Corporation analyzes and where appropriate, actively manages such risks. Certain risks can be mitigated through the use of common management techniques such as business and cash forecasting, variance analysis, the development and use of standard policies and operating procedures, and the use of internal reviews to monitor compliance. Other risks can be mitigated by arranging with third parties to bear them on the Corporation's behalf, as is achieved through the Corporation's commercial insurance arrangements. Certain other risks by their nature do not lend themselves to mitigation over a reasonable time frame and/or at an appropriate cost. The Corporation's focus with respect to such risks is to ensure that they are properly identified and assessed, and that the Corporation earns a reasonable risk-adjusted return for bearing such risks. The discussion below summarizes some of the more important and relevant risks that the Corporation currently views as having the potential to significantly impact its business, financial condition, liquidity or results of operations. These risks may become more or less important with the passage of time, and additional risks may exist that the Corporation has not identified, or that it currently deems to be immaterial.

CAPITAL MARKETS AND FINANCIAL RISKS

Leverage and Access to Capital

The Corporation is engaged in competitive and capital intensive businesses which are subject to seasonal and cyclical influences. There is a risk that from time to time such seasonal and cyclical influences may limit the Corporation's ability to fund its operations from cash flow. Additionally, implementation of the Corporation's strategic plan is based on intensifying existing operations and on developing new and high-return lines of business, including business start-ups and acquisitions. Moreover, the Corporation and its subsidiaries on a consolidated basis have incurred substantial debt and debt service obligations. To the extent that it is unable to generate sufficient cash flow to fund operations or to service its debt, the Corporation may be required to refinance all or a portion of its existing debt, or to obtain additional financing.

These factors require that the Corporation maintain ongoing access to capital markets, including equity markets, to fund existing operations and to fund the implementation of its strategic plan. Changes in capital market conditions, including significant changes in market interest rates or lending practices and/or the condition of equity markets, may have a material adverse effect on the Corporation's ability to raise or refinance short-term or long-term debt, on its ability to dedicate cash flow to purposes other than payments on its indebtedness and fixed cost obligations, on its vulnerability to economic downturns, or on its flexibility to plan for and respond to competitive pressures or changes in its business environment, and thus on its financial position and ability to operate.

Liquidity

The Corporation requires working capital to fund its operations generally, and in particular to meet increased cash flow requirements associated with seasonal operations. The Corporation has arranged a secured demand operating loan to finance its working capital requirements, with a borrowing limit of $15.0 million and increased availability of up to $25.0 million during the Corporation's peak operating period of April through November. In December 2009, the Corporation entered into a $6.2 million demand loan agreement with its operating lender to provide interim financing for the purchase of additional aircraft and supporting equipment for one of its subsidiaries. The principal amount of both the operating line of credit and the equipment loan are due in full on June 9, 2010, and the Corporation is negotiating with its operating lender regarding a renewal of both loans. Should the Corporation be unsuccessful in renewing the loans on acceptable terms, its ability to fund its working capital requirements would be adversely affected. Assuming the loans are renewed on comparable terms, management expects that the Corporation's cash flow from operations, together with its renewed operating line of credit, will be sufficient to meet its anticipated working capital requirements.

In January 2008, the Corporation entered into a five year revolving long-term debt agreement to finance certain of its fleet assets. As at January 31, 2010, the Corporation had approximately $49.0 million available to it and drawn under this facility. The debt currently requires a principal payment of US$83,000 per month up to and including June 2010, after which it reverts to an interest-only debt. On July 24th of each year the lender has the option to terminate the revolving feature of the facility and convert it to an amortizing basis, with the then-outstanding principal balance to be repaid over a 102 month term. The maximum borrowing limit under the facility is reset by the lender annually in July based on the lesser of (1) $50.0 million and (2) a borrowing base determined by applying an agreed-upon lending margin to the updated appraised U.S. dollar value of aircraft pledged to the lender. The Corporation is at risk of a reduction of the borrowing limit by the lender as a result of either or both of:

(i) a reduction in the appraised value of the aircraft included in the borrowing base;

(ii) an increase in the value of the Canadian dollar against the U.S. dollar, which would reduce the U.S. dollar-denominated value of aircraft included in the borrowing base on translation. The borrowing base was established in July 2009 based on an exchange rate of $1.09 Canadian dollars for each US dollar. A 5.00% rise or fall in the Canadian dollar against the U.S. dollar, with all other variables unchanged, would result in a decrease or an increase in the estimated borrowing base of $2.5 million.

Should the borrowing limit be reduced as a result of one or more of the above factors, the Corporation's liquidity could be adversely affected as a result of being required to fund a non-scheduled repayment of the principal balance owing on the facility. The Corporation's liquidity could also be adversely affected in the event the lender elects in July to discontinue the facility's revolving feature and implement an amortization requirement over the agreed-upon 102 month term to maturity.

Limitations Due to Restrictive Covenants

Certain of the Corporation's debt agreements include affirmative and negative covenants which restrict the Corporation's ability to deal with its assets or operations in the normal course of business, including with respect to:

- borrowing money or issuing guarantees
- the incurring of liens to secure indebtedness
- undertaking investments or disposing of assets
- paying dividends, redeeming capital stock, or making other restricted payments
- merging with another person or selling substantially all of its assets

These covenants may have the effect of limiting the Corporation's ability to respond to changes in business and economic conditions, or to undertake transactions relating to the assets or operations of the Corporation that it views as desirable. Certain of the Corporation's debt agreements also require that the Corporation maintain specified financial ratios and satisfy specified financial tests. A failure to observe the stipulated covenants, or to meet the required financial tests, could result in a default under one or more of the Corporation's debt agreements, and upon such default, the Corporation's lenders could elect to declare all principal and interest owing under such debt agreements to be immediately due and payable. The Corporation's lending agreements typically contain cross-default provisions whereby a default under one agreement would lead to a default under the other agreements.

Interest Rates

The Corporation is exposed to financial risk from fluctuations in interest rate levels and the resulting interest expense associated with its short-term and long-term debt. The Corporation's capital structure includes a mix of variable rate debt on certain long term aircraft finance facilities, together with fixed rate debt borrowed primarily to finance acquisitions. Changes in interest rates will result in fluctuations in the Corporation's operating results.

Foreign Currency

The Corporation's revenues are primarily in Canadian dollars. As disclosed above under "Liquidity", the maximum borrowing limit available to the Corporation under its long-term fleet finance facility is subject to annual reset by the lender based in part upon a borrowing base calculated with reference to the updated appraised U.S. dollar value of aircraft pledged to the lender. The Corporation is at risk of a reduction of the maximum borrowing limit as a result of, among other factors, an increase in the value of the Canadian dollar against the U.S. dollar, which would on translation reduce the U.S. dollar-denominated value of aircraft included in the borrowing base. The Corporation is also exposed to risk from fluctuations in the Canada/US and Canada/Euro exchange rates associated with payment obligations on the purchase of aircraft, maintenance expenditures related to overhauls and spare parts procurement, and margin requirements on certain of its long-term aircraft finance debt. Changes in exchange rates will result in fluctuations in the Corporation's operating results.

Insurance

The Corporation's aviation subsidiaries may not be able to obtain insurance covering all hazards associated with the commercial air services that they provide, or may become subject to liability for hazards which they cannot or may elect not to insure because of high premium costs or other reasons, or for occurrences which exceed maximum coverage under their policies. These subsidiaries cannot ensure that insurance coverage will be sufficient to cover large claims or losses, or that the insurer will be solvent when claims are made.

If the Corporation is held liable for uninsured hazards, the payment of those liabilities could reduce the potential for the Corporation's expansion, development and marketing. The loss of insurance coverage or the inability to collect on insurance coverage in the event of a loss, expropriation or confiscation of, or severe damage to, a large number of aircraft in the operating companies' fleet could adversely affect the Corporation's business, results of operations or financial condition.

Holding Company Structure

Substantially all of the Corporation's operating activities are undertaken by its subsidiaries and the Corporation is dependent upon the cash flow generated by its operating subsidiaries to meet its obligations.

Counterparty Risk

The Corporation's customers are typically invoiced in arrears for services provided. As a result, the Corporation is subject to its customers delaying payment of, or failing to pay, invoices. During times of weak economic conditions, the risk of payment delays or outright default in payment may increase due to a reduction in customers' cash flow and challenges related to their ability to access debt and equity markets, among other factors.

The Corporation is exposed to risk in its dealings with various financial institutions, alternative lenders and insurance companies, some of whom reported a deterioration in their financial condition as a result in part of financial market conditions throughout calendar 2008 and 2009. The Corporation has been given no indication that any of its lenders or insurers will be unable to fulfill their obligations under credit agreements, insurance policies and contracts. However, if, in the future, any significant lenders or insurers were unable to perform under such arrangements and the Corporation was required to establish alternative arrangements with other lenders or insurers, there is no guarantee that suitable alternative arrangements could be made.

BUSINESS AND OPERATIONAL RISKS

Dependence on Key Customers

Top Aces' revenue is derived from Standing Offer Agreements to provide airborne training services to the Canadian Department of National Defence and Canadian Forces ("DND"). Top Aces is currently the only supplier with approved airworthiness clearances under these Standing Offer Agreements, and is currently the only supplier to have operated under the Memorandum of Understanding between Transport Canada and DND for the provision of airborne training services. DND is not obligated to utilize any minimum level of Top Aces' services under the current Standing Offer Agreements. Due to the essential nature of this military training, management does not believe it likely that there will be any substantial reduction in service required by DND over the balance of fiscal 2011, or that the Standing Offer Agreements will be terminated. However, in the post-2011 period, there is potential risk of a reduction in DND's training requirements and the commensurate level of service purchase from Top Aces if budget constraints develop as a result of the federal government's fiscal position and its potential impact on new or renewal program spending. The current Standing Offer Agreements may be cancelled at any time, and currently expire in March 2011, although the Corporation anticipates that a Request for Proposal will be issued for a renewal agreement to ensure continuation of the services beyond that date. The Corporation is economically dependent upon this business, and there is a risk that Top Aces may not be the successful bidder under this anticipated Request for Proposal.

Hicks' revenue from airborne fire management services is based upon a contract with the Ontario Ministry of Natural Resources. This contract expires at the end of the fire season in 2014, with funding under the contract contingent upon an annual appropriation of funds by the Ontario Government. Given the nature of the services provided under the contract, management believes that it is unlikely that the funding will be substantially reduced or cancelled. The contract may be immediately terminated by the government agency upon 30 days prior written notice or immediately upon the occurrence of certain events of default, including a breach of specified material terms of the contract, or an event of insolvency at Hicks.

Dependence on Safe Operations

The operations of the Corporation's aviation subsidiaries are subject to risks inherent in the air service industry in which they operate, including risks arising from accidents or incidents involving aircraft operated by these subsidiaries. The involvement of a subsidiary in an accident or incident could result in a negative effect on the Corporation's reputation for safety, in liability resulting from personal injury to its customers or personnel, in repair or replacement costs for damaged aircraft, or in a disruption in service and revenue levels.

Strategic Initiatives

The Corporation's strategic plan entails implementing a variety of business initiatives designed to achieve substantial revenue growth and enhance its competitiveness. Such initiatives may be influenced by a variety of factors beyond the Corporation's control, including the acceptance of such initiatives by the Corporation's customers, suppliers and personnel, and the performance of third parties. Its ability to implement such initiatives may also be influenced by the level of working capital available to the Corporation. A delay or failure to implement such initiatives may adversely affect the Corporation's ability to operate its business efficiently, achieve its goals and remain competitive. Similarly, there can be no assurance that any or all of these initiatives will result in the intended improvement in the Corporation's financial position or achieve the results anticipated in the Corporation's business plan.

Information Systems and Business Processes

Many aspects of the Corporation's business depend on various IT systems and software, and on effective internal business processes. The Corporation is subject to risk as a result of potential failures of, or deficiencies in, such systems and processes. Although the Corporation has taken steps to reduce such risks, there can be no assurance that such efforts have been or will be successful.

Dependence on Personnel

The executive team of the Corporation and the management team of each of the Corporation's operating units include a number of highly qualified and experienced individuals, many of whom have held various operational positions at all levels of the aviation industry and, in the case of Discovery Mining, the exploration support services industry. The ability of the Corporation to successfully implement its strategic plan is highly dependent on the skills, talents and efforts of these individuals.

There is significant competition in the current market for qualified pilots, mechanics and other highly-trained personnel with the skills required by the Corporation. Moreover, some of the Corporation's customers stipulate high minimum levels of flight hour experience for air crew deployed in support of their operations. Qualified personnel are in great demand and are likely to remain a scarce resource for the foreseeable future.

The Corporation is required to employ personnel in various offices and facilities, some of which are in remote locations. Sourcing and retaining qualified personnel in such locations is frequently difficult. It is likely that the Corporation will incur increased hiring and retention costs, and will experience higher levels of turnover in such locations, than if its operations were located in major markets. The inability to source and retain qualified personnel in remote locations could have an impact on the Corporation's ability to report on a timely and accurate basis. This could also impact the effectiveness of internal controls over financial reporting in future periods.

Fleet Management and Repair

Great Slave, Air Tindi, Top Aces and Hicks manage their fleet expansion and renewal requirements primarily by dealing in the pre-owned aircraft market. There is no assurance that in the future they will be able to source aircraft of the type required, at acceptable price levels, delivery dates or commercial terms.

The majority of spare parts and aircraft system components required for aircraft repair and maintenance are purchased from third party suppliers located throughout Canada, the United States and Europe. Certain items are available only through purchase directly from an original equipment manufacturer. Other parts can be difficult to source because of the age of some of the aircraft in the Corporation's fleet. Contingent suppliers have been identified for a number of parts and components; however, any sustained inability of suppliers to provide the Corporation's aviation subsidiaries with the required parts and systems in a timely manner could result in the subsidiaries' inability to maintain flight operations at full capacity. A failure to source required parts and systems at acceptable pricing could negatively impact operating margins. Additionally, certain scheduled and nonscheduled maintenance and repair work entails contracting with third parties for the supply and overhaul of certain major aircraft components. Such suppliers may experience backlogs in their manufacturing or production schedules which may result in parts being in limited supply, or in delays in completion of contracted overhaul and repair work. Suppliers who specialize in the maintenance and repair of components necessary for the operation of the Corporation's aircraft may choose to discontinue provision of such services, which would require the Corporation to source new suppliers whose costs could be higher or whose delivery schedules might not meet the Corporation's requirements. Replacement suppliers might also require the Corporation to contribute toward certain costs required to develop the capability to maintain and repair components on behalf of the Corporation. Supplier cost increases on critical components may result in increased maintenance and repair expense. Finally, the operating companies may face a need for unscheduled repairs or an inability to perform timely maintenance and repairs, which could result in aircraft being underutilized.

Fuel Supply and Costs

Fuel supply and prices are susceptible to a variety of influences beyond the Corporation's control, including supply and demand expectations and conditions, general economic conditions, government policies and regulation, the price and availability of alternative fuels, weather conditions, political and terrorist events and refinery capacity. While the majority of fuel costs are paid by Great Slave's, Air Tindi's, Top Aces' and Hicks' customers, a significant change in the availability or price of fuel could negatively affect demand for the Corporation's services.

Aboriginal Relationships
A key element of the Corporation's Northern Services business strategy is developing and maintaining positive relationships with Aboriginal communities. These relationships are important to the Northern Services segment's operations and to customers who desire to work in the north. An inability to develop and maintain such relationships and to comply with local requirements could adversely affect the Corporation's business strategy, growth and profitability.

Customers, Agreements and Contracts
The business operations of the Corporation involve successfully executing performance-based contracts. The key factors which determine whether customers will continue to use the Corporation's services are its reputation for safety, dispatch reliability, service quality and availability, operational experience and proficiency, competitive pricing and its professional reputation. There can be no assurance that the Corporation's relationships with its customers will be maintained and a significant reduction in or loss of business from certain of these customers would need to be offset by sales to new customers and/or increased sales to other existing customers.

Labour Costs and Labour Relations
The employees of the Corporation and its subsidiaries are not currently represented under collective bargaining agreements, but the Corporation cannot ensure that it will maintain a non-unionized workforce in the future. If its employees elect to unionize, there is potential for negotiation of agreements containing terms that are unfavourable to the Corporation and for labour disputes.

Current and Future Legal Proceedings
The Corporation is from time to time involved in litigation arising in the normal course of its business operations or with respect to the interpretation of existing or new agreements. The Corporation currently has several claims that have been made against it. Although the outcome of such proceedings cannot be predicted with certainty, management does not currently expect that any litigation currently underway will have a material adverse effect on the Corporation.

Operating in Foreign Markets
Historically, the Corporation has had limited operations in foreign markets. In pursuit of its Overarching Objective to seek sustainable growth, management intends to seek new opportunities in foreign markets where there is demand for the Corporation's services and where appropriate return can be earned. The Corporation recognizes that entering into foreign markets presents, among other risks, political, tax, safety, asset security and foreign currency risks associated with operating in foreign jurisdictions.

INDUSTRY AND COMPETITIVE CONDITIONS

Seasonality and Dependence on the Natural Environment
Each of the Corporation's businesses is subject to seasonal demand, which affects the number of flight hours booked in a given reporting period. Businesses within the Northern Services segment normally experience increased demand for their services from the spring through to the end of the summer. Top Aces' revenues tend to be significantly higher in the months of February to June and September to November, and while its revenues are relatively predictable over a twelve month period, they may fluctuate from month to month depending on the training requirements of its primary customers. A significant portion of Hicks' revenues is dependent on the level of forest fire activity in Ontario, and is earned between May and September. In addition to seasonal influences, revenues are affected by weather conditions, which can influence the number of flight hours in a given period. Additionally, each of the businesses schedules major repair and refurbishment work in periods when flying activity is seasonally lower, resulting in increased maintenance expense in periods when revenues are reduced. Accordingly, operating results may vary substantially from quarter to quarter, and results in one quarter may not be indicative of results that may be achieved in another quarter or over a full year.

Business Cyclicality
Changes in commodity prices and capital availability can result in significant fluctuations in demand for aviation and related services, particularly in the Corporation's Northern Services segment. During periods of low commodity pricing, some of the Corporation's customers may experience diminished cash flows and reduced access to capital, and their demand for flight and related services may be reduced. Periods of lower demand may intensify price competition in the industry, and may result in a reduction in flight hours and/or revenues per flight hour. Conversely, during periods of high

commodity pricing, when the Corporation's customers enjoy improved cash flows and enhanced access to capital, their demand for flight and related services may increase.

Industry Regulation

The air transport industry is subject to a number of aviation, transportation, environmental, labour, employment and other laws and regulations relating to many aspects of the business, including security, safety, personnel, aircraft, ground facilities, privacy, licensing, competition, and environmental protection. These laws and regulations generally require aircraft operators to maintain and comply with the terms of a variety of certificates, permits, licenses and other regulatory approvals. As a commercial air operator, Top Aces is subject to the same regulatory provisions as the Corporation's other subsidiaries; however, the military nature of its operations and equipment entail that Top Aces is also subject to regulatory approval under the DND's Airworthiness rules, and to additional government regulations including Canadian controlled goods regulations, U.S. International Traffic in Arms Regulations and similar foreign regulations. The ability of Great Slave, Air Tindi, Top Aces and Hicks to conduct business depends on their ability to comply with applicable regulatory requirements. There is no assurance that these operating companies will, for a reasonable cost, be able to remain in compliance with all applicable industry laws and regulations, either as currently issued or as they may be amended in the future.

The Corporation's aviation subsidiaries are subject to routine audit by Transport Canada to ensure compliance with all flight operation and aircraft maintenance requirements. In addition, Top Aces undergoes regular audits by DND Operational and Technical Airworthiness authorities. Failure to pass such audits could result in fines or grounding of aircraft. As of the date hereof, these operating companies comply with all applicable regulatory requirements; however, there can be no assurance that they will pass all required audits in the future. Additionally, and as of the date hereof, Top Aces complies with all of DND's Technical and Operational Airworthiness requirements, but there can be no assurance that Top Aces will pass all associated audits in the future.

The Corporation's subsidiaries are also subject to a variety of federal, provincial and local laws and regulations relating to environmental protection, including those governing past or current releases of hazardous materials. Certain of these laws and regulations may impose liability, fines or penalties for the costs of investigation or remediation of contamination, regardless of fault or the legality of the original disposal. As a result, these subsidiaries may incur costs to clean up contamination present on, at or under their facilities, even if such contamination was present prior to the commencement of their operations at the facilities and was not caused by their activities.

Competitive Conditions

Specialty aviation services are typically purchased on the basis of competitive bidding among operators who compete on the basis of reputation for safety, dispatch reliability, service quality, aircraft specifications and availability, operational experience and proficiency, competitive pricing and professional reputation. Operators may elect to compete in non-local markets, as their equipment and operational skills qualify them to enter new geographic markets with relative ease. Operators are also at risk of customers electing to in-source air transport capabilities by setting up their own flight operations.

Great Slave and Air Tindi compete with a variety of larger national air carriers as well as mid-sized and smaller regional operators. Certain services may require access to aircraft types not currently operated by Great Slave or Air Tindi, which increases the risk of new entrants and/or in-sourcing of flight operations. Discovery Mining competes with other camp supply and logistics management firms, and is also at risk of its customers electing to supply and service their own remote locations.

Top Aces is the only Canadian-based aviation services company currently qualified to supply airborne training services to DND; however, there is no assurance that competitors for this service will not arise in the future. Hicks is believed to be the only Ontario-based company currently equipped and qualified to provide primary airborne fire management services to the Ontario government; however, future Ontario-based or current or future out-of-province operators may elect to compete against Hicks to provide these services.

Industry Cost Structure

The aviation industry in general is characterized by significant investment in specialized fixed assets, a high fixed cost structure, cyclically volatile profit margins and limited barriers to entry. As a result, a relatively small change in revenues, traffic mix, or direct or indirect costs may have a significant impact on the Corporation's profitability. In the short term, fixed costs will not fluctuate in any meaningful way with revenues. Should the Corporation be required to reduce capacity or the number of aircraft it operates, margins may be compressed and/or potentially significant restructuring or termination costs may be incurred.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The 2010 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is often required to make judgments, assumptions and estimates in the application of Canadian generally accepted accounting principles that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and liabilities. The Corporation's management bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about accounting policies and the carrying value of assets and liabilities. Significant items subject to such estimates, assumptions and judgments include the carrying amount of land, buildings and equipment, intangibles and goodwill, valuation allowances for receivables, inventories, future income taxes, stock-based compensation and contingent liabilities related to lawsuits. Actual results could differ from estimates under different assumptions and conditions.

The significant accounting policies used in the preparation of the consolidated financial statements are summarized in Note 2 to the consolidated financial statements for the years ended January 31, 2010 and 2009. Management believes the following critical accounting estimates reflect the Corporation's more significant judgments used in the preparation of the financial statements.

Accounts Receivable

The Corporation establishes an appropriate provision for non-collectible or doubtful accounts. Estimates of recoverable amounts are based on best estimates of the amount a customer can or will pay. Actual amounts received may be affected by various factors, including the resolution of disputed amounts and the customer's financial condition.

Inventory

Inventory, consisting of aircraft parts and supplies, is stated at the lower of cost (on a first-in, first-out basis) and net realizable value. The Corporation regularly assesses the level of slow moving and obsolete parts and estimates any provision required based on several factors, including technology factors, the anticipated needs and the passage of time.

Land, buildings and equipment

Land, buildings and equipment are stated at cost and amortized over their expected useful lives. Rotable and overhauled aircraft components that improve or extend the useful lives of aircraft are capitalized and amortized over their lives based on the number of hours flown. Maintenance and repair expenditures which do not improve or extend productive life are expensed as incurred under the direct expensing method and as such may vary from one period and one year to another. The recoverability of the book value of aircraft is, in part, dependent on the estimates used in determining the expected period of future benefits over which to amortize the aircraft, which estimates take into consideration the overhaul and maintenance of the aircraft. In addition, such recoverability is dependent upon market conditions, including demand for certain types of aircraft, and changes in technology arising from the introduction of newer, more efficient aircraft.

Aircraft overhaul maintenance costs

Aircraft airframes, engines and components are inspected, repaired and overhauled at pre-specified intervals. Overhaul and maintenance costs that extend the useful lives of the aircraft are capitalized as incurred and amortized over their useful lives based on hours flown.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the other assets acquired, less liabilities assumed, based on their fair values. Goodwill is not amortized and the Corporation tests goodwill for impairment on an annual basis during the fourth quarter of each year, and at any other time when circumstances or events have occurred that would more likely than not reduce its long term fair value below the carrying value of its reporting units. The goodwill impairment test is a two-step process. In the first step, the Corporation compares the fair value of its reporting units to their carrying value, which includes the goodwill allocated to each reporting unit. In determining the fair value of a reporting unit, the Corporation considers both the discounted cash flow method as well as valuations based on a market approach. If the carrying value of the reporting unit exceeds its fair value then step two requires the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit which results in the determination of the fair value of goodwill.

When the carrying value of the reporting unit's goodwill exceeds the fair value of that goodwill, an impairment loss equal to the excess is recorded on the Consolidated Balance Sheet and recognized as a non-cash impairment charge in the

Consolidated Statements of Loss and Comprehensive Loss. The assessment of goodwill impairment is not a mechanical exercise and requires the use of considerable estimates, assumptions and management judgments. The assessment of goodwill impairment is subject to significant measurement uncertainty and is susceptible to change as management is required to make material forward-looking assumptions.

Impairment of long-lived assets

Long-lived assets, including land, building and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of an asset or a group of assets. The assessment of impairment on long-lived assets is not a mechanical exercise and requires the use of considerable estimates, assumptions and management judgments. The assessment of long-lived asset impairment is subject to significant measurement uncertainty and is susceptible to change as management is required to make material forward-looking assumptions.

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. The Corporation operates in a number of different jurisdictions throughout Canada that have different statutory tax rates. As a result, the determination of the future income tax assets and liabilities is also subject to estimates by the Corporation as to any future changes in the proportion of its business derived from the different jurisdictions in which it operates.

Stock-based compensation

The Corporation has a stock-based compensation plan and accounts for employee stock options using the fair value method which requires a number of assumptions in the determination of the option value calculated using the Black-Scholes option pricing model.

The Corporation also accounts for grants of warrants to non-employees in accordance with the fair value method.

Litigation

The Corporation is subject to legal proceedings that arise in the ordinary course of business. The final outcome with respect to actions outstanding or pending cannot be predicted with certainty and, therefore, requires the exercise of management's judgment as to whether their resolution will have a material adverse effect on the consolidated financial position, results of operation or cash flows of the Corporation.

RECENTLY ADOPTED STANDARD

Goodwill and Intangible Assets

Effective February 1, 2009, the Corporation adopted the new Canadian standard, Handbook Section 3064, *Goodwill and Intangible Assets,* which replaces Handbook Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The implementation of this standard had no material impact on the Corporation's financial results or condition for the period ended January 31, 2010.

Financial instruments

Handbook section 3862, *Financial Instruments – Disclosures* was amended in June 2009 to improve disclosure requirements around fair value measurement for financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The amendments to Section 3862 apply for annual financial statements for fiscal years ending after September 30, 2009 and have been adopted by the Corporation. The amendments are intended to enhance disclosures regarding fair value measurement and liquidity risk exposures.

RECENTLY ISSUED STANDARDS

Business combinations
Handbook Section 1582, *Business Combinations* replaced the former Handbook Section 1581, *Business Combinations*. This section will be equivalent to International Financial Reporting Standards ("IFRS") 3 - *Business Combinations*. See "*International Financial Reporting Standards*" below for further discussion on IFRS. Section 1582 will require additional use of fair value measurements, recognition of additional assets and liabilities, including contingent consideration and contingencies, the expensing of transaction costs and increased financial statement disclosures. This standard will become effective for business combinations for which the acquisition date is on or after February 1, 2011. The Corporation is assessing whether it will apply the new accounting standard at the beginning of fiscal 2012 or elect to early-adopt the new accounting standard in order to minimize the amount of retroactive application when the Corporation adopts IFRS.

Consolidated financial statements and non-controlling interest
Handbook Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests* replaced the former Handbook Section 1600, *Consolidated Financial Statements* and established a new method of accounting for a non-controlling interest in a subsidiary. These sections will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity. The Corporation will adopt the new accounting standards concurrently with the adoption of the new Handbook Section 1582 and is currently assessing the impact that the adoption of these standards will have on its consolidated financial statements.

Multiple deliverable revenue arrangements
In December 2009, the CICA issued Emerging Issues Committee EIC-175, *Multiple Deliverable Revenue Arrangements.* This new standard is applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011 but with earlier adoption permitted. The new standard requires a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. It is the Company's intention to not early adopt the standard and it is in the process of assessing the impact the standard may have on the Company's financial statements.

International Financial Reporting Standards ("IFRS")
In February 2008, the CICA Accounting Standards Board announced that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The Corporation's first annual IFRS consolidated financial statements will be for the year ending January 31, 2012 and will include the comparative period of fiscal 2011.

The Corporation commenced its IFRS conversion project during fiscal 2009, at which time it completed a high level review and impact assessment of the Standards to assess the degree of potential impact each standard would have on the Corporation. The Corporation took into consideration the impact that implementing each standard would have on its accounting policies, financial reporting processes, information systems, business processes, control environment and external disclosures.

As a result of the Phase 1 Review, the Corporation has identified that the following IFRS standards are likely to have the highest potential implementation impact on the Corporation.

- First-time Adoption of IFRS
- Business Combinations
- Financial Instruments
- Property, Plant & Equipment
- Consolidated Financial Statements
- Impairment of Assets

The list of Standards indicates the Corporation's assessment of items with the highest potential implementation impact on the Corporation and should not be considered to be exhaustive and is subject to change with changes to the IFRS standards as well as changes to the Corporation within its normal business environment.

The Corporation conducted a more detailed assessment of the above standards so that it could more clearly identify the impacts and judgments entailed in implementing the new standards. The impact of those standards is as follows:

First-time adoption of IFRS
IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1) provides mandatory guidance for first-time adopters and a common starting point for all future financial reporting under IFRS. The objective of adopting IFRS is to provide transparent and comparable information for users.

The basic principle of IFRS 1 is a retrospective application of the IFRS standards. However, the International Accounting Standards Board ("IASB") has adopted a transitional standard that provides for mandatory exceptions and elective exemptions from retrospective application of the new standards upon first time adoption.

The Corporation has assessed the exemptions and elections under IFRS 1 in conjunction with the underlying Standard to which they relate.

<u>Business Combinations</u>
IFRS 1 allows a first-time adopter of IFRS not to apply IFRS 3 *Business Combinations* (IFRS 3) retrospectively to business combinations that occurred before the date of transition to IFRS, if it so chooses. The adopter could account for those business combinations as it had under its previous accounting principles (Canadian GAAP).

It also allows the first time adopter to select a date after which all business combinations would be accounted for under IFRS 3. However, if a first-time adopter restates any business combination to comply with IFRS 3, it must restate all later business combinations and must also apply IAS 27 *Consolidated and Separate Financial Statements* from that same date.

Management has not identified any material benefits arising from the retrospective adoption of IFRS 3 for any of its acquisitions. The Corporations has therefore elected to not to apply IFRS 3 retroactively as allowed under the IFRS 1 exemptions.

<u>Financial Instruments</u>
In general, there are many similarities between IFRS and Canadian GAAP for the recognition and measurement of financial instruments. A convergence project is underway with the Financial Accounting Standards Board (FASB) to replace *IAS 39, Financial Instruments: Recognition and Measurement*. This project is divided into three phases: (1) classification and measurement; (2) amortized cost and impairment; and (3) hedging. As each phase is completed, the IASB will delete the relevant portions of IAS 39 and create a standard that will eventually replace IAS 39.

A key difference between the two standards is the treatment of transaction costs on instruments not classified and measured at fair value. Transaction costs are defined in IAS 39 as incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Under IFRS, these costs are to be added to the initial measurement and recognition of the instrument.

The Corporation has not finalized its analysis of the impact of the IFRS Standards with respect to the accounting for and presentation, disclosure, recognition and measurement of financial instruments.

<u>Property and Equipment ("PP&E")</u>
Current accounting policy
Buildings and equipment are stated at cost and amortized over their expected useful lives. Maintenance and repair expenditures which do not improve or extend productive life are expensed as incurred under the direct expensing method.

Aircraft airframes, engines and components are inspected, repaired and overhauled at pre-specified intervals. Overhaul and maintenance costs that extend the useful lives of the aircraft are capitalized as incurred and amortized over their useful lives based on hours flown.

Property under capital leases and the related obligation for future lease payments are initially recorded at an amount equal to the lesser of fair value of the property or equipment and the present value of those lease payments.

Expected IFRS accounting policy
Componentization

Component accounting, although not typically practiced under Canadian GAAP, is required under both Canadian GAAP and IFRS. The requirements under IFRS are more explicit than those in CICA Handbook Section 3061. Under IFRS, each significant component of an item of property, plant and equipment is to be depreciated separately. IFRS requires separation based on a component's useful life and its cost relative to the total cost of the asset.

Based on our review of the Corporation's current PP&E reporting and that of industry peers who have already adopted IFRS, we are recommending that the major asset classes of PP&E will be grouped as follows:
- Land, Buildings and Leasehold Improvements
- Aircraft
- Equipment

Management has determined that "Land, Buildings and Leasehold Improvements" and "Equipment" do not require further sub-classification.

Management has also determined that Aircraft will be further componentized for accounting purposes and for assessing depreciation in the following manner:
- Airframes (including major inspections of airframes).
- Engines and power trains (including overhauls and major inspections) and major spare parts related thereto.
- Other Major Components.

Deemed Cost at Transition
IFRS 1 First-time Adoption of International Financial Reporting Standards permits an entity to measure any item or groups of items in property, plant and equipment at the date of its transition to IFRSs at its fair value and use that fair value as its deemed cost at the transition date. Otherwise the entity should account for those items of property, plant and equipment at their original cost, less accumulated depreciation at the transition date.

The Corporation is currently determining the transition date balances of its aircraft components as described above. Management has decided to use the original cost of aircraft as a basis to determine the transition date component costs and has not elected to use fair value as deemed cost as at that date. Management has, however, analyzed the information necessary to determine those fair values should the Corporation decide to use the fair value election if it is unable to reasonably allocate the Canadian GAAP cost and accumulated depreciation to the individual components as at the transition date.

Depreciation
The Corporation reviewed its depreciation policies for property, plant and equipment in conjunction with the componentization decisions referred to above. Management reached the following conclusions regarding the method of depreciation for each asset type:

Buildings and Leasehold Improvements will continue to be depreciated on a straight-line basis over the estimated useful lives of the assets less their estimated residual values.

Equipment will be depreciated on a straight-line basis (declining balance under GAAP) over the estimated useful lives of the assets less their residual values.

Aircraft were amortized on a straight-line basis under GAAP, whereas overhaul and maintenance costs that extended the useful lives of the aircraft were capitalized as incurred and amortized over their useful lives based on hours flown. Under IFRS, the Corporation has decided to use the straight-line basis on airframes and any other components that have an economic life which is measured in units of time. For engines and other components which have regulatory inspection requirements based on flight hours, management has decided to amortize on a units of production basis over the estimated useful lives (in hours) less their residual values. Component overhaul and maintenance costs that extend the useful life of a component will be capitalized as incurred and amortized over its life based on the hours flown.

Leases
Under IAS 17 *Leases*, a lease is classified as either a finance lease or an operating lease. Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is made at the inception of the lease. A number of indicators are used to assist in lease classification however, quantitative thresholds are not offered as an indicator (as under current Canadian GAAP).

The Corporation is assessing the standard to develop internal indicators to determine lease classification under IFRS.

Consolidated Financial Statements and Investments in Associates and Joint Ventures

The Corporation has an ownership interest in certain corporate entities along with an Aboriginal ownership group. The Corporation accounts for these arrangements as variable interest entities under Canadian GAAP and, therefore, includes the financial position and results of these entities in the consolidated financial statements of the Corporation. The interests of the Aboriginal partners in these entities are reflected as non-controlling interests in the consolidated financial statements, as prescribed under Canadian GAAP.

IFRS does not have the concept of variable interest entities. The accounting treatment for an investment under IFRS is based on control, which is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Corporation has completed an assessment under IFRS of whether it exercises control over, has significant influence over or is in joint control of the assets and operations of the investee companies to determine the appropriate accounting treatment for its investment. The accounting treatment for entities under significant influence or joint control under IFRS requires that the Corporation account for those investments using the equity method. Under the equity method, each investment is stated as a one line item at cost plus the investor's share of retained post-acquisition profits and other changes in net assets, with any distributions reducing the carrying amount in the statement of financial position.

This change in accounting treatment for the variable interest entities will result in a lower level of assets, liabilities, revenues and expenses being recorded in the Corporation's consolidated financial statements.

Impairment of Assets

Current accounting policy

Goodwill is not amortized and the Corporation tests goodwill for impairment on an annual basis at the end of the Corporation's fourth quarter, and at any other time when circumstances or events have occurred that would more likely than not reduce its long term fair value below the carrying value of its reporting units. The goodwill impairment test is a two-step process. In the first step, the Corporation compares the fair value of its reporting units to their carrying value, which includes the goodwill allocated to each reporting unit. In determining the fair value of a reporting unit, the Corporation considers both the discounted cash flow method as well as valuations based on a market approach. If the carrying value of the reporting unit exceeds its fair value then step two requires the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit which results in the determination of the fair value of goodwill. When the carrying value of the reporting unit's goodwill exceeds the fair value of that goodwill, an impairment loss equal to the excess is recorded on the Consolidated Balance Sheet and recognized as a non-cash impairment charge in the Consolidated Statements of Loss and Comprehensive Loss.

Intangible assets with an indefinite life are also tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the intangible assets with their carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to income in the period in which the loss is incurred.

Long-lived assets, including land, building and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Expected IFRS accounting policy

Unlike Canadian GAAP, IFRS has a single comprehensive impairment standard that deals with the impairment of a variety of non-financial assets. Similar to Canadian GAAP impairment testing is required when there is an indication of impairment and annual impairment testing is required for goodwill and intangible assets that have an indefinite useful life. Other than indefinite-lived intangible assets, impairment may be tested at the cash generating unit level. An impairment loss is recognized if an asset or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and value in use, which is based on the net present value of future cash flows. The impairment loss equals the amount of this excess. An impairment loss for a cash generating unit ("CGU") is allocated first to any goodwill and pro-rata to other assets in the CGU that fall within the scope of the standard. Reversals of impairment are recognized, other than for impairments of goodwill (which are not allowed under current Canadian GAAP).

The Corporation will adopt this revised accounting standard on transition to IFRS. Adoption may result in impairment conclusions that are different than those reached under Canadian GAAP.

Income Taxes
IAS 12, Income Taxes, prescribes that an entity account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside the statement of earnings, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside the statement of earnings.

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. The Corporation operates in a number of different jurisdictions throughout Canada that have different statutory tax rates. As a result the determination of the future income tax assets and liabilities is also subject to estimates by the Corporation as to any future changes in the proportion of its business derived from the different jurisdictions in which it operates.

The Corporation has not finalized analyzing the impact of IAS 12 Income taxes with respect to the accounting for income taxes.

Other Standards
The transition from Canadian GAAP to IFRS is a significant task for the Corporation to undertake. There will be various choices of elections and exemptions within the new standards as well as the requirement to exercise a considerable level of judgment in adopting the new standards. The choices made and the judgments exercised during IFRS implementation may materially alter the Corporation's financial position and results of operations as currently reported under Canadian GAAP. The Corporation is carefully assessing all accounting policy options and IFRS 1 exemptions and exceptions as part of its Assessment and Documentation phase.

Management is also assessing possible changes that may need to be implemented to ensure that adequate internal controls over financial reporting and disclosure controls and procedures will remain in place once IFRS is implemented. Once the assessment is completed, the Corporation intends to disclose the potential material impacts in its future consolidated financial statements and Management's Discussion and Analysis.

The Corporation continues to monitor standards development and issued by the IASB and the Canadian Accounting Standards Board, as well as any regulatory developments produced by the Canadian Securities Administrators, which may affect the Corporation's timing, nature and extent of disclosures as they relate to the implementation of IFRS. Further changes to standards, regulations or economic conditions prior to the date of changeover could result in changes to the timing, nature and extent of disclosures as indicated above.

At this time, the full impact of the implementation of IFRS on the Corporation's future financial position and results of operations is not reasonably determinable or estimable.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before financing charges, income taxes, depreciation and amortization (except for amortization of rotable and overhauled components which are treated as operating expenses), goodwill and intangible asset impairment charge, and non-controlling interest. As is common in the industry, the Corporation uses EBITDA as a supplemental financial measure of its operational performance. Reference to "EBITDAR" is EBITDA before aircraft lease cost. Management believes EBITDA and EBITDAR to be important measures as they exclude the effects of items which primarily reflect the impact of long-term investment decisions from the performance of the Corporation's day-to-day operations. Management believes these measurements are useful to measure a company's ability to service debt and to meet other payment obligations or as a valuation measurement.

"Adjusted EBITDA" is EBITDA before the relocation of corporate office charge. "Adjusted EBITDAR" is EBITDAR before the relocation of corporate office charge. The relocation of corporate office charge is a financial obligation that arose as a result of a condition of a term loan transaction completed in the first quarter of the current fiscal year. Given the non-recurring nature of these costs, the Corporation is of the view that Adjusted EBITDA and Adjusted EBITDAR provide a more meaningful comparison of year over year results.

The following is a reconciliation of EBITDA and EBITDAR and Adjusted EBITDA and Adjusted EBITDAR to loss:

	for the year ended		*for the three months ended*	
(thousands of dollars)	**January 31 2010**	**January 31 2009**	**January 31 2010**	**January 31 2009**
			(unaudited)	(unaudited)
Loss	$ (286)	$ (130,325)	$ (4,837)	$ (139,139)
Income tax recovery	(2,317)	(420)	(4,937)	(4,714)
Interest expense	14,343	12,306	3,560	2,944
Financing charges	1,067	-	112	-
Amortization	14,078	12,965	3,774	3,325
Impairment of goodwill and intangible assets	-	133,579	-	133,579
Non-controlling interest	248	337	32	17
EBITDA	$ 27,133	$ 28,442	$ (2,296)	$ (3,988)
Aircraft lease expenses	6,477	11,607	534	939
EBITDAR	$ 33,610	$ 40,049	$ (1,762)	$ (3,049)
EBITDA	$ 27,133	$ 28,442	$ (2,296)	$ (3,988)
Corporate relocation costs	1,678	-	67	-
Adjusted EBITDA	$ 28,811	$ 28,442	$ (2,229)	$ (3,988)
Aircraft lease expenses	6,477	11,607	534	939
Adjusted EBITDAR	$ 35,288	$ 40,049	$ (1,695)	$ (3,049)

References to "after-tax operating cash flow" are to net earnings (loss) adjusted for amortization, future income tax and other non-cash charges (but not adjusted for changes in non-cash working capital). Management believes after-tax operating cash flow is a strong supplemental financial measure of the Corporation's ability to generate cash flow from its operations. While the non-cash working capital position is monitored by management, it is excluded in the after-tax operating cash flow calculation due to the high variability of the working capital components attributable to the high seasonality and the high rate of growth of the Corporation's operations in prior years.

The EBITDA margin, Adjusted EBITDA margin and EBITDAR margin are EBITDA, Adjusted EBITDA and EBITDAR as a percentage of revenue.

The following is a reconciliation of the loss to after-tax operating cash flow:

	for the year ended		*for the three months ended*	
	January 31	**January 31**	**January 31**	**January 31**
(thousands of dollars)	**2010**	**2009**	**2010**	**2009**
			(unaudited)	(unaudited)
Loss	$ (286)	$ (130,325)	$ (4,837)	$ (139,139)
Future income tax recovery	(3,462)	(676)	(2,220)	(685)
Stock-based compensation	129	890	8	128
Amortization of buildings and equipment and intangible assets	14,078	12,965	3,774	3,325
Amortization of rotable and overhauled components	4,823	5,525	637	1,030
Amortization of discount of long-term debt	1,470	1,301	424	336
Loss (gain) on sale of long-lived assets	421	(277)	193	231
Impairment of goodwill and intangible assets	-	133,579	-	133,579
Non-controlling interest	248	337	32	17
After-tax operating cash flow	$ 17,421	$ 23,319	$ (1,989)	$ (1,178)

References to "adjusted earnings" are to net earnings (loss) adjusted for impairment of goodwill and intangible assets and related income tax provision (recovery). Management believes adjusted earnings is a meaningful supplemental financial measure as charges related to the impairment of goodwill and intangible assets is considered non-recurring and non-operational and its exclusion provides a more relevant comparison of year over year net earnings (loss).

The following is a reconciliation of adjusted earnings:

	for the year ended		*for the three months ended*	
	January 31	**January 31**	**January 31**	**January 31**
(thousands of dollars)	**2010**	**2009**	**2010**	**2009**
			(unaudited)	(unaudited)
Loss	$ (286)	$ (130,325)	$ (4,837)	$ (139,139)
Impairment on goodwill and intangible assets	-	133,579	-	133,579
Corporate office relocation charge	1,678	-	67	-
Income tax recovery related to impairment of goodwill and intangible assets	-	(382)	-	(382)
Income tax recovery related to relocation of corporate office	(493)	-	(20)	-
Adjusted earnings (loss)	$ 899	$ 2,872	$ (4,790)	$ (5,942)

SEGMENTED INFORMATION

Through its five operating subsidiaries, Discovery Air offers fixed-wing and rotary-wing capabilities as well as logistics and remote operations management services. Discovery Air has two reportable business segments: Government Services and Northern Services. The Corporation's Government Services segment includes two subsidiaries. Top Aces delivers airborne training and special mission services to the Canadian military. Top Aces provides close air support training to the Canadian Army, including to troops destined for Afghanistan, as well as maritime support, electronic warfare training and target tow services to the Canadian Navy. Top Aces also delivers adversary fighter support, target tow and electronic warfare training support to the Canadian Air Force. Most electronic warfare training is accomplished with military personnel on board Top Aces' aircraft. Hicks is a primary supplier of airborne fire management services to the Ontario government, and also provides charter service to government agencies and corporate customers throughout northern Ontario.

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

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

(thousands of dollars)	for the year ended January 31, 2010				for the year ended January 31, 2009			
	Northern Services	**Government Services**	**Corporate Support**	**Total**	**Northern Services**	**Government Services**	**Corporate Support**	**Total**
Revenue	**$ 70,761**	**$ 52,378**	**$ 34**	**$ 123,173**	**$ 104,440**	**$ 47,468**	**$ 22**	**$ 151,930**
Operating expenses	57,980	30,896	5,486	94,362	88,702	29,343	5,443	123,488
Relocation of corporate office	-	-	1,678	1,678				
Amortization	9,281	4,743	54	14,078	8,762	4,136	67	12,965
Goodwill impairment charge	-	-	-	-	120,496	1,085	-	121,581
Intangible assets				-				-
impairment charge	-	-	-	-	11,998	-	-	11,998
Income (loss) from operations				-				-
before undernoted items	$ 3,500	$ 16,739	$ (7,184)	$ 13,055	$ (125,518)	$ 12,904	$ (5,488)	$ (118,102)
Interest expense				14,343				12,306
Financing transaction costs				1,067				-
Income tax recovery				(2,317)				(420)
Non-controlling interest				248				337
Loss				**$ (286)**				**$ (130,325)**
Capital expenditures	**$ 10,019**	**$ 12,644**	**$ 28**	**$ 22,691**	**$ 19,216**	**$ 15,196**	**$ 50**	**$ 34,462**
	As at January 31, 2010				*As at January 31, 2009*			
Total assets	**$ 135,272**	**$ 113,401**	**$ 7,637**	**$ 256,310**	**$ 145,699**	**$ 111,960**	**$ 2,367**	**$ 260,026**
Goodwill	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**
Intangible assets	**$ 10,077**	**$ 13,522**	**$ -**	**$ 23,599**	**$ 12,225**	**$ 15,838**	**$ -**	**$ 28,063**

(thousands of dollars)	for the three months ended January 31, 2010				for the three months ended January 31, 2009			
	Northern Services	**Government Services**	**Corporate Support**	**Total**	**Northern Services**	**Government Services**	**Corporate Support**	**Total**
Revenue	**$ 8,361**	**$ 9,386**	**$ 2**	**$ 17,749**	**$ 9,142**	**$ 10,434**	**$ 14**	**$ 19,590**
Operating expenses	11,802	6,657	1,519	19,978	14,934	7,435	1,209	23,578
Relocation of corporate office	-	-	67	67				
Amortization	2,455	1,305	14	3,774	2,240	1,069	16	3,325
Goodwill impairment charge	-	-	-	-	120,496	1,085	-	121,581
Intangible assets impairment charge	-	-	-	-	11,998	-	-	11,998
Income (loss) from operations before undernoted items	$ (5,896)	$ 1,424	$ (1,598)	$ (6,070)	$ (140,526)	$ 845	$ (1,211)	$ (140,892)
Interest expense				3,560				2,944
Financing transaction costs				112				-
Income tax recovery				(4,937)				(4,714)
Non-controlling interest				32				17
Loss				**$ (4,837)**				**$ (139,139)**
Capital expenditures	**$ 3,043**	**$ 1,484**	**$ 14**	**$ 4,541**	**$ 3,951**	**$ 4,340**	**$ 3**	**$ 8,294**

Segmented breakdown of EBITDA and EBITDAR

(thousands of dollars)	*for the year ended January 31, 2010*				*for the year ended January 31, 2009*			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	$ 70,761	$ 52,378	$ 34	$ 123,173	$ 104,440	$ 47,468	$ 22	$ 151,930
Operating expenses	57,980	30,896	5,486	94,362	88,702	29,343	5,443	123,488
Relocation of corporate office costs	-	-	1,678	1,678	-	-	-	-
EBITDA	**$ 12,781**	**$ 21,482**	**$ (7,130)**	**$ 27,133**	**$ 15,738**	**$ 18,125**	**$ (5,421)**	**$ 28,442**
Aircraft lease expenses	5,308	1,169	-	6,477	10,575	1,032	-	11,607
EBITDAR	**$ 18,089**	**$ 22,651**	**$ (7,130)**	**$ 33,610**	**$ 26,313**	**$ 19,157**	**$ (5,421)**	**$ 40,049**
Adjusted EBITDA	**$ 12,781**	**$ 21,482**	**$ (5,452)**	**$ 28,811**	**$ 15,738**	**$ 18,125**	**$ (5,421)**	**$ 28,442**
Adjusted EBITDAR	**$ 18,089**	**$ 22,651**	**$ (5,452)**	**$ 35,288**	**$ 26,313**	**$ 19,157**	**$ (5,421)**	**$ 40,049**

(thousands of dollars)	*for the three months ended January 31, 2010*				*for the three months ended January 31, 2009*			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	$ 8,361	$ 9,386	$ 2	$ 17,749	$ 9,142	$ 10,434	$ 14	$ 19,590
Operating expenses	11,802	6,657	1,519	19,978	14,934	7,435	1,209	23,578
Relocation of corporate office costs	-	-	67	67	-	-	-	-
EBITDA	**$ (3,441)**	**$ 2,729**	**$ (1,584)**	**$ (2,296)**	**$ (5,792)**	**$ 2,999**	**$ (1,195)**	**$ (3,988)**
Aircraft lease expenses	282	252	-	534	724	215	-	939
EBITDAR	**$ (3,159)**	**$ 2,981**	**$ (1,584)**	**$ (1,762)**	**$ (5,068)**	**$ 3,214**	**$ (1,195)**	**$ (3,049)**

OTHER SELECTED YEARLY FINANCIAL INFORMATION

(thousands of dollars, except per share amounts)		**Year ended January 31 2010**		**Year ended January 31 2009**		**Year ended January 31 2008**
		(audited)		(audited)		(audited)
Revenue	$	123,173	$	151,930	$	123,554
Operating expenses	$	94,362	$	123,488	$	95,102
Adjusted EBITDA *	$	28,811	$	28,442	$	28,452
Interest expense	$	14,343	$	12,306	$	10,291
Amortization	$	14,078	$	12,965	$	9,397
Goodwill & intangible assets impairment charge	$	-	$	133,579	$	-
Financing transaction costs	$	1,067	$	-	$	-
Relocation of corporate office	$	1,678	$	-	$	-
Net earnings (loss)	$	(286)	$	(130,325)	$	7,499
Basic and diluted earnings (loss) per common share:	$	(0.00)	$	(0.96)	$	0.06
EBITDA *	$	27,133	$	28,442	$	28,452
Total assets	$	256,310	$	260,026	$	376,899
Total long-term debt	$	146,107	$	145,726	$	134,069
Cash provided by operations	$	21,438	$	25,536	$	16,488

* - see non-GAAP measures

SUMMARY OF QUARTERLY RESULTS

(thousands of dollars, except per share amounts)	2010				2009			
	Q4	Q3	Q2	Q1 Apr 30	Q4	Q3	Q2	Q1 Apr 30
Results of operations:								
Total revenue	$ 17,749	$ 34,125	$ 45,733	$ 25,566	$ 19,590	$ 42,536	$ 59,050	$ 30,754
Operating expenses	19,978	24,072	26,584	23,728	23,578	32,042	39,429	28,439
Relocation of corporate office	67	120	318	1,173	-	-	-	-
EBITDA	(2,296)	9,933	18,831	665	(3,988)	10,494	19,621	2,315
Amortization	3,774	3,501	3,405	3,398	3,325	3,309	3,214	3,117
Non-amortized finance fees	112	125	-	830	2,944	3,151	3,186	3,025
Interest expense	3,560	3,460	3,824	3,499	-	-	-	-
Goodwill and intangible assets impairment charge	-	-	-	-	133,579	-	-	-
Earnings (loss) before income taxes and non-controlling interest	(9,742)	2,847	11,602	(7,062)	(143,836)	4,034	13,221	(3,827)
Income tax provision (recovery)	(4,937)	1,116	3,342	(1,838)	(4,714)	1,322	4,136	(1,164)
Non-controlling interest	32	63	256	(103)	17	67	216	37
Net earnings (loss)	$ (4,837)	$ 1,668	$ 8,004	$ (5,121)	$ (139,139)	$ 2,645	$ 8,869	$ (2,700)
Basic and diluted earnings (loss) per share	$ (0.04)	$ 0.01	$ 0.06	$ (0.04)	$ (1.03)	$ 0.02	$ 0.07	$ (0.02)

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

DISCLOSURE CONTROLS

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management, including the Chief Executive Officer and the Chief Financial Officer, in order to allow timely decisions regarding required disclosure.

The Corporation's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as at January 31, 2010, that the Corporation's disclosure controls and procedures are effective and provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, required to be disclosed in reports that the Corporation files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for and has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and the Chief Financial Officer evaluated the design and effectiveness of the Corporation's

ICFR based on the Internal Control – Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission.

As at January 31, 2010, management assessed the effectiveness of the Corporation's ICFR and concluded that the Corporation's ICFR were effective. There have been no changes to the Corporation's ICFR during the interim quarter ended January 31, 2010 that have materially affected, or are reasonably likely to materially affect, its ICFR

Due to its inherent limitations, ICFR can only provide a reasonable level of assurance and they may not prevent all errors and fraud or detect misstatements. Furthermore, projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

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 "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 Management's Discussion and Analysis contains forward-looking statements relating to: the seasonality of the Corporation's business; its strategy and strengths; the impact of the current economic downturn on the results of its operations and/or financial condition; management's outlook for the future, management's ability to reduce costs and/or contain them at the existing levels; management's ability to continue to manage working capital effectively; the impact of weather conditions on the results of the Corporation's operations and/or financial condition; the cost of relocating its corporate office; its ability to utilize planned and/or existing fleet capacity; its ability to continue to meet lender covenants and other terms and conditions of its credit agreements; plans and/or requirements to make new capital investments; and, its plans, decisions and capacity to implement the new IFRS reporting standards in the timelines required.

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, to the Corporation's future results. 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; 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. There is no undertaking to update any forward-looking statement that is contained in this Management's Discussion and Analysis or made from time to time by the Corporation.

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

Dated: April 29, 2010