Interim Consolidated Financial Statements
October 31, 2010
(Unaudited)

DISCOVERY AIR INC.
Interim Consolidated Balance Sheets
Unaudited
(thousands of dollars)

	October 31 2010	January 31 2010
Assets		
Current assets:		
Cash	$ 6,562	$ 9,237
Restricted cash	834	1,330
Accounts receivable	32,131	9,501
Inventory	16,158	13,902
Prepaid expenses and other	3,477	2,935
	59,162	36,905
Land, buildings and equipment	153,233	157,944
Goodwill	37,862	37,862
Intangible assets	20,263	23,599
	$ 270,520	$ 256,310
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	14,627	10,444
Income taxes payable	4,812	817
Current portion of long-term debt (note 2)	10,732	10,330
	30,171	21,591
Long-term debt (note 2)	129,041	135,777
Future income taxes	24,572	24,531
Non-controlling interest	2,542	2,136
Shareholders' equity (note 4):		
Share capital	65,134	184,535
Contributed surplus	7,156	7,141
Retained earnings (deficit)	11,904	(119,401)
	84,194	72,275
	$ 270,520	$ 256,310

Contingencies and commitments (note 8)
Subsequent event (note 11)

See accompanying notes to the interim consolidated financial statements.

DISCOVERY AIR INC.

Interim Consolidated Statements of Net Earnings and Comprehensive Income

Unaudited

(thousands of dollars, except per share amounts)

	for the three months ended		*for the nine months ended*	
	October 31 2010	**October 31 2009**	**October 31 2010**	**October 31 2009**
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 of buildings and equipment	2,481	2,385	7,056	6,956
Amortization of intangible assets	1,106	1,116	3,336	3,348
Corporate office relocation charge	-	120	158	1,611
	7,225	7,206	22,157	23,653
Earnings before income taxes and non-controlling interest	5,943	2,847	17,494	7,387
Income taxes expense	1,863	1,116	5,184	2,620
Earnings before non-controlling interest	4,080	1,731	12,310	4,767
Non-controlling interest	62	63	406	216
Net earnings and comprehensive income	**$ 4,018**	**$ 1,668**	**$ 11,904**	**$ 4,551**
Basic earnings per share (note 5)	$ 0.03	$ 0.01	$ 0.09	$ 0.03
Diluted earnings per share (note 5)	$ 0.03	$ 0.01	$ 0.09	$ 0.03

See accompanying notes to the interim consolidated financial statements.

DISCOVERY AIR INC.
Interim Consolidated Statements of Shareholders' Equity
Unaudited
(thousands of dollars)

	for the three months ended		*for the nine months ended*	
	October 31 2010	**October 31 2009**	**October 31 2010**	**October 31 2009**
Share capital (note 4):				
Balance, beginning of period	$ 65,134	$ 184,535	$ 184,535	$ 184,535
Reclassification of opening deficit	-	-	(119,401)	-
Balance, end of period	$ 65,134	$ 184,535	$ 65,134	$ 184,535
Contributed surplus:				
Balance, beginning of period	$ 7,146	$ 7,117	$ 7,141	$ 7,012
Stock-based compensation	10	16	15	121
Balance, end of period	$ 7,156	$ 7,133	$ 7,156	$ 7,133
Retained earnings (deficit):				
Balance, beginning of period	$ 7,886	$ (116,232)	$ (119,401)	$ (119,115)
Reclassification of opening deficit	-	-	119,401	-
Net earnings and comprehensive income	4,018	1,668	11,904	4,551
Balance, end of period	$ 11,904	$ (114,564)	$ 11,904	$ (114,564)

See accompanying notes to the interim consolidated financial statements.

DISCOVERY AIR INC.
Interim Consolidated Statements of Cash Flows
Unaudited
(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
Cash provided by (used in):				
Operating activities:				
Net earnings and comprehensive income	$ 4,018	$ 1,668	$ 11,904	$ 4,551
Items not involving cash:				
Future income taxes expense (recovery)	-	(520)	41	(1,242)
Stock-based compensation (note 4)	10	16	15	121
Amortization of buildings and equipment and intangible assets	3,587	3,501	10,392	10,304
Amortization of rotable and overhauled components	1,564	1,033	4,631	4,186
Accretion of discount on long-term debt	411	411	1,309	1,046
Loss (gain) on sale of equipment	(189)	55	(464)	228
Non-controlling interest	62	63	406	216
Change in non-cash operating working capital (note 6)	9,362	16,158	(16,754)	233
	$ 18,825	$ 22,385	$ 11,480	$ 19,643
Investing activities:				
Purchases of land, buildings and equipment	$ (2,054)	$ (10,755)	$ (9,390)	$ (18,150)
Proceeds on disposal of equipment	217	2,771	2,878	4,381
	$ (1,837)	$ (7,984)	$ (6,512)	$ (13,769)
Financing activities:				
Repayment of operating line of credit	$ (12,115)	$ (8,735)	$ -	$ -
Proceeds from long-term debt	155	-	155	36,261
Financing costs	(507)	-	(507)	(1,690)
Repayment of long-term debt	(2,337)	(1,874)	(7,291)	(40,560)
	$ (14,804)	$ (10,609)	$ (7,643)	$ (5,989)
Increase (decrease) in cash	2,184	3,792	(2,675)	(115)
Cash, beginning of period	4,378	2,958	9,237	6,865
Cash, end of period	$ 6,562	$ 6,750	$ 6,562	$ 6,750
Supplementary cash flow information:				
Interest paid during the period	$ 1,951	$ 1,891	$ 8,880	$ 8,543
Income taxes paid (recovered) during the period	$ (1,430)	$ (2,884)	$ 1,148	$ (681)

See accompanying notes to the interim consolidated financial statements.

Discovery Air Inc. (the "Corporation") was incorporated on November 12, 2004 under the *Ontario Business Corporations Act* and on March 27, 2006 was continued under the *Canada Business Corporations Act*. Its primary business activities are carried out by its wholly-owned subsidiaries Great Slave Helicopters Ltd. ("Great Slave"), Air Tindi Ltd. ("Air Tindi"), Top Aces Inc. ("Top Aces"), Hicks & Lawrence Limited ("Hicks"), Discovery Mining Services Ltd. ("Discovery Mining") and Discovery Air Technical Services Inc. ("Technical Services").

The Corporation's business is divided into two segments: the Northern Services segment, which consists of Great Slave, Air Tindi and Discovery Mining; and the Government Services segment, consisting of Top Aces, Hicks and Technical Services.

Great Slave is a helicopter company that directly and in partnership with northern Aboriginal groups operates a fleet of 62 helicopters and provides services throughout northern Canada, several of the Canadian provinces and select international locations. Services are provided to private sector companies and governments in areas such as resource and base mineral exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys, tourism and flight training. Great Slave's principal operations are carried out in Yellowknife, Northwest Territories and Calgary, Alberta. It has additional facilities in Fort Simpson, Fort Liard, Norman Wells and Inuvik in the Northwest Territories, Rankin Inlet in Nunavut, Churchill in Manitoba and Dryden in Ontario.

Air Tindi operates a diversified fleet of 21 fixed wing aircraft offering scheduled and chartered passenger and cargo services, as well as air ambulance services, in Northern Canada. Air Tindi, both directly and in partnership with northern Aboriginal groups, provides services to a diversified customer base that includes major diamond and mineral exploration and mining companies, as well as the Governments of Canada and the Northwest Territories.

Discovery Mining is a provider of remote exploration camps, expediting, logistics and staking to diamond and mineral exploration companies. Based in the Northwest Territories, Discovery Mining conducts operations in the Northwest Territories, Nunavut, northern Alberta, northern Saskatchewan and northern Ontario.

Top Aces is an approved supplier of airborne training services to the Department of National Defence ("DND"). Top Aces provides a variety of military training ranging from simulated combat to target tow with a fleet of 22 aircraft, operating primarily throughout Canada as well as in parts of the United States.

Hicks is an Ontario-based aviation company that operates 32 aircraft focused on providing air services to niche markets in the Province of Ontario. Hicks provides aerial forest fire services to the Province of Ontario, employing 29 aircraft and flight operation and aircraft maintenance bases throughout northern Ontario. Hicks also provides air charter services using 3 aircraft to the provincial government and various other corporate entities which conduct business in northern Ontario.

Technical Services provides maintenance, repair and overhaul services and modifications from its facility in Quebec.

The Corporation's businesses are, to varying degrees, seasonal in nature. Seasonality and other factors such as weather conditions can affect the comparability of results from one period to another, particularly from quarter to quarter. Some of the seasonal factors that impact quarterly results are as follows: there is increased demand for the services provided by Great Slave, Hicks, Air Tindi and Discovery Mining normally commencing in the late spring and continuing through to the end of the summer; Top Aces' revenue-generating opportunities are significantly higher in the February to June and September to November time periods; though Top Aces' revenues are relatively predictable over a twelve month period, they can vary substantially from month to month depending on weather conditions and its customers' priorities; weather conditions can have an impact on flight activity from one period to another, especially in the Corporation's fire suppression activities; the Corporation attempts to perform most major repairs and refurbishment during the slower periods of revenue-generating potential; and repair and maintenance on aircraft do not occur evenly throughout the year and the timing of related expenses within a year may vary from one period to another.

1. Significant accounting policies:

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The disclosures in these interim financial statements do not meet all disclosure requirements of GAAP for annual financial statements and should be read in conjunction with the Corporation's most recent audited annual consolidated financial statements for the year ended January 31, 2010.

These interim financial statements follow the same accounting policies as the most recent annual consolidated financial statements.

2. Long-term debt:

(thousands of dollars)

	October 31 2010	January 31 2010
8.75% unsecured convertible debentures, maturing December 31, 2011	$ 27,913	$ 27,349
Long-term secured debt bearing a floating interest rate of 90 day BA yield plus 7.65%, maturing September 24, 2020 (see note below)	45,420	48,027
Long-term secured debt bearing a fixed rate of 10.00%, maturing February 1, 2013	33,342	33,156
Long-term secured debt incurred by a subsidiary bearing an interest rate of floating base bank rate plus 4.50%, maturing January 15, 2015	12,909	15,188
Long-term secured debt incurred by subsidiary companies bearing fixed interest rates at a weighted average of 7.10%, maturing fiscal 2012 through fiscal 2014	1,126	1,359
Long-term secured debt incurred by subsidiary companies bearing floating interest rates at a weighted average of 5.14%, maturing fiscal 2013 through fiscal 2017	1,081	1,244
Secured subordinated notes payable to officers and directors of the Corporation and its subsidiaries bearing interest at prime plus 1.25%, maturing fiscal 2015 through fiscal 2016 (note 7)	13,655	14,277
Unsecured notes payable to former officers and directors of the Corporation and its subsidiaries bearing interest at prime, maturing fiscal 2010 (note 8)	-	752
Conditional sales contracts with varying terms and maturities	194	122
Secured demand loan bearing an interest rate of 18.00% per annum, maturing June 9, 2011	4,133	4,633
Total long-term debt	139,773	146,107
Less current portion of long-term debt	10,732	10,330
	$ 129,041	$ 135,777

2. Long-term debt (continued):

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, 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 (see note 8 – Contingencies and commitments).

Principal repayments under all of the Corporation's long-term debt for each of the next five years and thereafter are as follows:

(thousands of dollars)	within 1 year	between 1 & 2 years	between 2 & 3 years	between 3 & 4 years	between 4 & 5 years	after 5 years	Total
Long-term debt	$ 10,732	$ 35,240	$ 41,160	$ 15,084	$ 7,721	$ 29,836	**$ 139,773**

Interest on long-term debt for the quarter ended October 31, 2010 and year-to-date totalled $3.5 million (2010 - $3.0 million) and $10.3 million (2010 - $9.7 million), respectively.

3. Operating line of credit:

The Corporation has a secured demand credit facility to finance its working capital requirements. The credit facility has a maximum borrowing limit of $15.0 million with increased availability of up to $25.0 million during the Corporation's peak operating period of April through November. As at October 31, 2010, the Corporation had available an unused borrowing capacity of $16.9 million. The maximum borrowing limit availability is subject to a lending margin which is applied to eligible accounts receivable and inventory and is subject to an allowance for specific reserves. The credit facility bears an interest rate of 18.00% per annum based on the amount drawn. On June 9, 2010, the Corporation renewed the operating line of credit for a further twelve month term, maturing on June 9, 2011. Conditions set under the renewal are substantially consistent with those previously applicable, except for an amendment to include a stand-by fee of 75 basis points per annum on amounts authorized but not drawn, and an amendment to include a prepayment fee of $156,000 payable if the facility is paid in full and cancelled on or before December 9, 2010. The Corporation incurred $250,000 in financing fees related to the renewal of this credit facility. The credit facility is secured by a first charge over the accounts receivable of all the Corporation's operating entities and over inventories of all the Corporation's operating entities except Top Aces, as well as a second floating charge over all other assets of the Corporation and its subsidiaries, except real estate, subject to specific permitted encumbrances. As at October 31, 2010, the Corporation was in compliance with all covenants related to this facility.

4. Share capital and stock based compensation:

(a) Authorized and outstanding:

The Corporation is authorized to issue an unlimited number of Class A common voting shares and an unlimited number of Class B common variable voting shares. As at October 31, 2010, there were 134,461,555 (January 31, 2010 – 134,461,555) Class A common voting shares issued and outstanding and 742,604 (January 31, 2010 – 742,604) Class B common variable voting shares issued and outstanding.

At the Corporation's annual general shareholders meeting held on June 3, 2010, the shareholders approved the reclassification of the Corporation's deficit of $119.4 million as at January 31, 2010 to share capital. The deficit arose primarily during the year ended January 31, 2009 when the Corporation recorded a goodwill and intangible assets impairment charge of approximately $133.6 million.

4. Share capital and stock based compensation (continued):

(b) Stock-based compensation:

As at October 31, 2010, the Corporation had stock options outstanding that were granted to the officers and employees of the Corporation from two different employee stock option plans. The employee stock option plan created in January 2006 (the "January 2006 plan") was terminated in June 2008, ceasing any additional grants under this plan. All outstanding stock options granted under the January 2006 plan are fully vested.

In June 2010, a new employee stock plan (the "June 2010 plan") was approved by the shareholders. In September 2010, a total of 1,500,000 employee stock options were granted. The stock options were granted at an exercise price set at the closing market price of the Corporation's common shares on the day preceding the date when the options were granted. Subject to vesting conditions, the stock options are exercisable for seven years from the date of grant. These stock options are scheduled to vest on two separate dates. 300,000 stock options will vest on January 31, 2013 and 1,200,000 will vest on January 31, 2015.

As at October 31, 2010, 4,424,300 common shares have been reserved for employee stock options as follows:

	Options outstanding			*Options exercisable*	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.26	1,500,000	6.88	$ 0.26	-	$ 0.26
$0.50 - $1.00	95,000	6.08	0.59	95,000	0.59
$1.01 - $1.50	332,900	7.23	1.24	332,900	1.24
$1.51 - $1.75	1,920,200	6.46	1.58	1,920,200	1.58
$1.76 - $1.85	576,200	6.22	1.85	576,200	1.85
	4,424,300			2,924,300	

The fair value of the stock options granted in September 2010 under the June 2010 plan of $0.20 per option was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Options granted	1,500,000
Exercise price per share	$ 0.26
Risk-free interest rate	2%
Dividend yield	0%
Expected volatility	126%
Expected option life	4 years
Expected forfeiture rate	0%

Stock option transactions for the three months and nine months ended October 31, 2010 and 2009 are as follows:

	for the three months ended		*for the nine months ended*	
	October 31 2010	**October 31 2009**	**October 31 2010**	**October 31 2009**
	Number of options	Number of options	Number of options	Number of options
Outstanding, beginning of period	2,941,050	6,594,100	3,129,900	7,447,450
Granted	1,500,000	-	1,500,000	-
Exercised	-	-	-	-
Forfeited	-	(45,757)	-	(49,232)
Expired	(16,750)	(3,202,993)	(205,600)	(4,052,868)
Outstanding, end of period	4,424,300	3,345,350	4,424,300	3,345,350

4. **Share capital and stock based compensation (continued):**

As at October 31, 2010, the weighted average exercise price of the outstanding stock options was $1.15 (January 31, 2010 - $1.57). The Corporation recorded stock-based compensation expense of $10,000 for the quarter (October 31, 2009 - $16,000) and $15,000 year-to-date (October 31, 2009 - $121,000) related to the fair value of vesting stock options.

(c) Deferred share units

At October 31, 2010, there were 1,952,012 (January 31, 2010 – 1,308,779) deferred share units ("DSUs") held by the directors of the Corporation. Each DSU entitles a retiring director to a cash payment equal to the closing market price of the Corporation's common shares on a date selected by the retiring director, which date may not be later than December 31 of the year following the year of the director's retirement. The Corporation granted 185,491 (October 31, 2009 – 189,236) DSUs during the quarter and 643,232 (October 31, 2009 – 793,145) DSUs year-to-date. The Corporation recognized $52,000 (October 31, 2009 - $48,000) of compensation expense related to DSUs during the current quarter and $158,000 (October 31, 2009 - $173,000) year-to-date. The outstanding DSUs were marked to market at October 31, 2010 which resulted in a $148,000 expense (October 31, 2009 - $15,000 expense) to earnings in the quarter and a $166,000 expense (October 31, 2009 - $17,000 expenses) to earnings year-to-date. No payment was made to retire DSUs in the current or comparative quarters ended October 31.

5. **Per share amounts:**

(thousands except per share amounts)	*for the three months ended* October 31 2010	October 31 2009	*for the nine months ended* October 31 2010	October 31 2009
Basic earnings per share:				
Earnings	$ 4,018	$ 1,668	$ 11,904	$ 4,551
Weighted average number of common shares outstanding	135,204	135,204	135,204	135,204
Basic earnings per share	$ 0.03	$ 0.01	$ 0.09	$ 0.03
Diluted earnings per share:				
Earnings	$ 4,018	$ 1,668	$ 11,904	$ 4,551
Weighted average number of common shares outstanding	135,204	135,204	135,204	135,204
Dilutive adjustments	-	-	-	-
Weighted average number of common shares outstanding assuming dilution	135,204	135,204	135,204	135,204
Diluted earnings per share	$ 0.03	$ 0.01	$ 0.09	$ 0.03

As at October 31, 2010 and 2009, all employee stock options and the conversion feature on the convertible debentures were anti-dilutive.

6. **Change in non-cash operating working capital:**

(thousands of dollars)	*for the three months ended* October 31 2010	October 31 2009	*for the nine months ended* October 31 2010	October 31 2009
Restricted cash	$ -	$ 1	$ 496	$ (1,456)
Accounts receivable	7,792	12,339	(22,630)	(2,504)
Income taxes recoverable	-	775	-	798
Inventory	(1,007)	(787)	(2,256)	(117)
Prepaid expenses and other	1,217	1,036	(542)	(654)
Accounts payable and accrued liabilities	(1,933)	(736)	4,183	636
Income taxes payable	3,293	3,530	3,995	3,530
	$ 9,362	$ 16,158	$ (16,754)	$ 233

7. Related party transactions:

At October 31, 2010, the Corporation had long-term debt including accrued interest totalling $13.7 million (January 31, 2010 - $15.0 million) owing to current and former officers and directors of the Corporation or its subsidiaries and who were former owners of the subsidiaries. Interest expense on this debt for the quarter ended October 31, 2010 was $109,000 (October 31, 2009 - $131,000) and $274,000 (October 31, 2009 - $350,000) year-to-date.

During the year ended January 31, 2009, the Corporation was made aware of potential liabilities that related to periods prior to the acquisition of one of its subsidiaries. The Corporation believes the amount of these liabilities could exceed the $1.1 million owing to the former shareholders of this subsidiary. The Corporation is of the opinion that the original purchase agreement provides it with the right of set-off for these potential liabilities. The face value of the amount owing of $1.1 million has been offset by the quantified claim exceeding the face value of the amount owing as at October 31, 2010. Further disclosure is provided in note 8 – Contingencies and commitments, below.

8. Contingencies and commitments:

The Corporation is subject to legal proceedings that arise in the ordinary course of business. While the final outcome with respect to actions outstanding or pending as at October 31, 2010 cannot be predicted with certainty, it is management's opinion that their resolution will not have a material adverse effect on the consolidated financial position, results of operation or cash flows of the Corporation. Legal costs are expensed as incurred on these matters.

During the quarter ended April 30, 2010, 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 totalling $1.8 million plus costs and pre-judgment interest. Additionally, the claim alleges that the balance outstanding on the promissory notes payable for $1.1 million by the Corporation's subsidiary to the claimants is due in its entirety. The face value of these notes as at October 31, 2010 was $1.1 million. Although it is not possible as at the date of these financial statements to determine with a reasonable degree of certainty the outcome of this legal proceeding, management believes the claims are without merit and has filed a Statement of Defence.

During the quarter ended July 31, 2010, the Corporation committed to purchase an aircraft for approximately USD $2.8 million in the fourth quarter of this fiscal year. The Corporation provided a non-refundable USD $375,000 deposit which will be applied to the final purchase price of the aircraft.

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)	**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**
Operating leases	$ 5,094	$ 1,625	$ 952	$ 348	$ 180	$ 314	**$ 8,513**

9. Segmented information:

The Corporation has two reportable business segments: Northern Services and Government Services. These segments are differentiated by the markets in which the Corporation's aviation and related services operate. The Northern Services segment is comprised of Great Slave, Air Tindi and Discovery Mining and the Government Services segment is comprised of Top Aces, Hicks and Technical Services.

The Northern Services segment's primary market is northern Canada. The segment has a wide customer base, servicing companies and government entities in the business of mineral, base and precious metal exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys, seismic, air ambulance, scheduled charters and tourism.

The Government Services segment provides specialty services primarily to government entities. All other operating activities that are not allocated to these two business segments are reported under Corporate Support.

9. Segmented information (continued):

(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
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 taxes				1,863				1,116
Minority interest				62				63
Earnings and comprehensive income				**$ 4,018**				**$ 1,668**
Capital expenditures	**$ 1,135**	**$ 901**	**$ 18**	**$ 2,054**	**$ 2,959**	**$ 7,789**	**$ 7**	**$ 10,755**

(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
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 taxes				5,184				2,620
Minority interest				406				216
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**

The Government Services segment has business entities that are economically reliant upon a single customer.

Top Aces' revenue is primarily derived from Standing Offer Agreements to provide airborne training services to the DND. These Standing Offer Agreements are currently on a one year extension set to expire in February 2011. A further extension beyond February 2011 is currently being discussed with the DND. The DND is not obligated to call up any Top Aces services under these Standing Offer Agreements and may cancel them at its convenience. Due to the essential nature of the military training services provided by Top Aces, management does not believe it likely that these Standing Offer Agreements will be terminated. In addition, Top Aces is currently the only supplier with approved airworthiness clearances under these Standing Offer Agreements. In October 2010, the DND put out for tender a Request for Proposal for a 10 year contract, with options for two additional 5-year extensions, to support the continuation of airborne training services. The long-term contract would likely come into effect after the extended Standing Offer Agreements noted above have begun. Top Aces will be submitting its bid for this contract, which is anticipated to be awarded sometime in 2011.

Substantially all of Hicks' revenue from aerial forest fire services is derived from two 5 year contracts with the Ontario Government. The continuation of each contract for each new fiscal year is conditional upon a sufficient appropriation of funds by the Ontario Government so that payments under the contract may be satisfied. Given the nature of the services being provided, management believes that it is unlikely that the Ontario Government will discontinue appropriation of funds for these contracts. Also, either contract may be immediately terminated by the Ontario Government by giving notice to Hicks upon occurrence of certain events of default, including Hicks' insolvency or breaches of certain specified material terms or conditions of the contract, and may be terminated without cause on 30 days prior written notice to Hicks.

10. Comparative figures:

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

11. 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 an $870,000 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 $750,000 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.