First Quarter Report
April 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of the financial condition and results of operations for the first quarter of fiscal 2009 of Discovery Air Inc. (the "Corporation" or "Discovery") should be read in conjunction with the unaudited interim consolidated financial statements and related notes of the Corporation for the period ended April 30, 2008 included herein and the annual audited consolidated financial statements and related notes for the year ended January 31, 2008, which are available on SEDAR at www.sedar.com.

Business Profile

Mission

The mission of the Corporation is to create shareholder value by building an alliance of profitable aviation businesses that can realize synergies, economies of scale and deliver safe, professional air services to clients in selected niche markets.

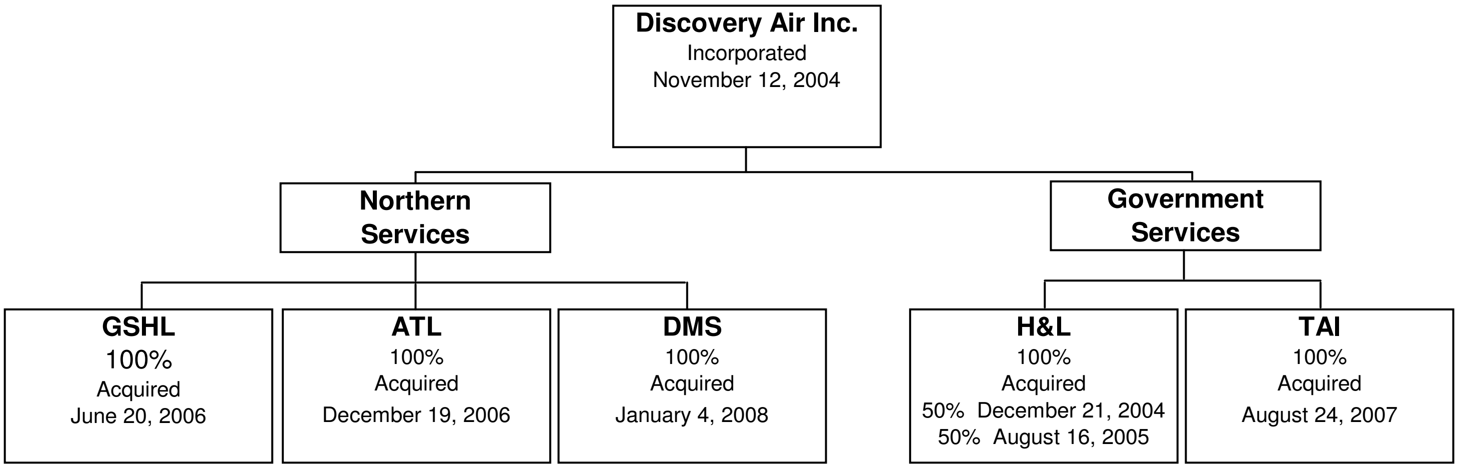
Organization structure

The Corporation was incorporated on November 12, 2004 and has made the following acquisitions consistent with the Corporation's mission.

- *December 21, 2004* - The Corporation acquired 50% of the outstanding shares of Hicks & Lawrence Limited ("H&L")
- *August 16, 2005* - The Corporation acquired the remaining 50% of the outstanding shares of H&L.
- *June 20, 2006* - The Corporation acquired 100% of the outstanding shares of Great Slave Helicopters Ltd. ("GSHL").
- *December 19, 2006* - The Corporation acquired 100% of the outstanding shares of Air Tindi Ltd. ("ATL").
- *March 14, 2007* - The Corporation, through H&L, purchased the wheel division assets of Walsten Air Service (1986) Ltd. ("Walsten").
- *August 24, 2007* - The Corporation acquired 100% of the outstanding shares of Top Aces Inc. ("TAI").
- *January 4, 2008* - The Corporation acquired 100% of the outstanding shares of Discovery Mining Services Ltd. ("DMS").

Discovery Air has recently appointed Mr. Chuck Parker as the Executive Vice President of Northern Operations. Under the new organizational structure, Mr. Parker will report to Discovery's Chief Executive Officer and the senior management of GSHL, ATL and DMS will report directly to Mr. Parker. These three companies share common markets and are therefore more likely to exploit potential synergies and economies of scale that are available under common leadership and direction.

Operations
Starting in fiscal 2009, for management purposes, the operations of the Corporation are being segregated into two operating segments:
1. Northern Services, being the operations of GSHL, ATL and DMS; and
2. Government Services, being the operations of TAI and H&L.



The Corporation has re-aligned the segment disclosure of its operations with the objective of providing better insight into the Corporation's performance, its prospects for future net cash flow and ultimately to allow the readers to make a more informed assessment of the Corporation's results. The revised segment disclosure is consistent with management's approach in evaluating the Corporation's subsidiaries. In updating the segment information, management assessed the economic characteristics of the Corporation's subsidiaries, considering the more relevant variables such as the type of customers that the operations service, and ultimately determined that the revised segment better represents the commonalities of the operations within their respective segment.

The operations were previously segmented between Rotary Wing, which included GSHL, and Fixed Wing, which included ATL, TAI, H&L and DMS.

Non-segmented activities are classified as Corporate Support. The results of operations for the Corporation's subsidiaries are included in the Corporation's consolidated financial accounts from the date of acquisition.

Northern Services Segment
GSHL is a Northwest Territories-based helicopter company that provides chartered air transport services throughout Northern Canada and several of the Canadian provinces. It provides, on its own and in partnership with northern Aboriginal groups, aviation services to private sector companies and governments in areas such as mineral, base and precious metal exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys, tourism and flight training.

ATL is a Northwest Territories-based aviation company that provides scheduled and chartered passenger and air cargo services to private sector companies, governments and individuals in such areas as mineral, base and precious metal exploration, oil and gas exploration and tourism. ATL also provides air ambulance services throughout the Northwest Territories.

DMS is a Northwest Territories-based company that provides remote exploration camps, expediting, logistics and staking services to primarily diamond and mineral exploration companies.

Government Services Segment
TAI is a Quebec-based aviation company that provides highly specialized airborne training services to the Department of National Defence.

H&L is an Ontario-based aviation company that provides air services to niche markets in Ontario, primarily fire suppression and other transportation services to the provincial government.

Seasonality and quarterly fluctuations
Seasonality and other factors can impact on the comparability of results from one period to another.

- There is increased demand for the services provided by GSHL, H&L, ATL and DMS normally commencing in the spring and continuing through to the end of the summer.
- TAI's revenue generating opportunities are significantly higher in the February to June and September to November time periods. Though TAI revenues are relatively predictable over a twelve month period, they can vary substantially from month to month depending on weather conditions and its customer's priorities.
- 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 incurred evenly throughout the year and the timing of expenses within a year may vary from one period to another.
- Weather conditions can have an impact on available flight hours from one period to another.
- The timing of an acquisition in relation to the above factors can have an impact on the comparability of results.

As a result, the operations of the Corporation are subject to seasonal and other variations that make comparability difficult. Operating results therefore may vary from quarter to quarter and results of one quarter may not be indicative of results that may be achieved for another quarter or the full year.

Strategy and Strengths

The Corporation is an investment company. It invests in businesses that provide aviation and aviation related services to customers in niche markets. The Corporation's investment portfolio is currently comprised of companies that provide fixed-wing and rotary-wing transport services as well as logistics and remote operations management services.

The Corporation will drive growth by continuing to seek and acquire accretive high-quality niche aviation and aviation related service companies. In identifying new acquisition opportunities, the Corporation will consistently employ selection criteria that considers, among other factors, sustainable growth potential, enduring competitive advantage, strong cash flow, and the existence of a highly competent, trustworthy management team. Growth will also be achieved organically from the Corporation's existing operating companies through increased utilization of the existing fleet, fleet expansion, introduction of new or expanded services and by entering into new geographic markets that would benefit from the high level of service of the Corporation's operating companies.

Aviation services are delivered by the Corporation's subsidiaries. Discovery Air Inc. at the corporate level has no day-to-day operational responsibilities. It provides its subsidiaries with access to capital and corporate services which include investor relations management, treasury services, group financial reporting and accounting, corporate legal services, public company administration, and group-wide human resource policies. It also provides a forum through which its subsidiaries can benefit from synergies and economies of scale as well as sharing of best operational practices.

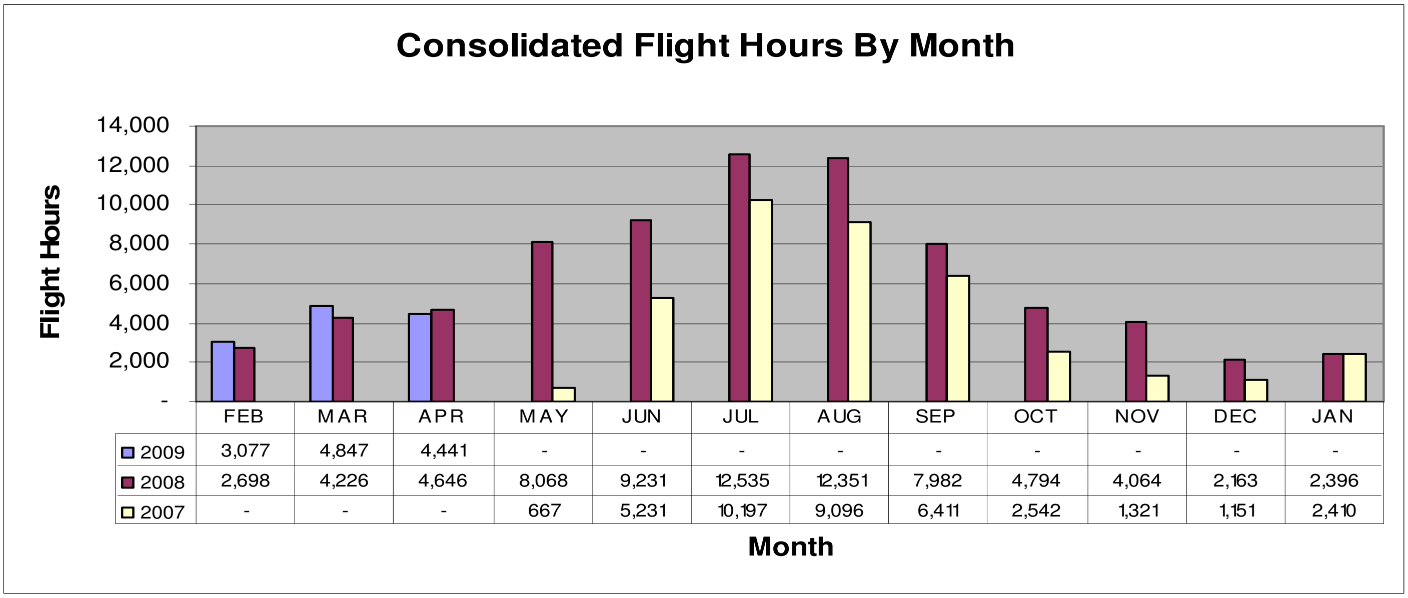
The Corporation's current investment portfolio is comprised of companies whose success is fundamentally based upon strong customer service, a reputation for quality and safety, a loyal customer base, a dominant position in their markets, significant barriers to entry, and a minimum 20-year successful business track record in the case of GSHL, ATL and H&L.

GSHL and ATL provide an essential service to many of their customers as access to, and movement at, the majority of their customers' locations are only possible via aircraft. This includes the movement and transport of people, freight, equipment, and essential supplies. TAI and H&L also provide essential services to their customers in the form of cost-effective Government outsourced aviation service solutions.

Results of operations for the three-month periods ended April 30, 2008 and April 30, 2007

Revenue and Hours Flown

The Corporation's revenue is primarily generated from rotary-wing and fixed-wing transportation services that are delivered through its subsidiaries and are largely driven by flight hours. The following graph provides monthly consolidated flight hour information that assists in understanding the impact of acquisitions on total flight hours and the relative seasonality of the Corporation's flight operations.



	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
2009	3,077	4,847	4,441	-	-	-	-	-	-	-	-	-
2008	2,698	4,226	4,646	8,068	9,231	12,535	12,351	7,982	4,794	4,064	2,163	2,396
2007	-	-	-	667	5,231	10,197	9,096	6,411	2,542	1,321	1,151	2,410

Consolidated

Revenues were $30.8 million for the current quarter, compared to $16.1 million for the same period last year. The year over year increase in revenues of $14.7 million or 91%, can be summarized as follows, in millions of dollars:

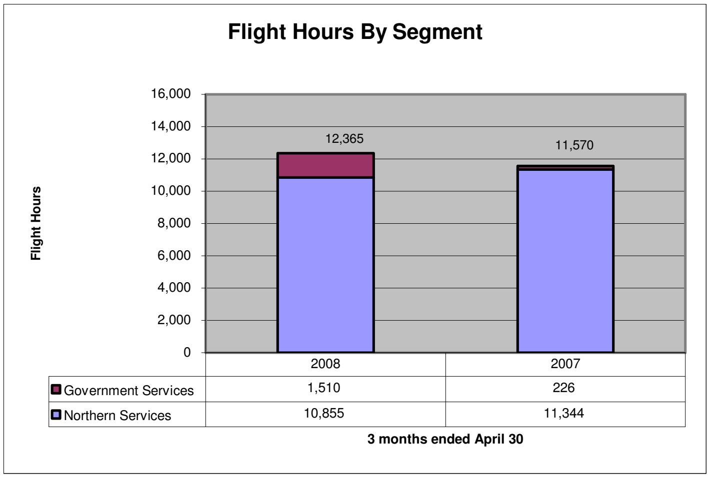
Incremental revenues from TAI & DMS which would not be reflected in the comparative results	$11.7
Net increase in revenues from businesses reflected in the comparative results (GSHL, ATL & H&L)	$ 3.0
	$14.7

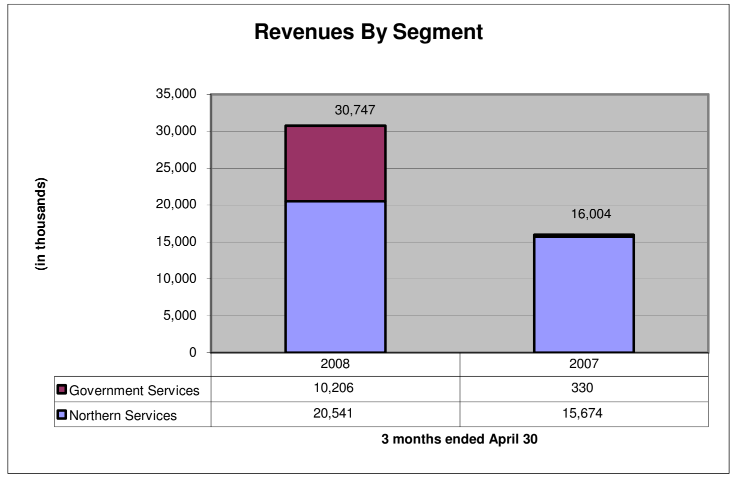
Hours flown for the current quarter were 12,365 compared to 11,570 for the same period last year. The year over year increase in hours flown of 795 hours or 7%, can be summarized as follows:

Incremental hours from TAI not reflected in the comparative results	1,158
Net decrease in hours from businesses reflected in the comparative results (GSHL, ATL & H&L)	(363)
	795

TAI, acquired on August 24, 2007 and DMS, acquired on January 4, 2008, collectively contributed to 38% of the total revenues earned in the quarter. The Corporation also achieved strong organic growth of 19% from GSHL, ATL & H&L collectively, despite a decrease in flight hours from these operations. This was due to a favourable mix in aircraft use where higher rate aircraft saw increased utilization despite an overall decline in flight hours. The year over year revenue increase was also attributed to increased flight hour rates at GSHL, ATL and H&L.

The following is a summary of Northern Services and Government Services segment hours and revenues for the comparative period.





Northern Services segment

The Northern Services segment flew 10,855 hours generating revenues of $20.5 million for the current quarter, compared to 11,344 hours generating revenues of $15.7 million in the comparative period last year. The segment's 31% year over year growth in revenues were attributed to increased flight hour rates, a favourable shift to higher rate aircraft and the inclusion of the operation of DMS, contributing to 10% of the segment's total revenues earned in the quarter. GSHL and ATL's combined revenues were higher by $2.8 million or 18% in the quarter compared to the same period last year, despite a 4% decrease in overall flight hours in the quarter compared to the same period last year. GSHL's 32% drop in light lift aircraft flight hours was offset by a 17% increase in intermediate and medium lift aircraft flight hours in the quarter compared to the same period last year. Similarly for the operations of ATL, a 16% decline in flight hours for their smaller aircraft fleet was offset by a 40% increase in flight hours from their larger aircraft fleet in the quarter compared to the same period last year.

Government Services segment

The Government Services segment flew 1,510 hours generating revenues of $10.2 million for the current quarter, compared to 226 hours generating revenues of $330,000 in the comparative period last year. While H&L saw slight incremental growth this quarter compared to the same period last year, substantially all of the year over year increase in this segment was attributed to the results of TAI, which was acquired on August 24, 2007.

Operating Expenses

Consolidated

Operating expenses consist of fixed and variable expenses including crew and fleet costs and general and administrative expenses. Crew and fleet costs are the largest expense categories. Crew costs are comprised of wages, benefits and training for pilots and maintenance engineers. Fleet costs are comprised of aircraft lease cost and maintenance costs, which consist of the purchase, repair and overhaul of parts, major components and accessories. The amortization of engine and rotable component overhauls are included in maintenance costs and are classified as operating expenses for financial reporting purposes. General and administrative expenses are mainly comprised of wages and benefits of administrative personnel, facility costs, travel costs, insurance costs and other overhead expenses. These operating expenses contain both a fixed and variable cost component.

Operating expenses were $28.4 million for the current quarter, compared to $16.9 million for the same period last year. Of the $11.5 million year over year increase, $6.6 million was attributed to the inclusion of the operating expenses of TAI and DMS, which due to the timing of their acquisition would not have factored in prior year's results. The remaining $4.9 million variance related to a general increase in operating expenses in the operations of GSHL, ATL and H&L. The more notable increase in operating expenses was related to wage and maintenance costs for these operations.

In keeping with the Corporation's vision to align the interest of employees and shareholders, the Corporation granted 381,350 stock options to employees in the quarter. Non-cash stock-based compensation expense of $404,000 was incurred in the quarter related to the vesting of options granted, compared to $637,000 for the same period last year.

Northern Services segment

The segment's operating expenses for the quarter were $20.4 million, compared to $14.5 million for the same period last year. The operating expenses as a percentage of revenues increased by 7% in the current quarter compared to the same period last year. The increase in operating expenses and the operating expenses as a percentage of revenues was largely attributed to increased wage and maintenance costs in both GSHL and ATL. Recognizing the scarcity of skilled pilots and maintenance staff, the operations in this segment incurred higher compensation costs to retain existing skilled staff as well as hire more skilled pilots and maintenance staff to meet the demands of the upcoming peak season. GSHL in particular actively hired and trained more new pilots and maintenance staff than in past years. They also started the hiring process much earlier in the season than in past years in order to ensure they secured sufficient skilled resources to meet the upcoming peak season demand. To address the pilot shortage, GSHL initiated an in-house program to hire a number of low-hour pilots to train and develop at GSHL, and to eventually integrate into GSHL's operations once the training is complete. While this has resulted in increased staffing costs year over year, GSHL believes this to be a sound long term investment. GSHL has also incurred costs related to developing their safety management system as required by Transport Canada which has resulted in increased training and consulting costs. The segment also incurred higher maintenance expense in the quarter compared to the same period last year. The first quarter is traditionally a period when the operations attempt to perform all their significant overhaul and maintenance work in anticipation of the upcoming peak season. These costs can fluctuate from period to period based on the needs of the aircraft and are not necessarily tied to flight hours.

Government Services segment

The segment's operating expenses for the quarter were $6.6 million, compared to $919,000 for the same period last year. Consistent with this segment's revenue, a significant portion of the segment's operating expense in the quarter and variance from the same period last year is related to the addition of TAI. H&L's operating expenses in the quarter were higher compared to the same period last year, which was in part due to the prior period's operating expense only reflecting Walsten's results since acquisition on March 14, 2007.

EBITDA and EBITDAR (see Non-GAAP Measures)

Consolidated

EBITDA was $2.3 million for the current quarter, compared to EBITDA loss of $805,000 for the same period last year. While the increased revenues from organic growth contributed to the increased EBITDA, the larger contribution came from the inclusion of the results of TAI and DMS. Dampening the EBITDA were the increased operating expenses incurred at GSHL, ATL and H&L.

EBITDAR was $4.7 million for the quarter, compared to $1.1 million for the same period last year. The aircraft lease cost for the quarter was $2.3 million compared to $1.9 million for the same period last year, with the variance largely attributed to the addition of TAI, which lease their Westwind aircraft, and GSHL increasing the utilization of leased hours in their operation.

Northern Services segment

The Northern Services segment had EBITDA of $133,000 for the quarter, compared to $1.2 million for the same period last year. The EBITDA margin was 1% in the quarter compared to 8% in the same period last year. The decline in EBITDA and EBITDA margin was due largely to the higher wage and maintenance cost incurred in the current quarter compared to the same period last year. EBITDAR for the quarter was $2.2 million compared to $3.1 million for the same period last year.

Government Services segment

The Government Services segment had EBITDA of $3.6 million for the quarter compared to EBITDA loss of $589,000 for the same period last year. EBITDAR for the quarter was $3.9 million compared to EBITDAR loss of $589,000 for the same period last year. Both EBITDA and EBITDAR were positively impacted by the results of TAI in the quarter since the prior year comparative only included the low season results of H&L.

Financing charges

Financing charges were $3.0 million for the quarter, compared to $1.9 million for the same period last year. The increased financing charges are reflective of the increased debt levels the Corporation has assumed in growing the business through acquisitions and investing in new aircraft. The year over year increase in financing charges can be attributed to incremental debt incurred related to the acquisition of TAI, DMS and the purchase of three new aircraft.

Amortization Expenses

Amortization of buildings and equipment

Amortization of building and equipment expense was $2.0 million for the current quarter, compared to $1.8 million for the same period last year. The increased amortization of buildings and equipment in the current quarter was due largely to the inclusion of assets acquired from TAI and DMS.

Amortization of intangible assets

Amortization of intangible assets expense was $1.1 million for the current quarter, compared to $503,000 for the same period last year. The amortization of intangible assets relates to the periodic expensing of a portion of the purchase price for acquired companies attributable to certain identifiable intangible assets such as the estimated fair market value of customer relationships. The significant increase in the amortization of intangible assets was due to the amortization of the intangible assets recorded on the acquisition of TAI and DMS. The portion of the purchase price attributed to customer relationships for TAI and DMS were $18.2 million and $1.4 million respectively. While these assets are being amortized in accordance with Canadian generally accepted accounting principles, the Corporation has no reason to believe that these customer relations will not be of continuing value to the Corporation.

Income Taxes

Income tax recoverable was $1.2 million for the current quarter, compared to $1.5 million for the same period last year. The Corporation's statutory rate for the quarter was approximately 32%, compared to approximately 34%. The effective rate applied in calculating the current quarter income tax recoverable was approximately 30% due to the non-deductibility of certain expenses such as stock-based compensation expense.

Liquidity and Financial Resources

Operating activities

As expected, due to the first quarter of the Corporation being a seasonally slow period for many of its subsidiaries, the operation reflects a negative cash position from operations. The net cash outflow from operating activities was $9.6 million for the current quarter, compared to $4.4 million for the same period last year. The current quarter cash flow from operations was impacted by an $11.3 million negative change in non-cash working capital position since the start of the fiscal year compared to a $2.4 million negative change in non-cash working capital position for the same period last year. The significant year over year variance in the change in non-cash working capital position is due to the inclusion of the operations of TAI and DMS. Both operations significantly increased their accounts receivable from the start of the year, which is normal as these operations start to build up into their peak season.

After-tax operating cash flow was $1.7 million for the quarter or $0.01 per share compared to a negative after-tax operating cash flow of $2.0 million or $(0.02) per share for the same period last year (see Non-GAAP Measures). The year over year increase in the after-tax operating cash flow of the Corporation is largely due to the inclusion of the operating results of TAI and DMS in the current year.

The Corporation's working capital balance at the end of the quarter was in a negative position of $13.2 million compared to a positive position of $16.2 million as at January 31, 2008. The significant variance in working capital balance from January 31, 2008 was due to the classification change from long-term to current liabilities of the $33.0 million debt instrument incurred to acquire TAI which is scheduled to be repaid in February 2009. The Corporation is in discussion with several parties regarding the refinancing of this debt. The prior year working capital balance also reflected residual cash from the issuance of convertible debentures in December 2006 which was used to fund subsequent growth.

The current ratio was 0.79 compared to 1.78 as at January 31, 2008. Again the current ratio was largely impacted by the classification of the TAI acquisition debt of $33.0 million as a current liability in the current year. Excluding this debt from current liabilities would result in a current ratio of 1.70.

The Corporation believes it has sufficient working capital to meet its current and future operating requirements based on its expected working capital position and cash generated from operations in the coming quarters. In addition, the Corporation has various committed and uncommitted credit facilities available as a source for any short-term financing requirements which could arise in relation to the seasonality of its revenue patterns as is the case in the current quarter. The Corporation does not expect any significant changes to its future working capital requirements other than possible changes caused by a large acquisition or capital expenditures related to fleet expansion. These transactions are consistent with the Corporation's strategy and it is expected that these transactions would be largely financed by some combination of debt and equity.

Other than $33.0 million in term debt that matures in February 2009, the Corporation is not aware of any balance sheet conditions, income items or cash flow items that could materially impact liquidity. There is also no liquidity concern associated with the Corporation's financial instruments.

Investing activities

The Corporation had a net cash outlay of $9.8 million related to investing activities for the current quarter, compared to $16.5 million for the same period last year. During the current quarter, the investing activities related to fleet expansion and capitalized overhaul and maintenance cost. The fleet expansion included the acquisition of two intermediate helicopters, progress funding related to the purchase of eight additional Alpha jets, and a fixed wing, twin-engine turbo-prop airplane. The prior year comparative reflects the acquisition of Walsten assets for $5.3 million and $11.2 million in fleet expansion and capitalized overhaul and maintenance cost. The Corporation has committed to acquire eight Alpha jets and related parts and inventory totalling $12.9 million during the year. Other than routinely scheduled maintenance and overhaul of the Corporation's existing fleet, the Corporation does not expect any significant overhaul or maintenance outlay in the foreseeable future.

Financing activities

The Corporation obtained new debt totalling $10.0 million during the current quarter largely to finance aircraft and capital equipment purchases. The Corporation obtained new debt totalling $12.2 million for the same period last year, also to finance new aircraft as well as to finance the acquisition of the Walsten assets.

The Corporation made scheduled debt repayments totalling $1.6 million during the current quarter. The Corporation made scheduled debt repayments of $1.9 million for the same period last year.

The Corporation did not receive cash related to the issue of common shares in the current quarter. The Corporation received $262,000 in cash related to the issue of common shares for the same period last year.

Debt Financing

In February 2008 the Corporation entered into a $21.5 million term loan to refinance existing TAI term debt and the purchase of additional aircraft, spare engines and aircraft parts. The principal amount of the loan is repayable in monthly installments of $256,000 commencing in February 2008 and ending in January 2015. The term debt bears an interest rate of the lender's floating base rate plus 3.25% per annum. The loan is secured by a debenture over all the assets of TAI, subject to a priority interest provided to an operating lender over TAI's accounts receivable. As at April 30, 2008, $8.6 million has been drawn under this banking facility. There are various covenants, including financial covenants, which the Corporation is required to comply with. The Corporation is in compliance with these covenants.

In January 2008, the Corporation arranged a $75.0 million evergreen term debt facility to replace the fleet debt in H&L, GSHL and ATL as well as to finance future capital expenditures. The full availability under this credit facility is subject to certain conditions being met. At the end of the current quarter the Corporation had approximately $52.6 million available to it and drawn from this facility to refinance existing credit facilities and to finance additional aircraft purchases. Assuming the Corporation continues to meet all conditions over the term of the evergreen facility, the Corporation is only obligated to repay on a regular basis, the interest related to this facility, thus allowing the Corporation greater flexibility to reinvest the cash generated from operations to continue growing the business. Based on a 5 year term, advances up to $50.0 million bear an interest rate of 30 day BAs plus 2.5% and advances in excess of $50.0 million bear an interest rate of 30 day BAs plus 3.0%. The Corporation has provided a general security agreement over its assets and the assets of GSHL, ATL and H&L to secure this credit facility. The debt is an evergreen facility which currently only requires the repayment of interest over the term of the debt. On each anniversary date the lender has the option to convert the evergreen facility to an amortizing debt with the principal balance at the time amortized over a 10 year period. There are various covenants, including financial covenants, which the Corporation is required to comply with. The Corporation is in compliance with these covenants.

The Corporation has a 364-day committed revolving banking facility which consists of an operating line of credit to a maximum of $15 million that increases by an additional $10 million during the Corporation's peak operating season, from April 1 to November 30. The banking facility bears an interest rate of prime plus 0.50% and is secured by a general security agreement over the assets of Discovery Air Inc., GSHL, ATL and H&L. At April 30, 2008, $6.4 million has been drawn under this banking facility. There are various covenants, including financial covenants that the Corporation is required to comply with. The Corporation is in compliance with these covenants.

TAI has a banking facility which consists of an operating line of credit to a maximum of $2.75 million, bearing interest at prime plus 0.50%. This facility is secured by a general security agreement which provides a first charge over accounts receivable and inventory, and a floating charge over all other assets subject to permitted encumbrances. At April 30, 2008, $1.2 million has been drawn under this banking facility.

H&L has available to it a revolving banking facility to a maximum of $1.5 million, bearing interest at prime plus 0.25%, whereby eligible accounts receivables are pledged at face value. The facility is secured by specific government receivables. At April 30, 2008, there were no amounts outstanding under this banking facility.

The Corporation has $33.0 million of term debt that matures on February 1, 2009. As noted in the operating activities, this debt has been classified as a current portion of long-term debt on its balance sheet as at April 30, 2008. The Corporation has initiated discussions with various parties regarding the refinancing of this debt.

Shareholders' Equity

Shareholders' equity at April 30, 2008, was $199.6 million compared to $153.4 million as at April 2007, with the increase attributable to the retention of earnings, the issuance of Class A and Class B common shares on the acquisition of DMS and TAI, the exercise of options and warrants, and the fair value attributable to warrants issued. At April 30, 2008, the Corporation had 134,522,805 Class A common shares outstanding and 681,354 Class B common shares outstanding compared to 110,900,019 Class A common shares outstanding and nil Class B common shares outstanding as at April 30, 2007. The detail of the 23.6 million increase in Class A common share issued during the most recent 12 month period is as follows: 19.3 million Class A common shares issued as partial consideration for the acquisition of TAI, 4.3 million Class A common shares issued as partial consideration for the acquisition of DMS, and 20,000 Class A common shares issued on the exercise of options. 681,384 Class B common shares were issued as partial consideration for the acquisition of TAI.

There were 1,178,568 common share purchase warrants outstanding at April 30, 2008. The holders of these warrants are entitled to subscribe for one Class A share for every warrant held at a subscription price of $2.00 per share. These warrants expire in July 2008.

There were 7,494,550 (2008 – 5,356,050) common share options outstanding at April 30, 2008. For the quarter ended April 30, 2008, 381,350 common share options were granted. For the current quarter, salary expense and an addition to contributed surplus of $404,000 (2008 - $637,000) was recorded relating to the vesting of options granted.

On March 27, 2006, the Corporation was continued under the *Canada Business Corporations Act*. At the time of the continuance, its share structure was amended to authorize the issuance of an unlimited number of Class A common voting shares and an unlimited number of Class B common variable voting shares. Each issued and outstanding common voting share as at March 27, 2006, was converted into a Class A common voting share on a one for one basis.

Additional information with respect to share capital is contained in note 5 of the interim consolidated financial statements.

Updated Share Information

At June 11, 2008, there were 134,461,555 Class A common shares outstanding and 742,604 Class B common shares outstanding. At the same date, there were 7,494,550 common share options outstanding and 1,178,568 common share purchase warrants outstanding.

Related Party Transactions

At April 30, 2008, the Corporation had total indebtedness, including accrued interest, of $19.6 million (2008 - $18.7 million), bearing an interest rate range of prime to prime plus 1% per annum, owing primarily to officers and directors of the Corporation or its subsidiaries and who were former owners of the subsidiaries. For the quarter ended April 30, 2008, interest expense on this debt totaled $227,000 (2008 - $287,000).

Change in Accounting Policies

Financial instruments – presentation and disclosure

CICA 3862, *Financial Instruments – Disclosure, and* CICA 3863*, Financial Instruments Presentation,* effective for the Corporation on February 1, 2008, revise the current standards on financial instrument disclosure and presentation, and place an increased emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. CICA 3863 also establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance with classification of financial instruments, from the perspective of the issuer, between liabilities and equity. There was no impact to the previously reported financial statements as a result of the implementation of these new standards.

Inventories

In May 2007, the Accounting Standards Board issued Handbook Section 3031, *Inventories*, which supersedes Handbook Section 3030 and is effective February 1, 2008. The standard introduces significant changes to the measurement and disclosure of inventory. The most significant change for the Corporation is the requirement to measure inventories at the lower of cost and net realizable value, as opposed to lower of cost and replacement cost. The implementation of this standard had no material impact on the Corporation's financial results or condition.

Capital disclosures

CICA 1535, *Capital Disclosures*, effective for the Corporation on February 1, 2008, establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed including enhanced disclosure requirements with respect to the objectives, policies and processes for managing capital.

Additional information on the application of the above Handbook Sections is contained in the interim consolidated financial statements for the period ended April 30, 2008.

Future Changes in Accounting Policies

Goodwill and Intangible Assets

Effective February 1, 2009, the Corporation will adopt the new Canadian standard, Handbook Section 3064, *Goodwill and intangible assets,* which replaces Handbook Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. The standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with IFRS. The Corporation is assessing the impact of the new standard on its consolidated financial statements.

Subsequent event

Normal Course Issuer Bid

On June 10, 2008, the Corporation filed a notice with the Toronto Stock Exchange ("Exchange") to make a normal course issuer bid ("NCIB") allowing the Corporation to purchase for cancellation up to 5,000,000 of its Class A common voting shares ("common shares") representing 3.72% of the 134,461,555 issued and outstanding common shares as at June 11, 2008. Subject to one block purchase per calendar week allowed pursuant to the rules of the Exchange, the maximum number of common shares to be acquired under the NCIB each day is 11,670 common shares. The Corporation may buy back common shares from time to time during the next twelve months commencing June 12, 2008 and ending June 11, 2009, or such earlier date as the Corporation may complete its purchases pursuant to the Notice of Intention. Any purchase made under the NCIB will be effected through the facilities of the Exchange and in accordance with the policies and rules of the Exchange.

Non-GAAP Measures

References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization (except for amortization of rotable and overhauled components which are treated as operating expenses), gain on disposal of land, buildings and equipment, and non-controlling interest. As is common in the industry, the Corporation uses EBITDA as a supplemental financial measure of its operational performance. Reference to "EBITDAR" is EBITDA before aircraft lease cost. Management believes EBITDA and EBITDAR to be an important measure as it excludes the effects of items which primarily reflect the impact of long-term investment decisions rather than the performance of the Corporation's day-to-day operations. Management believes this measurement is 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 loss before non-controlling interest to EBITDA and EBITDAR.

	for the three months ended	
(thousands of dollars)	**April 30 2008**	**April 30 2007**
	(unaudited)	(unaudited)
Loss before non-controlling interest	$ (2,663)	$ (3,586)
Income tax recovery	(1,164)	(1,466)
Financing charges	3,025	1,919
Amortization	3,117	2,328
EBITDA	$ 2,315	$ (805)
Aircraft lease expenses	2,342	1,887
EBITDAR	$ 4,657	$ 1,082

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

The following is a reconciliation of net loss to after-tax operating cash flow.

	for the three months ended	
(thousands of dollars)	**April 30 2008**	**April 30 2007**
	(unaudited)	(unaudited)
Net loss	$ (2,700)	$ (3,581)
Future income tax recovery	(653)	(1,795)
Stock-based compensation	404	637
Amortization of buildings and equipment and intangible assets	3,117	2,205
Amortization of rotable and overhauled components	1,185	458
Amortization of discount of long-term debt	321	120
Non-controlling interest	37	(5)
After-tax cash flow	$ 1,711	$ (1,961)
After-tax cash flow per share	$ 0.01	$ (0.02)

SEGMENTED INFORMATION

The Corporation has two reportable business segments: Northern Services and Government Services. These segments are differentiated by the market in which the Corporation's aviation and related services operate in. The Northern Services segment is represented by GSHL, ATL and DMS and Government Services segment is represented by TAI and H&L. The Northern Services segment's primary market is based on the activities in Northern Canada. This segment has a wide customer base servicing companies 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 exploration and tourism. Entities in the Government Services segment provide niche services primarily focused on government entities.

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

(thousands of dollars)	*for the three months ended April 30, 2008*				*for the three months ended April 30, 2007*			
	Northern Services	**Government Services**	**Corporate Support**	**Total**	**Northern Services**	**Government Services**	**Corporate Support**	**Total**
Revenue	$ 20,541	$ 10,206	$ 7	$ 30,754	$ 15,674	$ 330	$ 63	$ 16,067
Operating expenses	20,408	6,569	1,462	28,439	14,480	919	1,473	16,872
Amortization	2,086	1,015	16	3,117	2,214	114	-	2,328
Loss from operations before undernoted items	(1,953)	2,622	(1,471)	(802)	(1,020)	(703)	(1,410)	(3,133)
Financing costs				3,025				1,919
Income taxes				(1,164)				(1,466)
Minority interest				37				(5)
Net loss				**(2,700)**				**(3,581)**
Total assets	**$ 288,479**	**$ 103,801**	**$ 1,385**	**$ 393,665**	**$ 268,306**	**$ 14,697**	**$ 3,695**	**$ 286,698**

Segmented breakdown of EBITDA and EBITDAR

(thousands of dollars)	*for the three months ended April 30, 2008*				*for the three months ended April 30, 2007*			
	Northern Services	**Government Services**	**Corporate Support**	**Total**	**Northern Services**	**Government Services**	**Corporate Support**	**Total**
Revenue	$ 20,541	$ 10,206	$ 7	$ 30,754	$ 15,674	$ 330	$ 63	$ 16,067
Operating expenses	20,408	6,569	1,462	28,439	14,480	919	1,473	16,872
EBITDA	**$ 133**	**$ 3,637**	**$ (1,455)**	**$ 2,315**	**$ 1,194**	**$ (589)**	**$ (1,410)**	**$ (805)**
Aircraft lease expenses	2,092	250	-	2,342	1,887	-	-	1,887
EBITDAR	**$ 2,225**	**$ 3,887**	**$ (1,455)**	**$ 4,657**	**$ 3,081**	**$ (589)**	**$ (1,410)**	**$ 1,082**

SUMMARY OF QUARTERLY RESULTS

(thousands of dollars except per share amounts)	2009	2008				2007*	2006	
	Q1	Q4	Q3	Q2	Q1	Q1	Q4	Q3
Results of operations:								
Total revenue	$ 30,754	$ 19,673	$ 41,612	$ 43,583	$ 16,067	$ 7,114	$ 22,133	$ 18,111
Operating expenses	28,439	23,857	26,900	24,855	16,872	12,412	13,372	10,110
EBITDA	2,315	(4,184)	14,712	18,728	(805)	(5,298)	8,761	8,001
Amortization	3,117	3,047	2,590	1,432	2,328	1,510	1,326	493
Financing costs	3,025	3,473	2,771	2,127	1,919	1,366	929	423
Income (loss) before income taxes and non-controlling interest	(3,827)	(10,704)	9,351	15,169	(5,052)	(8,174)	6,506	7,085
Income tax provision (recovery)	(1,164)	(5,849)	3,327	4,965	(1,466)	(3,616)	2,041	2,643
Non-controlling interest	37	24	122	147	(5)	(47)	200	32
Net earnings (loss)	$ (2,700)	$ (4,879)	$ 5,902	$ 10,057	$ (3,581)	$ (4,511)	$ 4,265	$ 4,410
Earnings (loss) per share								
-basic	$ (0.02)	$ (0.04)	$ 0.05	$ 0.09	$ (0.03)	$ (0.05)	$ 0.05	$ 0.08
-diluted	$ (0.02)	$ (0.04)	$ 0.05	$ 0.09	$ (0.03)	$ (0.05)	$ 0.05	$ 0.07

* The Corporation changed its year end from October 31 to January 31

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

RISK FACTORS

The Corporation is subject to a number of risks and uncertainties and is affected by a number of factors outside of the control of its management. Details are provided in the "Risk Factors" section of the Corporation's Annual Information Form dated April 25, 2008, which can be found on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The Corporation's Chief Executive Officer and Chief Financial Officer have assessed the effectiveness of the disclosure procedures and controls used for the consolidated financial statements and Management's Discussion and Analysis as at April 30, 2008. Their assessment led them to conclude that these disclosure procedures and controls are adequate and effective to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.

The Chief Executive Officer and the Chief Financial Officer are responsible for designing internal control over financial reporting (ICFR), or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The Corporation's Chief Executive Officer and Chief Financial Officer have evaluated the design of the Corporation's ICFR as at April 30, 2008 and believe the design to be sufficient to provide such reasonable assurance. There were no other changes in the Corporation's ICFR during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

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

Dated: June 11, 2008

FORWARD-LOOKING STATEMENTS

The statements in this management's discussion and analysis which relate to the future are forward-looking statements. 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, our ability to secure operating contracts; the strength of the Canadian economy in general and the strength of the local economies within Canada in which we conduct operations; the effects of changes in interest rates; the effects of competition in the markets in which we operate; inflation; capital market fluctuations; the impact of changes in the laws and regulations regulating aviation services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; weather conditions in the geographical regions in which we operate; and our anticipation of and success in managing the risks implicated by the foregoing.

The foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. There is no undertaking to update any forward-looking statement that is contained in this management's discussion and analysis or made from time to time by the Corporation.