Third Quarter Report
October 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of the financial condition and results of operations of Discovery Air Inc. ("Discovery Air" or the "Corporation") for the third quarter of fiscal 2011 should be read in conjunction with the unaudited consolidated financial statements and related notes of the Corporation for the nine months ended October 31, 2010 and the annual audited consolidated financial statements and related notes for the year ended January 31, 2010, which are available on SEDAR at www.sedar.com.

Business Profile

Discovery Air, founded in 2004, is a specialty aviation services company operating across Canada and in select markets internationally. With over 130 aircraft, it is one of the largest aircraft operators in Canada, employing during its peak periods over 600 flight crew, maintainers and support staff working to deliver a variety of air transport and logistics solutions to a wide range of government and business customers. Through its operating subsidiaries, Discovery Air offers fixed-wing and rotary-wing capabilities and aircraft maintenance services, as well as logistics and remote operations management services. These operations are conducted in the following business segments:

The Government Services segment includes three subsidiaries. Top Aces Inc. ("Top Aces") delivers airborne training and special mission services to the Canadian military and select NATO allies. Hicks & Lawrence Limited ("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 Technical Services Inc. ("Technical Services") provides maintenance, repair and overhaul services ("MRO") and modifications from its facility in Quebec.

The Northern Services segment includes three subsidiaries. Great Slave Helicopters Ltd. ("Great Slave"), the second-largest VFR helicopter operator in Canada, has bases primarily 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 Ltd. ("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 Ltd. ("Discovery Mining") constructs and rents all-weather exploration camps and provides expediting and logistical support services.

All other operating activities are classified as Corporate Support.

Overarching Objective

Discovery Air's Five Year Overarching Objective ("Objective") is to significantly increase annual earnings per share and to position its businesses for long-term, profitable growth thereafter. The Objective is a constant consideration in management's decision making and the Corporation's progress is measured against management's internally established milestones to ensure the Objective is ultimately achieved. The Corporation will have a continued focus on specialty aviation services in current and new markets that provide appropriate pricing and returns on investments and position the Corporation for sustainable and profitable growth. Management seeks to increase the Corporation's profitability by increasing the range of services offered and by optimizing fleet variety and capacity for its customers. Maintaining key relationships and developing new partnerships is important to the Corporation as is the continual development of highly qualified staff. Safety remains a paramount consideration in all of the Corporation's service offerings.

Selected Financial Information

(thousands of dollars, except per share amounts)		3 months ended October 31, 2010 ("Q3 2011")		3 months ended October 31, 2009 ("Q3 2010")		9 months ended October 31, 2010 ("Year-to-date 2011")		9 months ended October 31, 2009 ("Year-to-date 2010")
		(unaudited)		(unaudited)		(unaudited)		(unaudited)
Results of operations								
Revenue	$	44,389	$	34,125	$	128,693	$	105,424
Operating expenses	$	31,221	$	24,072	$	89,042	$	74,384
Earnings before undernoted items	$	13,168	$	10,053	$	39,651	$	31,040
Interest and financing charges	$	3,638	$	3,585	$	11,607	$	11,738
Amortization	$	3,587	$	3,501	$	10,392	$	10,304
Relocation of corporate office	$	-	$	120	$	158	$	1,611
Net earnings and comprehensive income	$	4,018	$	1,668	$	11,904	$	4,551
Basic earnings per share	$	0.03	$	0.01	$	0.09	$	0.03
Diluted earnings per share	$	0.03	$	0.01	$	0.09	$	0.03
Financial position and liquidity								
Total assets					$	270,520	$	262,895
Total long-term debt					$	139,773	$	140,783
Cash provided by operations	$	18,825	$	22,385	$	11,480	$	19,643
Working capital					$	28,991	$	20,735
Key non-GAAP performance measures*								
EBITDAR	$	15,916	$	12,125	$	47,447	$	35,372
EBITDA	$	13,168	$	9,933	$	39,493	$	29,429
EBITDA Margin		30%		29%		31%		28%

* See Non-GAAP measures

Seasonality and quarterly fluctuations

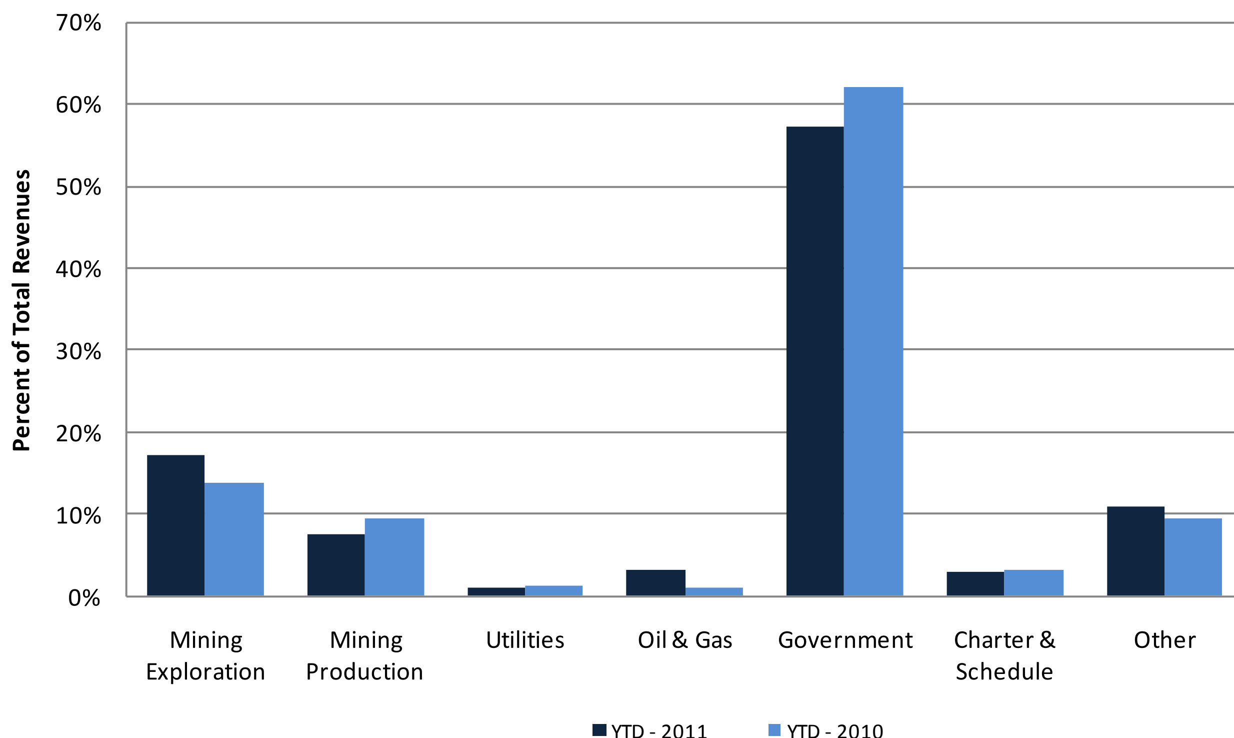
The Corporation's businesses are, to varying degrees, seasonal in nature. Seasonality and other factors can affect the comparability of results from one period to another, particularly from quarter to quarter.

- In Canada, 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 customers' priorities and, on occasion, 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 in the forest fire suppression businesses.

Overview

The Corporation's consolidated revenues for the current quarter ("Q3 2011") ending October 31, 2011 were $44.4 million, bringing the October 31, 2010 year-to-date ("year-to-date 2011") revenues to $128.7 million. This represents an increase of 30% and 22%, respectively, over prior period comparatives ("Q3 2010" and "year-to-date 2010"). The year over year increase in the Corporation's Q3 2011 revenue was largely attributable to increased demand for the Government Services segment's services, which reported an 80% increase for Q3 2011 and a 16% increase for year-to-date 2011 over prior period comparatives. The segment benefited from increased demand for airborne training and special mission services, increased basing fees and incremental revenues from MRO services. The increase in quarterly revenues from this segment largely offsets the first quarter's low flight demands and highlights the segment's month-to-month variability due to short-term shifts in priorities within a year by its customers, and therefore, the flight hour demand in a quarter is not necessarily indicative of flight hour demand over the full year. The Northern Services segment reported a 10% increase in revenues for Q3 2011 and a 26% increase in revenues for year-to-date 2011 over prior period comparatives. This

segment's revenue from the resource-based sector during Q3 2011 increased by 10%, due in part to contributions from the segment's operations in Peru. The segment's year-to-date 2011 revenues from the resource-based sector increased by 41% reflecting increased activity in the mining exploration-based sector in the North, which was severely and negatively affected by the economic downturn in fiscal 2010. The graph below illustrates the Corporation's comparative composition of revenue by industry sector.



The Corporation's EBITDA of $13.2 million for Q3 2011 and $39.5 million for year-to-date 2011 represents a year over year increase of 33% and 34%, respectively. The increase in EBITDA in the current quarter was largely attributable to increased revenues in the Government Services segment, offsetting the lower EBITDA from the Northern Services segment, which realized an earlier than expected seasonal decline in the resource sector in the North. For year-to-date 2011, EBITDA was ahead of prior year comparatives by 36% for the Northern Services segment and 20% for the Government Services segment. Again, the increase in EBITDA was attributable to overall increased revenues.

The Corporation generated net earnings of $4.0 million and $11.9 million for Q3 2011 and year-to-date 2011, respectively, a year over year increase of 141% and 162%. The Corporation's amortization expense on capital and intangible assets of $3.6 million and $10.4 million for the Q3 2011 and year-to-date 2011, respectively, remained consistent with prior year comparatives. The Corporation's interest and financing charges of $3.6 million and $11.6 million also remained consistent with prior year comparatives.

The Corporation continues to closely monitor its costs and working capital to ensure liquidity is maintained at a level sufficient to fund operations and capital expenditures. As at October 31, 2010, working capital of $29.0 million increased from $20.7 million as at October 31, 2009 primarily due to the increase in business activity.

Results of operations for the three months ended October 31, 2010 ("Q3 2011") and October 31, 2009 ("Q3 2010")

(thousands of dollars)	for the three months ended October 31, 2010				for the three months ended October 31, 2009			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	**$ 26,853**	**$ 17,537**	**$ (1)**	**$ 44,389**	**$ 24,358**	**$ 9,765**	**$ 2**	**$ 34,125**
Operating expenses	19,825	9,943	1,453	31,221	15,962	6,714	1,396	24,072
Relocation of corporate office	-	-	-	-	-	-	120	120
EBITDA	**$ 7,028**	**$ 7,594**	**$ (1,454)**	**$ 13,168**	**$ 8,396**	**$ 3,051**	**$ (1,514)**	**$ 9,933**
Amortization	2,241	1,338	8	3,587	2,304	1,183	14	3,501
Earnings (loss) from operations before undernoted items	4,787	6,256	(1,462)	9,581	6,092	1,868	(1,528)	6,432
Interest and financing charges				3,638				3,585
Income tax provision				1,863				1,116
Non-controlling interest				62				63
Net earnings and comprehensive income				**4,018**				**1,668**
Capital expenditures	**$ 1,135**	**$ 901**	**$ 18**	**$ 2,054**	**$ 2,959**	**$ 7,789**	**$ 7**	**$ 10,755**
	As at October 31, 2010				*As at January 31, 2010*			
Total assets	**$ 144,816**	**$ 123,486**	**$ 2,218**	**$ 270,520**	**$ 135,272**	**$ 113,401**	**$ 7,637**	**$ 256,310**
Goodwill	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**
Intangible assets	**$ 8,466**	**$ 11,797**	**$ -**	**$ 20,263**	**$ 10,077**	**$ 13,522**	**$ -**	**$ 23,599**

Consolidated results

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. Revenue from non-hourly sources includes revenue of Discovery Mining, Technical Services, 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. Revenue of $44.4 million for Q3 2011 represented a 30% increase compared to $34.1 million in Q3 2010. Revenue generated from flight hours in Q3 2011 was $37.8 million (85% of total revenue), compared to $28.5 million in Q3 2010 (84% of total revenue). Hours flown for Q3 2011 were 15,376 compared to 14,565 for Q3 2010, a 6% increase. The 32% increase in revenues from flights in relation to the 6% increase in flight hour percentage increase was due to flight hour composition in Q3 2011 that reflected higher contributions from the Corporation's higher rate aircraft compared to Q3 2010.

Operating expenses consist of fixed and variable expenses including crew and fleet costs and general and administrative expenses. Operating expenses were $31.2 million for Q3 2011, compared to $24.1 million for Q3 2010, a 30% increase. The increase in operating expenses was largely attributable to direct costs associated with higher revenues. Crew and fleet costs are the largest expense categories. Crew costs include wages, benefits, travel and training for pilots and maintenance engineers, and totaled $10.7 million in Q3 2011 compared to $8.2 million in Q3 2010, representing a 30% increase. Fleet costs include aircraft lease costs and amortization of engine and rotable component overhauls and maintenance costs, the latter consisting of the purchase, repair and overhaul of parts and major components and accessories. Fleet costs in Q3 2011 were $7.3 million compared to $5.1 million in Q3 2010, representing a 43% increase. Fuel costs represent a significant component of the Corporation's operating expenses; however, the Corporation recovers substantially all of these and other recoverable costs from its customers. These recoveries are classified as revenue. General and administrative expenses are mainly wages and benefits of administrative personnel, facility costs, travel costs, insurance costs and other overhead expenses. For Q3 2011, these costs were $7.4 million compared to $5.9 million for Q3 2010. The 25% increase was largely attributable to staff hiring and increased infrastructure costs in support of increased operating activities.

EBITDA was $13.2 million for Q3 2011 or 30% of revenue, compared to $9.9 million or 29% of revenue for Q3 2010. The year over year increase of $3.3 million in EBITDA was largely attributable to increased Government Services segment revenue. EBITDAR was $15.9 million for Q3 2011, compared to $12.1 million for Q3 2010. The increase was attributable to the Northern Services segment's increased utilization of leased aircraft to support increased flight hour demands.

The Corporation recorded net earnings of $4.0 million in Q3 2011, compared to $1.7 million in Q3 2010. Amortization expense related to capital assets and intangible assets for the quarter was $3.6 million compared to $3.5 million in Q3, 2010. Interest and financing charges of $3.6 million for the quarter remained unchanged from Q3 2010. The Corporation had an income tax provision of $1.9 million for Q3 2011, compared to a provision of $1.1 million for Q3 2010. The Corporation's statutory rate for Q3 2011 was approximately 30% compared to approximately 31% for Q3 2010. The difference from the Corporation's income tax provision rate and the statutory rate relates to the impact of changes in the timing of the reversal of temporary differences and permanent tax differences.

Northern Services

The Northern Services segment generated revenue of $26.9 million on 13,326 flight hours in Q3 2011, compared to revenue of $24.4 million on 12,946 flight hours for Q3 2010, representing a 10% increase in revenue on a flight hour increase of 3%. The increase in the segment's flight and non-flight generated revenue in the quarter was largely attributable to increased demand from the segment's resource-based customers, in particular from flight revenues generated to support seismic work for an oil and gas exploration program in Peru.

The segment incurred operating expenses totaling $19.8 million for Q3 2011, compared to $16.0 million for Q3 2010, a 24% increase. The increase in operating expenses was in part attributable to increased revenues; however, the segment also incurred higher infrastructure costs in the quarter in relation to revenues. The revenue level expected from the resource sector in the North did not materialize in the quarter as the seasonal decline in this sector occurred earlier than anticipated.

The segment generated EBITDA of $7.0 million for Q3 2011, compared to $8.4 million for Q3 2010. EBITDAR for Q3 2011 was $9.4 million, compared to $10.3 million for Q3 2010.

Government Services

The Government Services segment generated revenue of $17.5 million on 2,050 flight hours for Q3 2011, compared to revenue of $9.8 million on 1,619 flight hours for Q3 2010. The 80% increase in revenue and 27% increase in total flight hours were largely attributable to an increase in revenue from airborne training and special mission services. The demand for these services, both domestic and international, anticipated in the early part of the year was deferred to the current quarter due in large part to the customers' shifts in priorities. The segment also benefited from increased charter services and forest fire suppression basing fees in Ontario as well as incremental revenues from MRO services.

The segment incurred operating expenses totaling $9.9 million for Q3 2011, compared to $6.7 million for Q3 2010. The 48% year over year increase in operating costs is consistent with the segment's increased flight hours.

The segment generated EBITDA of $7.6 million for Q3 2011, compared to $3.1 million for Q3 2010. EBITDAR for Q3 2011 was $7.9 million, compared to $3.4 million for Q3 2010.

Results of operations for the nine months ended October 31, 2010 ("Year-To-Date 2011") and October 31, 2009 ("Year-To-Date 2010")

(thousands of dollars)	for the nine months ended October 31, 2010				for the nine months ended October 31, 2009			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	**$ 78,932**	**$ 49,757**	**$ 4**	**$ 128,693**	**$ 62,400**	**$ 42,992**	**$ 32**	**$ 105,424**
Operating expenses	56,881	27,335	4,826	89,042	46,178	24,239	3,967	74,384
Relocation of corporate office	-	-	158	158	-	-	1,611	1,611
EBITDA	**$ 22,051**	**$ 22,422**	**$ (4,980)**	**$ 39,493**	**$ 16,222**	**$ 18,753**	**$ (5,546)**	**$ 29,429**
Amortization	6,478	3,883	31	10,392	6,826	3,438	40	10,304
Earnings (loss) from operations before undernoted items	15,573	18,539	(5,011)	29,101	9,396	15,315	(5,586)	19,125
Interest and financing charges				11,607				11,738
Income tax provision				5,184				2,620
Non-controlling interest				406				216
Net earnings and comprehensive income				**11,904**				**4,551**
Capital expenditures	**$ 4,390**	**$ 4,945**	**$ 55**	**$ 9,390**	**$ 6,976**	**$ 11,160**	**$ 14**	**$ 18,150**
	As at October 31, 2010				*As at January 31, 2010*			
Total assets	**$ 144,816**	**$ 123,486**	**$ 2,218**	**$ 270,520**	**$ 135,272**	**$ 113,401**	**$ 7,637**	**$ 256,310**
Goodwill	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**
Intangible assets	**$ 8,466**	**$ 11,797**	**$ -**	**$ 20,263**	**$ 10,077**	**$ 13,522**	**$ -**	**$ 23,599**

Consolidated results

Revenue was $128.7 million for year-to-date 2011 compared to $105.4 million for year-to-date 2010, a 22% increase. Year-to-date 2011 revenue generated from flight hours was $109.5 million (85% of total revenue) compared to year-to-date 2010 of $89.2 million (85% of total revenue). Hours flown were 47,082 for year-to-date 2011 compared to 39,054 for year-to-date 2010, a 21% increase. The increase in revenue is highlighted by increased activity in the resource and forest fire suppression sectors during Q1 and Q2 fiscal 2011 as well as increased demand for airborne training and special mission services, increased basing fees and revenues from MRO services from the Government Services segment, most notably in Q3 2011.

Operating expenses for year-to-date 2011 were $89.0 million compared to $74.4 million for year-to-date 2010, a 20% increase. Crew costs for year-to-date 2011 were $29.9 million compared to year-to-date 2010 of $24.1 million, an increase of 24%. In addition to the seasonal variable cost increase attributable to increased flight revenue, the Corporation also incurred incremental costs associated with crew hiring and travel to support the new contract work in Peru. As noted in the quarterly results, crew costs were also higher to support an increased level of activity in the resource sector in the North which did not materialize to the extent expected in Q3 2011. Fleet costs for year-to-date 2011 were $20.9 million compared to $17.7 million for year-to-date 2010, representing an increase of 18%. As discussed in the quarterly results, 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 revenue. General and administrative expenses for year-to-date 2011 were $22.0 million compared to $18.5 million for year-to-date 2010. The 19% increase was largely attributable to staff hiring and increased infrastructure costs in support of increased operating activities.

EBITDA for year-to-date 2011 was $39.5 million or 31% of revenue, compared to $29.4 million or 28% of revenue for year-to-date 2010. EBITDAR for year-to-date 2011 was $47.4 million, compared to $35.4 million for year-to-date 2010.

The Corporation recorded net earnings of $11.9 million for year-to-date 2011, compared to $4.6 million for year-to-date 2010. The year over year increase in earnings stems from the increased revenue discussed above. Amortization expense related to capital and intangible assets for year-to-date 2011 was $10.4 million compared to $10.3 million for year-to-date 2010. Interest and financing charges were $11.6 million for year-to-date 2011, compared to $11.7 million for year-to-date 2010. The Corporation had an income tax provision of $5.2 million for year-to-date 2011, compared to a provision of $2.6 million for year-to-date 2010. The Corporation's statutory rate for year-to-date 2011 was approximately

30% compared to approximately 31% for year-to-date 2010, with provisions adjusted for the impact of changes in the timing of the reversal of temporary differences and permanent tax differences.

Northern Services

The Northern Services segment generated revenue of $78.9 million on 38,842 flight hours for year-to-date 2011, compared to revenue of $62.4 million on 31,804 flight hours for year-to-date 2010, representing a 26% increase in flight generated revenue on a flight hour increase of 22%. The increase in the segment's flight and non-flight revenue was directly attributable to increased demand from the segment's resource and forest fire based activity in the first and second quarters of fiscal 2011. The year over year increase in demand from the resource sector noted in the first half of the year carried into the early part of Q3 2011 before the earlier than expected seasonal decline in the North in the remaining part of Q3 2011.

The segment incurred operating expenses totaling $56.9 million for year-to-date 2011, compared to $46.2 million for year-to-date 2010, a 23% increase. On a year-to-date basis, the increase in operating expenses is largely consistent with increased flight activity despite the higher operating expenses in the current quarter relative to revenue.

The segment generated EBITDA of $22.1 million for year-to-date 2011, compared to $16.2 million for year-to-date 2010. EBITDAR for year-to-date 2011 was $29.2 million, compared to $21.2 million for year-to-date 2010. The favourable EBITDA and EBITDAR variances were attributable to increased revenues, with the increase in operating costs proportionally lower than the revenue increase.

Government Services

The Government Services segment generated revenue of $49.8 million on 8,240 flight hours for year-to-date 2011, compared to revenue of $43.0 million on 7,250 flight hours for year-to-date 2010. On the strength of the segment's Q3 2011 results, year-to-date 2011 reflects a 16% increase in revenue on a 14% increase in total flight hours. As noted in the segment's quarterly results, the increase in revenue for Q3 2011 was mainly attributable to increased demand for airborne training and special mission services, increased forest fire activity and basing fees in Ontario, and incremental revenues from MRO services.

The segment incurred operating expenses totaling $27.3 million for year-to-date 2011, compared to $24.2 million for year-to-date 2010. The 13% increase in operating expenses is consistent with increased flight activity in the segment.

The segment generated EBITDA of $22.4 million for year-to-date 2011, compared to $18.8 million for year-to-date 2010. EBITDAR was $23.2 million for year-to-date 2011, compared with $19.7 million for year-to-date 2010. The favourable EBITDA and EBITDAR variances were attributable to increased revenues from higher rate aircraft.

Liquidity and Financial Resources

The following schedule summarizes the movement in cash flow components for Q3 2011 and year-to-date 2011 and prior year comparatives:

	for the three months ended		*for the nine months ended*	
(thousands of dollars)	**October 31 2010**	**October 31 2009**	**October 31 2010**	**October 31 2009**
Cash provided by (used in):				
Operating activities	$ 18,825	$ 22,385	$ 11,480	$ 19,643
Investing acitivities	(1,837)	(7,984)	(6,512)	(13,769)
Financing activities	(14,804)	(10,609)	(7,643)	(5,989)
Increase (decrease) in cash for the period	$ 2,184	$ 3,792	$ (2,675)	$ (115)

The cash position as at October 31, 2010 decreased by $2.7 million from January 31, 2010. This is consistent with the seasonal pattern of the Corporation's operations where working capital demands are at their peak during the second and third quarters.

Operating activities

Operating activities for Q3 2011 generated a net cash inflow of $18.8 million, compared to a net cash inflow of $22.4 million for Q3 2010. The year over year decrease was largely attributable to increased business activity in Q3 2011, especially from the Government Services segment, placing greater demand on non-cash working capital compared to the prior year. As a result, the change in non-cash operating working capital for Q3 2011 was an inflow of $9.4 million,

compared to an inflow of $16.2 million for Q3 2010. Operating activities for year-to-date 2011 recorded a net cash inflow of $11.5 million compared to year-to-date 2010 net cash inflow of $19.6 million, for the same reasons noted in the quarterly results.

Investing activities

The net cash outlay from investing activities in Q3 2011 was $1.8 million, compared to $8.0 million for Q3 2010. The net cash outlay for year-to-date 2011 was $6.5 million compared to $13.8 million for year-to-date 2010. The current year-to-date expenditures include an aircraft purchased in Q2 2011 for $2.7 million and a $6.7 million outlay related to sustaining capital expenditures and capitalized aircraft overhaul costs. Offsetting these expenditures were proceeds on sale of an aircraft in Q2 2011 for $2.7 million. Prior year comparatives reflect expenditures in Q1 2010 for the completion of the Top Aces fleet expansion program initiated in fiscal 2009 and the purchase of a helicopter in Q3 2010, as well as sustaining capital expenditures and capitalized aircraft overhaul costs. Offsetting capital expenditures in the prior period comparatives was proceeds from the sale of a helicopter in Q2 2010 for $1.5 million.

In addition to aircraft overhaul costs related to its existing fleet, the Corporation has committed to the purchase of a fixed wing aircraft for approximately USD $2.8 million in Q4 2011. The Corporation has provided a $0.4 million non-refundable deposit to be applied to the final purchase price of the aircraft.

Financing activities

The Corporation did not have a balance outstanding on its operating line of credit as at October 31, 2010, which is consistent with the same period last year. As at October 31, 2010, the Corporation had unrestricted cash of $6.6 million and $16.9 million in unused borrowing capacity on its line of credit to fund its operating requirement needs. Consistent with the seasonal nature of the Corporation's business cycle, the Corporation draws on its operating line of credit primarily in the first and second quarters to fund start-up costs associated with seasonal increases in business volumes, as well as to fund an increased investment in accounts receivable; these draws are typically substantially repaid during the third quarter.

For year-to-date 2011, the Corporation has made scheduled debt repayments of $5.9 million as well as a $1.4 million repayment on its revolving aircraft loan from proceeds of sale of an aircraft in Q2 2011. For year-to-date 2010, the Corporation obtained new long-term loans totaling $36.3 million, which comprised a $34.0 million term loan to replace a $33.0 million term loan which matured in February 2009, and $2.3 million of financing related to Top Aces' Alpha jet program. The principal repayments totaling $40.6 million during year-to-date 2010 related to the repayment of the $33.0 million term loan noted, and a $3.3 million repayment related to a one-time reduction in fleet term debt, with the remaining balance of $4.3 million related to scheduled term loan repayments.

Working capital and cash position

At October 31, 2010, the Corporation had a working capital position of $29.0 million and a current ratio of 2.0 compared to a working capital position of $15.3 million and a current ratio of 1.7 as at January 31, 2010. Given the seasonal nature of the Corporation's businesses, a more meaningful comparison is the working capital positions as at October 31, 2010 and October 31, 2009. As at October 31, 2009, the working capital position was $20.7 million with a current ratio of 1.9. The year over year increase in working capital balance and current ratio is largely attributable to an increased level of business activity and continued close monitoring of non-cash working capital balances.

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

- A reversal in the resource sector recovery, resulting in a return to lower business activity in the Corporation's Northern Services segment;
- The Corporation's Government Services segment not securing an extension on the current Standing Offer Agreements which will likely be required as the Department of National Defence's ("DND") proposal for a new long-term contract is not expected to be concluded before the existing Standing Offer Agreements expires in February 2011;
- The Government Services segment not being awarded the DND's new long-term contract which is currently out for tender; and
- Potential capital expenditures related to aircraft purchases or fleet maintenance that are higher than expected.

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

The Corporation renewed its operating line of credit on June 9, 2010 for another one year term. The operating line of credit facility will be used to fund any short-term financing requirements which arise as a result of the seasonality of the Corporation's revenues and cash flow patterns. Except as noted above, the Corporation has not committed to any expenditures that would significantly change its working capital requirements for the foreseeable future. The Corporation's commitment to acquire an aircraft in Q4 2011 is not expected to materially impact the Corporation's working capital requirements as the acquisition will be funded in part through long-term debt. Each significant, non-maintenance related capital expenditure is assessed to gain reasonable assurance that the capital expenditure will be matched by projected revenues or cost savings generated from the transaction. The Corporation also continues to look for ways to conduct its businesses more efficiently and reduce costs.

Debt financing

In January 2008, the Corporation entered into a five year revolving credit agreement to finance certain fleet assets. The facility borrowing base and interest rate were subject to annual review, and the lender retained an option to convert the facility to an amortizing term loan at each annual review date. The lender exercised this option during the 2010 annual review, and effective September 24, 2010, the Corporation negotiated (i) repayment of the facility over a 10-year term through monthly blended principal and interest payments; and (ii) a reduction in the facility interest rate to the 90 day Bankers' Acceptance rate plus 7.65%. Financing costs of $0.5 million are netted against the carrying value of the loan and are being expensed over the renewal term on an effective interest basis, resulting in an effective interest rate of 9.83%. The Corporation can elect at future anniversary dates to leave the loan on a floating interest rate basis, or to amend interest to a fixed rate over various term options. Security arrangements remain unchanged, and the Corporation was in full compliance with all facility covenant requirements as at October 31, 2010. The facility borrowing base has been set at $48.4 million, with $46.4 million drawn at October 31, 2010 and a further $1.8 million to be drawn during the fourth quarter to finance an aircraft acquisition. The Corporation does not expect the revised terms and conditions established in the recent renewal to materially impact its ability to fund operations or capital expenditures in the foreseeable future.

Shareholders' Equity and Updated Share Information

Shareholders' Equity increased by the amount of 2011 year-to-date net earnings. Share capital was reduced by the reclassification of the January 31, 2010 deficit of $119.4 million to share capital. The deficit balance arose primarily during the year ended January 31, 2009 when the Corporation recorded a $133.6 million goodwill and intangible assets impairment charge. The reclassification was approved by the shareholders at the Corporation's annual general special meeting held on June 3, 2010. Total shareholders' equity was unaffected by this reclassification.

At October 31, 2010, there were 134,461,555 Class A common shares and 742,604 Class B common shares outstanding. At the same date, there were 4,424,300 common share options outstanding and no common share purchase warrants outstanding. During Q3 2011, the Corporation granted 1,500,000 stock options under a new employee stock option plan approved by the shareholders in June 2010. No other activity has occurred under this plan to date. The Corporation maintains 2,924,300 outstanding stock options issued under an employee stock option plan created in January 2006. This plan was terminated in June 2008, ceasing any additional grants under this plan. During Q3 2011, 16,750 stock options expired. For year-to-date 2011, 205,600 stock options expired and nil stock options were forfeited.

Critical Accounting Estimates

The management's discussion and analysis for the year ended January 31, 2010 includes a description of critical accounting estimates on page 21. As at October 31, 2010, critical accounting estimates have not changed significantly from the description provided in the year end management's discussion and analysis.

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 Canadian Institute of Charted Accountants ("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 Corporation's intention to not early adopt the standard and the Corporation is in the process of assessing the impact the standard may have on the Corporation's financial statements.

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board announced that all Canadian publicly accountable enterprises will be required to adopt 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 beginning February 1, 2011 (the "changeover date") and ending January 31, 2012 and will include the comparative period of fiscal 2011, which began on February 1, 2010 (the "transition date").

The Corporation commenced its IFRS conversion project during fiscal 2009, at which time it established three main phases in the conversion to IFRS.

Phase 1: Scoping and Diagnostic Phase

- Conducting a Phase 1 high level review and impact assessment of IFRS to determine the degree of potential impact on the Corporation; and,
- Assessing the various options available to the Corporation at the date of transition as well as ongoing IFRS policy choices that could be applied after the transition date.

Phase 2: Detailed Evaluation Phase

- A further detailed analysis on the highest potential implementation impact on the Corporation. This involves detailed gap analysis of accounting and disclosure differences between Canadian GAAP and IFRS;
- Determining accounting choices, including those under IFRS 1;
- Assessing the impact of implementing IFRS on the Corporation's accounting policy, financial reporting processes, information systems, business processes, and the control environment and external disclosures; and,
- Developing proposed IFRS financial statements.

Phase 3: Implementation and Review Phase

- Implementation of the changes to accounting policies, ensuring the financial reporting processes, information systems, business processes and control environment have been established and reviewed by April 30, 2012, the Corporation's first reporting period under IFRS.

Current status of the Corporation's IFRS changeover plan:
The Phase 1: Scoping and Diagnostic phase has been completed, with a summary of the high impact standards provided below. The Corporation is currently in the second phase of the conversion process and expects to have this phase completed before the end of fiscal 2011.

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

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

The above list of IFRS standards indicates the Corporation's assessment of items with the highest potential implementation impact, 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 IFRS 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 IFRS standard to which they relate.

Business Combinations
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).

IFRS 1 also allows the first time adopter to select a date after which all business combinations will 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 Corporation has therefore elected to not apply IFRS 3 retroactively as allowed under the IFRS 1 exemptions.

Financial Instruments
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.

Property and Equipment ("PP&E")

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 IFRS 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

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 the component's 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 investments. 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 the fair value of its operating units below their carrying value. The goodwill impairment test is a two-step process. In the first step, the Corporation compares the fair value of each reporting unit to that unit's 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 Net Earnings and Comprehensive Income.

Each intangible asset with an indefinite life is 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 asset with its 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.

Each long-lived asset, including land, building and equipment and each purchased intangible asset subject to amortization, is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of the 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 estimated undiscounted future cash flows 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 (i) its fair value less costs to sell, and (ii) its value in use, which is based on the net present value of future cash flows. The impairment loss equals the amount by which the carrying amount of the asset exceeds the recoverable amount of the asset. 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 from 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 of the changed tax rates. 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 assessments are 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 developed 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. Reference to "EBITDAR" is EBITDA before aircraft lease cost. The EBITDA margin and EBITDAR margin are EBITDA and EBITDAR as a percentage of revenue. 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.

The following is a reconciliation of EBITDA and EBITDAR to earnings:

(thousands of dollars)	for the three months ended October 31 2010	for the three months ended October 31 2009	for the nine months ended October 31 2010	for the nine months ended October 31 2009
Earnings	$ 4,018	$ 1,668	$ 11,904	$ 4,551
Income tax provision	1,863	1,116	5,184	2,620
Interest and financing charges	3,638	3,585	11,607	11,738
Amortization	3,587	3,501	10,392	10,304
Non-controlling interest	62	63	406	216
EBITDA	$ 13,168	$ 9,933	$ 39,493	$ 29,429
Aircraft lease expenses	2,748	2,192	7,954	5,943
EBITDAR	$ 15,916	$ 12,125	$ 47,447	$ 35,372

Segmented breakdown of EBITDA and EBITDAR

(thousands of dollars)	for the three months ended October 31, 2010				for the three months ended October 31, 2009			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	$ 26,853	$ 17,537	$ (1)	$ 44,389	$ 24,358	$ 9,765	$ 2	$ 34,125
Operating expenses	19,825	9,943	1,453	31,221	15,962	6,714	1,396	24,072
Relocation of corporate office costs	-	-	-	-	-	-	120	120
EBITDA	**$ 7,028**	**$ 7,594**	**$ (1,454)**	**$ 13,168**	**$ 8,396**	**$ 3,051**	**$ (1,514)**	**$ 9,933**
Aircraft lease expenses	2,396	352	-	2,748	1,882	310	-	2,192
EBITDAR	**$ 9,424**	**$ 7,946**	**$ (1,454)**	**$ 15,916**	**$ 10,278**	**$ 3,361**	**$ (1,514)**	**$ 12,125**

(thousands of dollars)	for the nine months ended October 31, 2010				for the nine months ended October 31, 2009			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	$ 78,932	$ 49,757	$ 4	$ 128,693	$ 62,400	$ 42,992	$ 32	$ 105,424
Operating expenses	56,881	27,335	4,826	89,042	46,178	24,239	3,967	74,384
Relocation of corporate office costs	-	-	158	158	-	-	1,611	1,611
EBITDA	**$ 22,051**	**$ 22,422**	**$ (4,980)**	**$ 39,493**	**$ 16,222**	**$ 18,753**	**$ (5,546)**	**$ 29,429**
Aircraft lease expenses	7,129	825	-	7,954	5,026	917	-	5,943
EBITDAR	**$ 29,180**	**$ 23,247**	**$ (4,980)**	**$ 47,447**	**$ 21,248**	**$ 19,670**	**$ (5,546)**	**$ 35,372**

SUMMARY OF QUARTERLY RESULTS

(thousands of dollars, except per share amounts)	2011			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Results of operations:								
Total revenue	$ 44,389	$ 58,390	$ 25,914	$ 17,749	$ 34,125	$ 45,733	$ 25,566	$ 19,590
Operating expenses	31,221	33,420	24,401	19,978	24,072	26,584	23,728	23,578
Relocation of corporate office	-	107	51	67	120	318	1,173	-
EBITDA	13,168	24,863	1,462	(2,296)	9,933	18,831	665	(3,988)
Amortization	3,587	3,435	3,370	3,774	3,501	3,405	3,398	3,325
Interest and financing charges	3,638	4,314	3,655	3,672	3,585	3,824	4,329	2,944
Goodwill and intangible assets impairment charge	-	-	-	-	-	-	-	133,579
Earnings (loss) before income taxes and non-controlling interest	5,943	17,114	(5,563)	(9,742)	2,847	11,602	(7,062)	(143,836)
Income tax provision (recovery)	1,863	5,042	(1,721)	(4,937)	1,116	3,342	(1,838)	(4,714)
Non-controlling interest	62	262	82	32	63	256	(103)	17
Net earnings (loss)	$ 4,018	$ 11,810	$ (3,924)	$ (4,837)	$ 1,668	$ 8,004	$ (5,121)	$ (139,139)
Basic earnings (loss) per share	$ 0.03	$ 0.09	$ (0.03)	$ (0.04)	$ 0.01	$ 0.06	$ (0.04)	$ (1.03)
Diluted earnings (loss) per share	$ 0.03	$ 0.09	$ (0.03)	$ (0.04)	$ 0.01	$ 0.06	$ (0.04)	$ (1.03)

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 results that may be expected for a full year.

SUBSEQUENT EVENT

On November 11, 2010 Technical Services agreed to terms and conditions for the financing of a hangar facility in Quebec and the purchase of equipment. The financing includes assumption by Technical Services of a $0.9 million term loan originally advanced to fund leasehold improvements by the former tenant of the hangar facility. The loan has a 5 year term and bears a floating base bank rate plus 1%. The accepted Letter of Offer from the lender also makes available to Technical Services a separate $0.8 million term loan for future equipment purchases. Amounts drawn on this facility will have a maturity date of September 1, 2021, and will bear interest of a floating base bank rate plus 4%.

Technical Services is currently in the process of negotiating a $2.7 million capital lease arrangement with the landlord of the hangar facility. The arrangement is expected to be finalized in the fourth quarter of the current fiscal year.

RISK FACTORS

The Corporation is subject to a number of risks and uncertainties and is affected by a number of factors outside the control of its management. Details are provided in the "Risk Factors" section of the Corporation's management's discussion and analysis for the year ended January 31, 2010, which can be found on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures which provide reasonable assurance that material information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management in order to allow timely decisions regarding required disclosure. The Corporation's management, including the CEO and CFO, have evaluated the effectiveness of the Corporation's disclosure controls and procedures as at October 31, 2010 and have concluded that those disclosure controls and procedures were effective.

There were no control deficiencies identified or changes made to the Corporation's internal controls over financial reporting ("ICFR") during the current quarter that have materially affected, or are likely to materially affect, the Corporation's ICFR.

Because of their inherent limitations, disclosure controls and procedures and ICFR may not prevent or detect misstatements, errors or fraud. The inherent limitations include the realities that judgments in decision-making can be faulty, controls can be circumvented by individual acts of some persons or by collusion of two or more people or management can override the controls. 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 Objective and business development; the impact of the current economic conditions on the results of its operations and/or financial condition; management's outlook for the future; management's ability to reduce costs and/or contain them at the existing levels; management's ability to continue to manage working capital effectively; the impact of weather conditions on the results of the Corporation's operations and/or financial condition; 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 and the impacts of the planned implementation of IFRS.

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

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

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

Dated: December 13, 2010