Third Quarter Report
October 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of the financial condition and results of operations of Discovery Air Inc. (the "Corporation" or "Discovery Air") for the third quarter of fiscal 2009 should be read in conjunction with the unaudited interim consolidated financial statements and related notes of the Corporation for the period ended October 31, 2008 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

The Corporation acquires businesses that provide aviation and aviation related services to customers in niche markets. The Corporation's subsidiaries consist of companies that provide fixed-wing and rotary-wing transport services as well as logistics and remote operations management services.

The Corporation's aviation and aviation related services are delivered by its subsidiaries. These subsidiaries have an established business track record based on strong customer service, a reputation for quality and safety, a loyal customer base, dominant market positions and significant barriers to entry. Discovery Air at the corporate level does not have 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, economies of scale and the sharing of best operational practices.

Organization structure

Discovery Air is incorporated under the Canada Business Corporations Act. It was established in November 2004 to acquire aviation and aviation related businesses that provide services to clients in niche markets. Since its inception the Corporation has completed the acquisition of six businesses whose services are delivered through five wholly-owned subsidiaries. These wholly-owned subsidiaries are segregated into two operating segments:

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

Non-segmented activities are classified as Corporate Support.

Northern Services Segment

The Northern Services segment's primary market is based on activities in 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.

Great Slave 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. Great Slave was founded in 1984.

Air Tindi is a Northwest Territories-based fixed wing 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. Air Tindi also provides air ambulance services throughout the Northwest Territories. Air Tindi was founded in 1988.

Discovery Mining is a Northwest Territories-based company that provides remote exploration camps, expediting, logistics and staking services to primarily diamond and mineral exploration companies. Discovery Mining was founded in 1991.

Government Services Segment

The Government Services segment provides niche services primarily aimed at government entities.

Top Aces is a Quebec-based fixed wing aviation company that provides highly specialized airborne training services to the Department of National Defence. Top Aces was founded in 2000.

Hicks is an Ontario-based fixed wing aviation company that provides air services to niche markets in Northwest Ontario, primarily fire suppression and other transportation services to the provincial government. Hicks has been in business for over 50 years.

Seasonality and quarterly fluctuations

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

- There is normally increased demand for the services provided by Great Slave, Hicks, Air Tindi and Discovery Mining commencing in the 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 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 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.
- 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.

Board of Directors

Most of the members of the Board elected at the annual general meeting in June 2008 retired in late July, early August and mid September. The only member of the Board who did not retire during this period was Brian Semkowski, who continues to serve on the Board. The ten retired directors have been replaced by five new Board members: Gil Bennett, Alan Hibben, Wayne Sales, Joseph Randell and Jim Goodfellow. Mr. Bennett serves as the Chair of the Board.

Management

The Board of Directors appointed David Jennings as the Interim President & CEO of the Corporation on September 12, 2008. Mr. Jennings was one of the founders of Top Aces and, prior to this recent appointment, served as Top Aces' co-CEO. The Board has formed a committee and retained an international executive search firm to oversee and conduct the hiring of a permanent President & CEO.

Selected Financial Information

(unaudited) ($ thousands, except per share amounts)	for the three months ended October 31 2008	October 31 2007	for the nine months ended October 31 2008	October 31 2007
Results of operations				
Revenue	$ 42,536	$ 42,789	$ 132,340	$ 103,393
Operating expenses	32,042	28,077	99,910	70,757
EBITDA*	10,494	14,712	32,430	32,636
EBITDA Margin*	24.7%	34.4%	24.5%	31.6%
EBITDAR*	14,019	19,449	43,098	43,803
Financing costs	3,151	2,771	9,362	6,818
Amortization	3,309	2,590	9,640	6,350
Net earnings	$ 2,645	$ 5,902	$ 8,814	$ 12,378
Earnings per common share:				
Basic	$ 0.02	$ 0.05	$ 0.07	$ 0.11
Diluted	$ 0.02	$ 0.05	$ 0.06	$ 0.11
After-tax operating cash flow*	$ 7,792	$ 11,541	$ 25,005	$ 23,840
Cash provided by operations	$ 18,573	$ 18,913	$ 15,509	$ 14,147

* Non-GAAP Measure

Overview

The current fiscal year has presented challenges for a number of the Corporation's operating units brought on by a weather-related reduction in forest fire suppression activities and a significant slow-down in resource exploration. These conditions resulted in a reduced level of flight activity in some segments of the fleet. Despite these challenges, the Corporation was able to achieve revenues of $42.5 million for the current quarter, substantially matching the revenues from the comparative prior year period. Year-to-date revenues of $132.3 million represent a 28% increase over the comparative period last year. The impact of the unusual weather and weakened economic conditions on the Corporation's revenues was lessened due to the diversity of revenue streams throughout the Corporation and a favourable shift in fleet utilization from lower rate aircraft to higher rate aircraft. The acquisition of Top Aces and Discovery Mining during the last twelve months has expanded both the Corporation's operating presence throughout Canada and the range of aviation related services. Top Aces and Discovery Mining have provided strong incremental revenues since their acquisition. Combined results from these operations have contributed 26% of total revenues in the quarter and 28% of total revenues year-to-date, effectively compensating for the lower revenues realized in some of the other operating units.

The unseasonably cool and wet weather conditions in Ontario and Quebec in the first half of the year continued into the third quarter. Forest fire related revenues in these regions for the quarter and year-to-date were 10% and 60% lower than the comparative periods last year. Historically the second and third quarters represent a peak season for the Corporation's fire related operations.

The impact of the unseasonable weather conditions on the demand for forest fire fighting services is illustrated by the Natural Resources Canada report on the number of forest fires for the period from January 1 to September 3:

	2008	10 Year Average[1]
Ontario	293	1,141
Quebec	197	750

[1] Natural Resources Canada (accessed November 12, 2008); http://fire.cfs.nrcan.gc.ca/firereport/graph-eng.php

While the effect of the decline in the global economy and the tight credit markets was evident in the resource exploration sector of our client base in the previous quarters, the impact was more evident in the current quarter results. The dramatic deterioration of the North American economy and the continuing illiquidity in the credit markets in the current quarter resulted in reduced resource exploration activities in the North, especially for the smaller exploration operations that are traditionally heavily reliant upon funding from capital markets. This resulted in a material decline in the Corporation's flight revenue stream derived from the exploration sector for the current quarter.

EBITDA for the quarter and year-to-date decreased by 29% and 1% respectively compared to the comparative periods last year. EBITDA margin reduced considerably year over year for both the quarter and year-to-date. As noted above, contributing to the decline in margin was the lower than expected revenues from the Ontario and Quebec forest fire region as well the sharp reduction in the resource exploration sector activities in the current quarter. The margins were also negatively impacted by higher operating expenses incurred in the current year. The higher operating expenses were largely due to higher wage costs and higher-than-expected levels of aircraft maintenance costs. Wage costs increased due to a higher year over year staff complement carried by the Northern Services segment combined with across the board increases in wage rates. Great Slave's operations have been a major contributor to the erosion of EBITDA margin in the current year. Great Slave had substantially increased its infrastructure earlier in the season and to a much larger extent than the prior year in light of indications that fiscal 2009 demand would surpass that of 2008, which was a record year for Great Slave. Unfortunately, with the highly seasonal nature of its business operations, it was unable to reduce the resulting overhead costs as rapidly as the demand for aviation services weakened. This led to operating costs being much higher than the actual levels of flight activity warranted. In light of the current weakened economic conditions, all of the Corporation's entities have taken a critical look at their cost structures and have taken actions that will align them with current and expected demand for services.

Due to lower revenue levels and higher costs, the after-tax operating cash flow (see Non-GAAP measures) for the current quarter was less than the prior year. On a year-to-date basis, the after-tax operating cash flow increased even though EBITDA (see Non-GAAP Measures) remained flat due to increased levels of aircraft component amortization. Despite the year over year decline in current quarter margins, the Corporation was able to generate solid cash flow from its operations as a whole. At the end of the third quarter, the Corporation had no direct advances outstanding under its $7.5 million operating line of credit. Cash flow provided by operations for the quarter was $18.6 million substantially matching the comparative prior period cash flow provided by operations of $18.9 million. Year-to-date, cash flows provided by operations were $15.5 million compared to $14.1 million for the comparative period last year. Management at all levels throughout the organization has placed increased emphasis on cash flow preservation in light of the uncertain economic conditions and the tight credit market. Operations have continually strived for cash flow optimization without compromising the high level of service expected by our customers or the safety of our employees and fleet. Cash flow optimization, along with other prudent activities, have included close monitoring of non-cash working capital positions, re-assessing the credit status of the customer base, higher focus on collection activities, the re-aligning of infrastructure to the revenue stream expected, as well as reducing expansionary capital expenditure where appropriate. The Corporation believes that continuing to be vigilant in monitoring cash flow and aligning the infrastructure to the expected revenue base will enhance the Corporation's ability to weather the turbulent market conditions that have placed significant strains on the economy.

The Corporation had net earnings of $2.6 million and $8.8 million for the quarter and year-to-date respectively, compared to net earnings of $5.9 million and $12.4 million respectively for the comparative periods last year.

Going Concern

The Corporation has a $33.0 million term loan which matures on February 1, 2009 and as a result is reflected in its entirety in current liabilities. The Corporation has engaged an independent financial advisor and has been in discussion with several parties regarding the refinancing of this debt. These discussions continue. As well, the Corporation has a $7.5 million operating line of credit that matures on January 17, 2009. The renewal of the operating line of credit is at the option of the lender, which is not assured, and is highly dependent upon a successful refinancing or extension of the maturing term loan. While the Corporation is taking all available steps, there can be no assurance that this will result in a successful refinancing or extension of the maturing term loan or the operating line of credit before their maturity date. Although no current event of default or covenant violation exists, events relating to accounting judgment as to the assessment of possible goodwill impairment and the refinancing or extension of maturing credit facilities could entitle the Corporation's lenders to place the Corporation in a situation where it is not able to operate as a going concern. Further detail on the terms and conditions of the term loan agreement and operating line of credit is provided in note 6 and note 5(a) respectively. There are cross-default provisions contained in the Corporation's various lending agreements. The

Corporation has prepared its statements in accordance with Canadian generally accepted accounting principles that are applicable to a going concern although there are material uncertainties related to the refinancing risks outlined above that may cast significant doubt on the Corporation's ability to continue as a going concern. The financial statements do not reflect any adjustments, which could be material, in the carrying value of the assets and liabilities, the classification of assets and liabilities between current and long term, and the reported revenues and expenses that would be required should the Corporation not be able to refinance or extend the term loan and/or the operating line of credit.

Goodwill

The Corporation tests goodwill for impairment on an annual basis during the second quarter of each year, and at any other time when circumstances or events have occurred that would more likely than not reduce the long term fair value below the carrying value of its reporting units. The goodwill impairment test is a two-step process. In the first step, the Corporation compares the fair value of its reporting units to their carrying value, which includes the goodwill allocated to each reporting unit. As the Corporation's business units are not publicly listed, fair value is determined by using a revenue, earnings and discounted cash flow analysis. 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 a revised fair value of goodwill. If the carrying value of the reporting unit's goodwill exceeds the revised 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 net earnings. The assessment of goodwill impairment is not a mechanical exercise and requires the use of considerable management judgment. Changes in expected financial results or other underlying assumptions would have a significant impact on either the fair value of the reporting units or the amount of the goodwill impairment charged.

In determining the fair value of the reporting units, management makes assumptions and estimates on three key variables: expected future cash flows, discount rate and terminal value. Future cash flow takes into account, among other variables, current and future contracts with clients, margins and market conditions. Discount rates used in the fair value assessment reflect the most probable debt equity ratio in an acquisition scenario. The terminal value is the value attributed to the reporting unit's operations beyond the five year projected cash flow using a perpetuity growth rate which is based on industry trend and growth prospects.

Assessing these variables in today's rapidly deteriorating and increasingly uncertain environment is a complex exercise that requires amongst other things an estimate as to the extent and timing of an economic recovery in principal markets of the Corporation's customers (primarily the resource sector). It also requires an assessment of operational and financial capacity at both the business unit level and for the Corporation as a whole and a determination as to whether recent economic events will be temporary in nature, or whether they will have a negative long term impact on the fair value of the reporting unit. As well, and as outlined above, the Corporation's ability to generate future cash flow is highly dependent upon its ability to deal with the current refinancing risk it faces. The Corporation believes it needs another quarter of experience to determine whether and to what extent current trends are likely to continue.

In the current quarter, the Corporation's management determined that, due to the rapid deterioration in general business conditions in recent months and its impact on the Corporation's resource exploration revenue base, there was evidence indicative of a potential impairment in the carrying value of its goodwill. However, the Corporation has come to a conclusion that it is not possible to make a reasonable estimate of such impairment at this time. Further data and consensus around the medium and longer term impact of recent commodity and security price changes and the resolution of the financing issue described above need to be incorporated into the Corporation's annual business and financial planning process to ensure a comprehensive assessment is made.

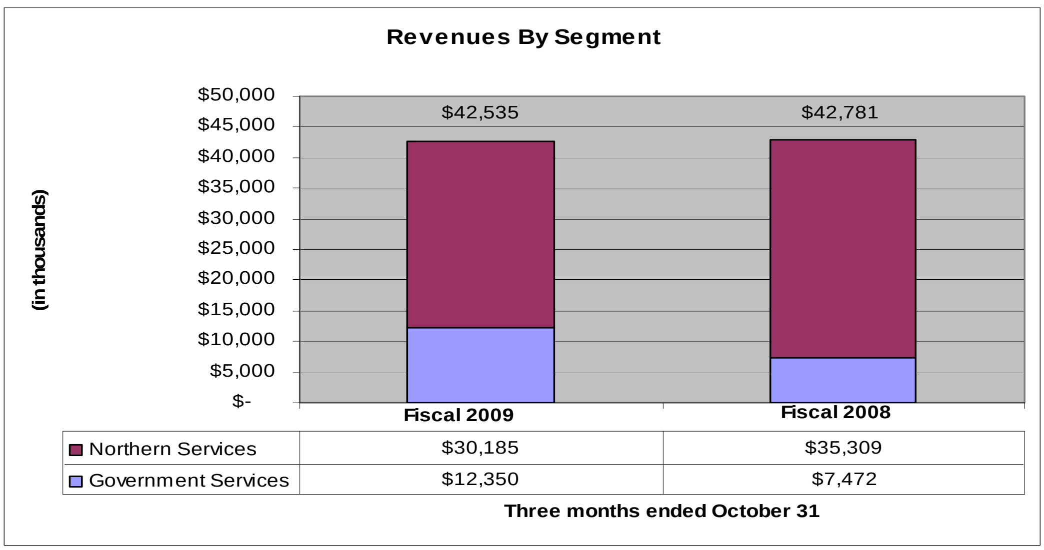
The Corporation will complete its assessment of goodwill, together with its business and financial planning by the end of the fourth quarter and record the potential loss (if any) related to goodwill impairment at that time. Any loss on goodwill impairment would be non-cash in nature and would not adversely affect the Corporation's liquidity or cash flow from operations, or necessarily have an impact on future operations of the reporting units. An impairment charge recorded in the fourth quarter could have an impact on certain debt covenant calculations and potentially cause a violation of financial covenants involving shareholders' equity depending on the amount of any loss recorded due to a goodwill impairment.

Results of operations for the comparative three months ended October 31, 2008 and 2007

(thousands of dollars)	*for the three months ended October 31, 2008*				*for the three months ended October 31, 2007*			
	Northern Services	**Government Services**	**Corporate Support**	**Total**	**Northern Services**	**Government Services**	**Corporate Support**	**Total**
Revenue	$ 30,185	$ 12,350	$ 1	$ 42,536	$ 35,309	$ 7,472	$ 8	$ 42,789
Operating expenses	23,832	6,993	1,217	32,042	21,306	5,425	1,346	28,077
EBITDA	$ 6,353	$ 5,357	$ (1,216)	$ 10,494	$ 14,003	$ 2,047	$ (1,338)	$ 14,712
Aircraft lease expenses	3,283	242	-	3,525	4,650	87	-	4,737
EBITDAR	$ 9,636	$ 5,599	$ (1,216)	$ 14,019	$ 18,653	$ 2,134	$ (1,338)	$ 19,449

Revenue

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



Northern Services segment

The operations in the Northern Services segment were significantly impacted by the reduced activities in the resource exploration sector in the current quarter. While the impact of dramatically reduced forest fire suppression activity in Ontario and Quebec continued to negatively impact the third quarter revenues for this segment, it was overshadowed by the reduced resource exploration activities in the North. Current quarter revenues from the resource exploration sector were significantly lower than the comparative period last year for Great Slave and Air Tindi combined.

While the segment recorded lower flight activity in the quarter, the year over year decline in revenues was less pronounced in relation to the decline in flight activity due largely to the following factors:

- Non flight hour revenues from Discovery Mining contributed 4% of the segment's third quarter revenues;
- Great Slave and Air Tindi had year over year increases in flight hour rates;
- The distribution of flight hours among the aircraft types in the most recent quarter continued to reflect a more favourable mix of flight hours resulting in higher revenue per hour rates. Great Slave operates Visual Flight Rules (VFR) aircraft in three capacity categories with increasing flight hour rates: light, intermediate and medium. While

all three categories recorded decreased flight activity in the quarter over the comparative period last year, the greater proportion of the decreased flight activity occurred in the light aircraft fleet. Air Tindi's overall flight activity for the quarter was lower than the comparative period last year, however the decline in flight activity was largely limited to its intermediate aircraft fleet and was offset by the increase in demand in the medium fleet which recorded an increase in flight activity in the current quarter compared to the comparative period last year.

Government Services segment

The composition of flight activity was dramatically different from last year as is evident by the 65% year over year increase in third quarter revenues. Hicks' third quarter flight activity continued to reflect the impact of the poor forest fire conditions in Ontario. Top Aces, which has a significantly higher rate per hour compared to the rest of the Corporation's fleet, recorded a significant year over year increase in third quarter flight activity leading to higher revenues. A portion of the year over year increase in flight activity is attributable to the shortened comparative period last year which only included results since the August 24, 2007 acquisition date; however Top Aces also had higher year over year flight activity in September and October.

Operating Expenses

Northern Services segment

The segment's operating expenses for the quarter were $23.8 million, compared to $21.3 million for the same period last year. In spite of a $5.1 million decrease in revenues during the quarter, operating expenses were $2.5 million higher. Operating expense as a percentage of revenues were 79% in the current quarter compared to 60% in the same period last year. While the inclusion of Discovery Mining's operations in the current year's results were a factor in the year over year increase in operating costs, the larger component of the quarterly variance was related to a combination of higher wages and maintenance costs. Wage expenses for Great Slave and Air Tindi were 11% higher in the current quarter compared to the same period last year. As noted in the Overview section, Great Slave had increased its infrastructure in anticipation of a year of strong flight activity. These operations, especially Great Slave, began to reduce staff costs in the quarter in response to the reduced flight service demand. However, most of these reductions were done later in the quarter, reducing the full impact of the wage reduction from lower staff complement. Maintenance expense for Great Slave and Air Tindi combined was 7% higher in the current quarter compared to the same period last year. While much of the major overhaul and maintenance work is performed during the low season, these costs can fluctuate from period to period based on the needs of the aircraft. The Corporation has initiated a comprehensive review of the cost structure of its Northern Services segment which is expected to result in further cost reductions.

Government Services segment

The segment's operating expenses for the quarter were $7.0 million, compared to $5.4 million 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 Top Aces. Hicks had a small reduction in year over year operating expenses for the third quarter.

EBITDA and EBITDAR (see Non-GAAP Measures)

Northern Services segment

The Northern Services segment had EBITDA of $6.3 million for the quarter, compared to $14.0 million for the same period last year, a reduction of 55%. The EBITDA margin was 21% in the quarter compared to 40% for the comparative period last year. The decline in EBITDA and EBITDA margin was driven by revenue reductions attributed to weak market conditions and high levels of cost in relation to the actual flight activity. The largest impact on segment EBITDA was from Great Slave's operations, where revenues were much lower than the prior year and costs were much higher for the reasons previously outlined. EBITDAR for the quarter was $9.6 million compared to $18.7 million for the same period last year.

Government Services segment

The Government Services segment had EBITDA of $5.4 million for the quarter compared to EBITDA of $2.0 million for the same period last year. EBITDAR for the quarter was $5.6 million compared to EBITDAR of $2.1 million for the same period last year. Both EBITDA and EBITDAR were positively impacted by the results of Top Aces in the quarter, since the prior year comparative only included the results of Hicks and Top Aces from its acquisition date on August 24, 2007. While Hicks' flight activity was lower for the current quarter compared to the prior year, the flight hours were billed out at a higher rate. This, combined with year over year cost reductions, resulted in EBITDA being marginally better for Hicks in the current quarter compared to the same period last year.

Financing Charges

Financing charges were $3.2 million for the quarter, compared to $2.8 million for the same period last year. The year over year increase in financing charges was due to the debt incurred in the acquisition of Top Aces and Discovery Mining, the purchase of three new aircraft for the Northern Services segment, and financing of the new Alpha jet purchase program at Top Aces.

Amortization Expenses

Amortization of buildings and equipment

Amortization of building and equipment expense was $2.2 million for the current quarter, compared to $1.7 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 in the acquisition of Top Aces and Discovery Mining as well as fleet additions.

Amortization of intangible assets

Amortization of intangible assets expense was $1.1 million for the current quarter, compared to $860,000 for the same period last year. The amortization of intangible assets relates to the 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 increase in the amortization of intangible assets was due to the amortization of the intangible assets recorded on the acquisition of Top Aces and Discovery Mining. The portions of the purchase prices attributed to customer relationships for Top Aces and Discovery Mining were $18.2 million and $1.4 million respectively.

Income Taxes

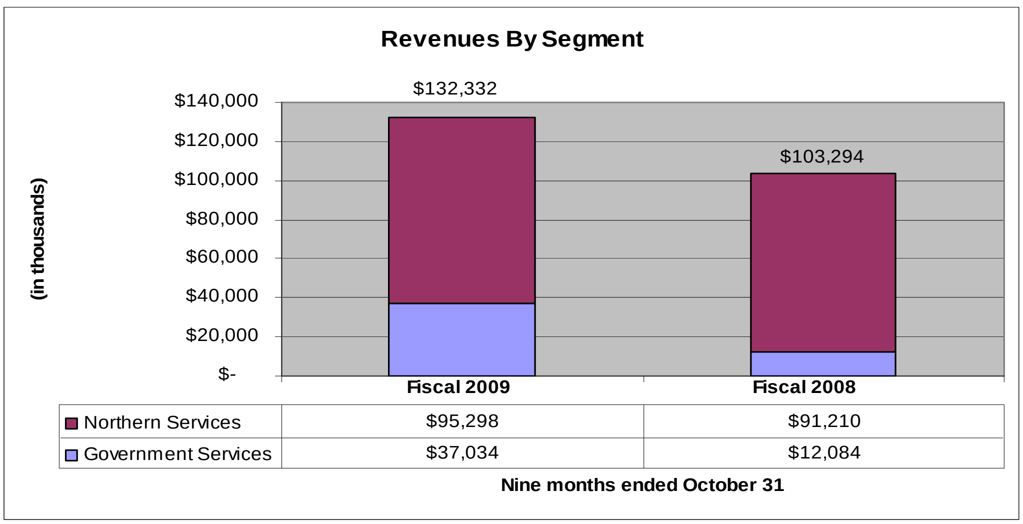
Income tax expense was $1.3 million for the current quarter, compared to $3.3 million for the same period last year. The Corporation's statutory rate for the quarter was approximately 31%, compared to approximately 34% for the same period last year.

Results of operations for the comparative nine months ended October 31, 2008 and 2007

(thousands of dollars)	*for the nine months ended October 31, 2008*				*for the nine months ended October 31, 2007*			
	Northern Services	**Government Services**	**Corporate Support**	**Total**	**Northern Services**	**Government Services**	**Corporate Support**	**Total**
Revenue	$ 95,298	$ 37,034	$ 8	$ 132,340	$ 91,210	$ 12,084	$ 99	$ 103,393
Operating expenses	73,768	21,908	4,234	99,910	58,257	8,368	4,132	70,757
EBITDA	$ 21,530	$ 15,126	$ (4,226)	$ 32,430	$ 32,953	$ 3,716	$ (4,033)	$ 32,636
Aircraft lease expenses	9,851	817	-	10,668	11,080	87	-	11,167
EBITDAR	$ 31,381	$ 15,943	$ (4,226)	$ 43,098	$ 44,033	$ 3,803	$ (4,033)	$ 43,803

Revenue

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



Northern Services segment

The Northern Services segment's year-to-date revenues increased by 5% despite the segment's 13% decrease in year-to-date flight activity. The inverse relationship between the higher revenues and lower flight activity year-to-date was attributable to the following:

- The inclusion of Discovery Mining's non flight revenues contributed approximately 6% of the segment's total year-to-date revenue.
- Great Slave and Air Tindi noted a significant favourable shift in flight hour composition. Flight activity for Great Slave's light aircraft fleet decreased while its larger intermediate aircraft fleet flight activity increased. Air Tindi's medium aircraft fleet had increased flight activity offsetting the lower flight activity in its intermediate and light aircraft fleets.
- Both Great Slave and Air Tindi were able to increase their flight hour rates from the previous year.
- The segment's fuel recoverable revenue increased by $1.9 million compared to the same period last year.

Government Services segment

The Government Services segment revenues increased by $25.0 million, essentially doubling the prior year's results, due to the inclusion of Top Aces. Top Aces was acquired on August 24, 2007 and as a result a large portion of the year over year increase is attributed to the incremental revenues in the current year. Hicks' fire-related flight activity was down by 48% year over year. However, revenues year over year were not impacted as dramatically because the current year had the benefit of a full year's contribution from the turbine fleet acquired from Walsten. Also dampening the impact of the lower flight activity on Hicks' revenues were higher basing fees and the avoidance of rate de-escalation due to low flight hour volumes year over year.

Operating Expenses

Northern Services segment

The segment's operating expenses year-to-date were $15.5 million higher than the same period last year. The inclusion of Discovery Mining's operations in the current year results and the increase in fuel price accounted for 34% of the increase in operating expenses, while the remaining portion related to the year over year increase in wage and maintenance cost. The increase in fuel costs were largely offset by recoveries included in revenues. Increased wage costs accounted for 37% of the year over year increase in operating expense. As noted in the current and prior quarters, the higher wage costs resulted from an increase in wage rates and in the case of Air Tindi the wage rate also factored in a retention measure adjustment for its pilots and maintenance engineers. Also impacting the wage cost was the higher staff complement in Great Slave's operation in the current year as Great Slave management anticipated higher flight service demand than was actually realized in the year. The segment also incurred higher unscheduled maintenance cost in the quarter compared to the prior year which accounted for 14% of the year over year increase in operating expenses. While much of the major overhaul and maintenance work is performed during the low season, these costs can fluctuate from period to period based on the needs of the aircraft. Operating costs as a percentage of revenues were 77% compared to 64% for the same period last year. The increase in wage and maintenance cost together with lower revenues largely account for the increase in this ratio.

Government Services segment

The segment's operating expenses year-to-date were $21.9 million, compared to $8.4 million for the same period last year. Consistent with this segment's revenue, a significant portion of the segment's operating expense year-to-date and variance from the same period last year is related to the Corporation's acquisition of Top Aces.

EBITDA and EBITDAR (see Non-GAAP Measures)

Northern Services segment

The Northern Services segment earned EBITDA of $21.5 million year-to-date, compared to $33.0 million for the same period last year. The EBITDA margin was 23% year-to-date compared to 36% in the same period last year. The decline in EBITDA and EBITDA margin was largely due to lower revenue levels and higher wage and maintenance cost year-to-date compared to the same period last year. The largest impact on the segment's EBITDA came from Great Slave where revenues were much lower year over year and costs much higher as previously noted in the operating expenses section above. EBITDAR year-to-date was $31.4 million compared to $ 44.0 million for the same period last year.

Government Services segment

The Government Services segment had EBITDA of $15.1 million year-to-date compared to EBITDA of $3.7 million for the same period last year. EBITDAR year-to-date was $15.9 million compared to EBITDAR of $3.8 million for the same period last year. Both EBITDA and EBITDAR were positively impacted by the results of Top Aces in the quarter since the prior year comparatives only included the results of Hicks and the results of Top Aces from August 24, 2007 to October 31, 2007. However, the positive impact of including Top Aces' results in the current year was offset by weaker year over year performance by Hicks due to weaker demand for its forest fire related services.

Financing Charges

Financing charges were $9.4 million year-to-date, compared to $6.8 million for the same period last year. The year over year increase in financing charges was due to the debt incurred on the acquisition of Top Aces and Discovery Mining, the purchase of three new aircraft for the Northern Services segment, and financing related to the new Alpha jet purchase program for Top Aces.

Amortization Expenses

Amortization of buildings and equipment

Amortization of building and equipment expense was $6.3 million year-to-date, compared to $4.5 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 with the purchase of Top Aces and Discovery Mining as well as fleet additions.

Amortization of intangible assets

Amortization of intangible assets expense was $3.4 million year-to-date compared to $1.9 million for the same period last year. The significant increase in the amortization of intangible assets was due to the amortization of the intangible assets recorded on the acquisition of Top Aces and Discovery Mining. The portion of the purchase price attributed to customer relationships for Top Aces and Discovery Mining were $18.2 million and $1.4 million respectively.

Income Taxes

Income tax expense was $4.3 million year-to-date compared to $6.8 million for the same period last year largely due to a decrease in current year earnings. The Corporation's statutory rate for the quarter was approximately 31%, compared to approximately 34% for last year.

Liquidity and Financial Resources

The following schedule summarizes the movement in cash flow components for the comparative quarter and year-to-date:

	for the three months ended		*for the nine months ended*	
(thousands of dollars)	**October 31 2008**	**October 31 2007**	**October 31 2008**	**October 31 2007**
Operating activities	$ 18,573	$ 18,913	$ 15,509	$ 14,147
Investing acitivities	(10,036)	(34,131)	(25,210)	(56,229)
Financing activities	(2,499)	27,588	10,166	39,528
Net change in (out) cash	$ 6,038	$ 12,370	$ 465	$ (2,554)

The cash position at October 31, 2008 increased by $465,000 compared to the cash position at January 31, 2008. This is largely due to the decrease in seasonal working capital demands of the Corporation's operating companies and the collection of receivables that had been funded by the operating line of credit during the peak season.

As at October 31, 2008, the Corporation's working capital balance was in a negative position of $5.2 million compared to a positive position of $16.2 million as at January 31, 2008. The $21.4 million variance in working capital balance from January 31, 2008 was due to the classification change of a $33.0 million debt instrument, used to acquire Top Aces, from a long-term liability to a current liability. The term debt instrument matures in February 2009. Refer to comments under debt financing regarding this maturing debt.

The current ratio was 0.91 as at October 31, 2008 compared to 1.78 as at January 31, 2008. Similar to the working capital balance, the current ratio change is primarily attributable to the classification of the Top Aces acquisition debt of $33.0 million as a current liability in the current year. If this debt was excluded from current liabilities the current ratio would be 2.11.

Operating activities

The current quarter operating activities generated net cash inflow of $18.6 million compared to net cash inflow of $18.9 million for the same period last year. Year-to-date operating activities resulted in a net cash inflow of $15.5 million compared to a net cash inflow of $14.1 million for the same period last year. While the earnings for the quarter and year-to-date decreased compared to the same periods last year, the current period cash flow from operating activities remained at consistent levels with the comparative period due to a combination of higher non-cash operating adjustments and an improved non-cash working capital position. The non-cash working capital for the quarter increased by $10.7

million compared to $7.4 million for the same period last year. On a year-to-date basis non-cash working capital reflects a reduction of $ 9.5 million compared to a reduction of $9.7 million for the same periods last year.

After-tax operating cash flow was $7.8 million for the current quarter or $0.06 per share compared to $11.5 million or $0.09 per share for the same period last year (see Non-GAAP Measures). Year-to-date after-tax operating cash flow was $25.0 million or $0.18 per share compared to $23.8 million or $0.21 per share for the same period last year. The decline in the after-tax operating cash flow in the current quarter is directly related to the decline in earnings from operations.

Investing activities

The net cash outlays from investing activities for the quarter and year-to-date were $10.0 million and $25.2 million respectively compared to $34.1 million and $56.2 million respectively for the same period last year. Year-to-date, the investing activities related to fleet expansion and capitalized overhaul. Fleet expansion included the purchase of two intermediate helicopters, the purchase of a fixed wing, twin-engine turbo-prop airplane, and progress payments related to the purchase of eight Alpha jets and related equipment. The prior year comparative period reflects the acquisition of Walsten assets for $5.3 million, the acquisition of Top Aces for $35.5 million (less the cash acquired from Top Aces) and $19.7 million in fleet expansion and capitalized overhaul in the Corporation's other businesses. As at October 31, 2008, the Corporation's commitments totaled $8.1 million, which is expected to be incurred in the balance of the current year and over the next year, related to the acquisition of eight Alpha jets and related parts and inventory. Other than maintenance in the ordinary course of business and overhaul related to the Corporation's existing fleet, the Corporation does not expect any significant overhaul or maintenance outlay in the foreseeable future.

Financing activities

The Corporation increased long term debt in the quarter and year-to-date by $4.2 million and $15.0 million respectively to finance aircraft and capital equipment purchases, compared to $32.7 million and $48.3 million respectively for the same periods last year to finance aircraft and capital equipment purchases as well as $33.0 million to finance the purchase of Top Aces in the second quarter and $4.2 million to finance the acquisition of Walsten's wheel division assets in the first quarter. Scheduled repayments of long term debt were made in the quarter and year-to-date totaling $1.5 million and $4.7 million respectively compared to $4.0 million and $9.1 million for the same period last year.

The Corporation repaid its operating lines of credit which had balances outstanding of $5.3 million at the end of the second quarter of this year.

The Corporation did not receive cash related to the issue of common shares in the current quarter or year-to-date. The Corporation received $272,000 in cash related to the issue of common shares during the first two quarters of the prior year.

Debt financing

In February 2008 the Corporation entered into a $21.5 million term loan agreement to refinance existing Top Aces 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 charge on all the assets of Top Aces, subject to a priority interest provided to an operating lender over Top Aces' accounts receivable. As at October 31, 2008, $11.9 million was outstanding under this banking facility with the remainder to be available to fund remaining purchase commitments. During the current quarter certain financial covenants under the term loan agreement, which the Corporation is required to comply with were amended. As at October 31, 2008, the Corporation was in compliance with these revised financial covenants.

In January 2008, the Corporation entered into a $75.0 million five year revolving long-term debt agreement to finance certain of its fleet assets. 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. It is unlikely that amounts will become available to the Corporation beyond the $52.6 million that has been advanced by the lender. Advances up to $50.0 million bear an interest rate of the applicable 30 day Bankers Acceptance yield plus 2.5% and advances in excess of $50.0 million bear an interest rate of the applicable 30 day Bankers Acceptance yield plus 3.0%. The debt currently requires only the repayment of interest. On each anniversary date the lender has the option to convert the revolving term facility to an amortizing debt with the principal balance at the time amortized over a 10 year period, at which time the revolving feature of the debt would be terminated. The loan is secured by a general security agreement over the assets of Discovery Air Inc., Great Slave and its wholly-owned subsidiaries, Air Tindi and Hicks. The security structure provides a first charge over the aircraft owned by these subsidiaries and a secondary floating charge over all their other assets, except real estate, subject to permitted encumbrances. Financing costs of $1.2 million, included in long-term debt, represent the unamortized cost of obtaining the term loan and will be expensed over the term of the loan on an effective interest basis.

The Corporation has a 364-day committed revolving banking facility which consists of an operating line of credit. During the current quarter the terms of this banking facility were amended. The current credit facility expires on January 17, 2009 and can be extended at the option of the lender. The credit limit for this banking facility initially set at $15.0 million and during the third quarter was reduced to $7.5 million. The interest rate charge increased in the third quarter from prime plus 0.5% to prime plus 2.5%. The banking facility remains secured by a general security agreement over the assets of Discovery Air Inc., Great Slave, Air Tindi and Hicks. As at October 31, 2008, there were no direct advances outstanding and $2.0 million in letters of credit issued under this banking facility. The financial covenants that the Corporation is required to comply with were also amended. As at October 31, 2008, the Corporation was in compliance with these revised covenants. Renewal of this credit facility by its lender in January 2009 at a similar or higher limit will be dependent upon the lender's willingness to extend suitable credit terms, which is highly dependent upon the Corporation's ability to refinance the $33.0 million term debt that matures in February 2009.

Top Aces has a banking facility which in the current quarter was amended to increase the operating line of credit maximum from $2.75 million to $3.75 million. The banking facility is a demand facility with no fixed maturity and is extended at the option of the lender. The banking facility still bears interest at a rate of prime plus 0.50%. This facility remains 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 October 31, 2008, no balance was 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 section, this debt has been classified as a current liability on the balance sheet as at October 31, 2008. The Corporation has engaged an independent financial advisor and has been in discussion with several parties regarding the refinancing of this debt. In the event the term loan is not refinanced or extended before its maturity date, the Corporation could be placed in a situation by its lenders where it is not able to operate as a going concern.

The Corporation has financial covenants that it is required by its lenders to maintain on a quarterly and annual basis. These covenants place minimum and maximum requirements, as applicable, on certain funded debt and leverage ratios, interest and debt coverage ratios, the current ratio, shareholders' equity, and tangible net worth. As well, there are other non-financial covenants that could affect the Corporation's ability to grow organically and by acquisition or make distributions. As at October 31, 2008, the Corporation was in compliance with its financial covenants.

The Corporation has recently experienced lower profitability than anticipated in certain operations due to unfavourable weather conditions and lower demand for certain services. The Corporation recognizes that should these adverse factors continue, especially if the severity is unmatched by other strong conditions experienced by the Corporation's other businesses, it could lead to weaker earnings and cash flow generated by operations reducing the Corporation's available working capital and liquidity. There is increased earnings and liquidity exposure due to adverse market conditions since certain operating costs are largely fixed in nature. Other than this risk factor, the expiry of the $7.5 million operating line of credit in January 2009, and the $33.0 million in term debt that matures in February 2009, the Corporation is not aware of any current balance sheet conditions, income items or cash flow items that could materially impact liquidity.

The reader is also referred to note 1 and 13 of the Interim Financial Statements for the nine month period ended October 31, 2008 for additional disclosure regarding liquidity risk the Corporation faces.

Shareholders' Equity

Shareholders' equity at October 31, 2008, was $211.4 million compared to $201.9 million as at January 31 2008, with the increase attributable to the retention of earnings. At October 31, 2008, the Corporation had 134,461,555 Class A common shares outstanding and 742,604 Class B common shares outstanding compared to 130,235,665 Class A common shares outstanding and 684,354 Class B common shares outstanding as at October 31, 2007.
There were no common share purchase warrants outstanding at October 31, 2008.

There were 7.5 million (2008 - 6.9 million) common share options outstanding at October 31, 2008. For the nine-month period ended October 31, 2008, 431,000 (2008 – 3.0 million) common share options were granted. In the same period, salary expense and an addition to contributed surplus of $762,000 (2008 - $1.5 million) were 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 7 of the interim consolidated financial statements.

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 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. The Corporation did not make any repurchases under the NCIB since its inception.

Updated Share Information

At December 15, 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 7,447,450 common share options outstanding.

Related Party Transactions

At October 31, 2008, the Corporation had total indebtedness, including accrued interest, of $18.6 million (2008 - $18.2 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 who were former owners of the subsidiaries. For the quarter and year-to-date the interest expense on this debt totaled $259,000 (2008 - $304,000) and $790,000 (2008 - $880,000) respectively.

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 the 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 October 31, 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 international financial reporting standards. The Corporation is assessing the impact of the new standard on its consolidated financial statements.

International financial reporting standards ("IFRS")

In February 2008, the CICA Accounting Standards Board announced that Canadian publicly accountable enterprises will be required to adopt *IFRS* effective for fiscal years beginning on or after January 1, 2011. Although *IFRS* employs a conceptual framework that is similar to Canadian GAAP, differences in accounting policies will have to be addressed. The Corporation is currently assessing the impact of this announcement on its financial statements.

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 important measures as they exclude 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 the measurements are useful to measure a company's ability to service debt and to meet other payment obligations or as valuation measurements.

The following is a reconciliation of earnings before non-controlling interest to EBITDA and EBITDAR.

	for the three months ended		*for the nine months ended*	
(thousands of dollars)	**October 31 2008**	**October 31 2007**	**October 31 2008**	**October 31 2007**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings before non-controlling interest	$ 2,712	$ 6,024	$ 9,134	$ 12,642
Income taxes	1,322	3,327	4,294	6,826
Financing charges	3,151	2,771	9,362	6,818
Amortization	3,309	2,590	9,640	6,350
EBITDA	$ 10,494	$ 14,712	$ 32,430	$ 32,636
Aircraft lease expenses	3,525	4,737	10,668	11,167
EBITDAR	$ 14,019	$ 19,449	$ 43,098	$ 43,803

References to "after-tax operating cash flow" are to net earnings adjusted for amortization, future income tax and other non-cash charges (but 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 attributable to the high seasonality and the high rate of growth of the Corporation's operations in prior years.

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

(thousands of dollars)	*for the three months ended* October 31 2008 (unaudited)	October 31 2007 (unaudited)	*for the nine months ended* October 31 2008 (unaudited)	October 31 2007 (unaudited)
Net earnings	$ 2,645	$ 5,902	$ 8,814	$ 12,378
Future income tax expense (recovery)	(26)	1,146	9	380
Stock-based compensation	133	499	762	1,552
Amortization of buildings and equipment and intangible assets	3,309	2,590	9,640	6,350
Amortization of rotable and overhauled component:	1,332	1,112	4,495	2,502
Amortization of discount of long-term debt	332	170	965	414
Non-controlling interest	67	122	320	264
After-tax cash flow	$ 7,792	$ 11,541	$ 25,005	$ 23,840

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. The Northern Services segment is represented by Great Slave, Air Tindi and Discovery Mining and the Government Services segment is represented by Top Aces and Hicks. The Northern Services segment's primary market is 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, seismic, air ambulance, scheduled charters and tourism. The Government Services segment provides niche services primarily aimed at 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 October 31 2008*** Northern Services	Government Services	Corporate Support	Total	***for the three months ended October 31 2007*** Northern Services	Government Services	Corporate Support	Total
Revenue	**$ 30,185**	**$ 12,350**	**$ 1**	**$ 42,536**	**$ 35,309**	**$ 7,472**	**$ 8**	**$ 42,789**
Operating expenses	23,832	6,993	1,217	32,042	21,306	5,425	1,346	28,077
Amortization	2,248	1,044	17	3,309	1,838	744	8	2,590
Earnings (loss) from operations before undernoted items	4,105	4,313	(1,233)	7,185	12,165	1,303	(1,346)	12,122
Financing costs				3,151				2,771
Income taxes				1,322				3,327
Minority interest				67				122
Net earnings (loss)				**2,645**				**5,902**
Total assets	**$ 285,167**	**$ 113,531**	**$ 5,985**	**$ 404,683**	**$ 288,342**	**$ 98,595**	**$ 2,586**	**$ 389,523**
Goodwill	**$ 120,497**	**$ 38,946**	**$ -**	**$ 159,443**	**$ 114,228**	**$ 39,095**	**$ -**	**$ 153,323**
Intangible assets	**$ 24,760**	**$ 16,417**	**$ -**	**$ 41,177**	**$ 25,132**	**$ 18,799**	**$ -**	**$ 43,931**
Capital expenditures	**$ 3,065**	**$ 7,111**	**$ 3**	**$ 10,179**	**$ 1,116**	**$ 1,719**	**$ 66**	**$ 2,901**

(thousands of dollars)	for the nine months ended October 31 2008				for the nine months ended October 31 2007			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	**$ 95,298**	**$ 37,034**	**$ 8**	**$ 132,340**	**$ 91,210**	**$ 12,084**	**$ 99**	**$ 103,393**
Operating expenses	73,768	21,908	4,234	99,910	58,257	8,368	4,132	70,757
Amortization	6,522	3,067	51	9,640	5,283	1,046	21	6,350
Earnings (loss) from operations before undernoted items	15,008	12,059	(4,277)	22,790	27,670	2,670	(4,054)	26,286
Financing costs				9,362				6,818
Income taxes				4,294				6,826
Minority interest				320				264
Net earnings (loss)				**8,814**				**12,378**
Total assets	**$ 285,167**	**$ 113,531**	**$ 5,985**	**$ 404,683**	**$ 288,167**	**$ 98,595**	**$ 2,586**	**$ 389,348**
Goodwill	**$ 120,497**	**$ 38,946**	**$ -**	**$ 159,443**	**$ 114,228**	**$ 39,095**	**$ -**	**$ 153,323**
Intangible assets	**$ 24,760**	**$ 16,417**	**$ -**	**$ 41,177**	**$ 25,132**	**$ 18,799**	**$ -**	**$ 43,931**
Capital expenditures	**$ 15,265**	**$ 10,856**	**$ 47**	**$ 26,168**	**$ 17,518**	**$ 2,091**	**$ 110**	**$ 19,719**

SUMMARY OF QUARTERLY RESULTS

(thousands of dollars except per share amounts)	2009			2008				2007*
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q1
Results of operations:								
Total revenue	$ 42,536	$ 59,050	$ 30,754	$ 20,154	$ 42,789	$ 44,258	$ 16,344	$ 7,342
Operating expenses	32,042	39,429	28,439	24,338	28,077	25,530	17,149	12,640
EBITDA	10,494	19,621	2,315	(4,184)	14,712	18,728	(805)	(5,298)
Amortization	3,309	3,214	3,117	3,047	2,590	1,432	2,328	1,510
Financing costs	3,151	3,186	3,025	3,473	2,771	2,127	1,919	1,366
Earnings (loss) before income taxes and non-controlling interest	4,034	13,221	(3,827)	(10,704)	9,351	15,169	(5,052)	(8,174)
Income tax provision (recovery)	1,322	4,136	(1,164)	(5,849)	3,327	4,965	(1,466)	(3,616)
Non-controlling interest	67	216	37	24	122	147	(5)	(47)
Net earnings (loss)	$ 2,645	$ 8,869	$ (2,700)	$ (4,879)	$ 5,902	$ 10,057	$ (3,581)	$ (4,511)
Earnings (loss) per share								
-basic	$ 0.02	$ 0.07	$ (0.02)	$ (0.04)	$ 0.05	$ 0.09	$ (0.03)	$ (0.05)
-diluted	$ 0.02	$ 0.07	$ (0.02)	$ (0.04)	$ 0.05	$ 0.09	$ (0.03)	$ (0.05)

* 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.

OUTLOOK FOR FISCAL 2009

In the Management's Discussion and Analysis for the year ended January 31, 2008, the Corporation felt it prudent to provide guidance for the year ended January 31, 2009 as this period would represent the first full twelve months of continuous operating results for the Corporation and all of its current subsidiaries. This guidance was based on the outlook and underlying assumptions for the operating performance of its subsidiaries at that time and for other expenses estimated by the Corporation and assuming normalized weather and operating conditions. As outlined in earlier sections of this report, circumstances have changed materially over the first nine months of this fiscal year and particularly the last quarter, requiring the Corporation to withdraw its previous guidance at the end of the second quarter. Under the current circumstances, the Corporation will not be providing guidance on its expected performance for the balance 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 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.

In addition to the risk factors outlined in the Corporation's Annual Information Form dated April 25, 2008, the Corporation is facing heightened risk associated with term debt that matures on February 1, 2009 and its $7.5 million operating line of credit that matures on January 17, 2009. In the event the Corporation is unable to refinance these debts or the existing debt holders are unwilling to extend their term, a number of events could occur (including the following) which would place the Corporation at increased risk:

1. the Corporation will be unable to extend its $7.5 million operating line of credit that matures on January 17, 2009, being reliant solely on internally generated cash flow to fund its operations;
2. the existing holders of the maturing debt issue a formal demand for repayment which would create cross-defaults in all of the Corporation's other formal credit arrangements and place all lenders in a position to realize upon the collateral provided to them.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The Corporation's Interim Chief Executive Officer and the 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 October 31, 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 Interim Chief Executive Officer and the Chief Financial Officer are responsible for designing internal controls 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 Interim Chief Executive Officer and Chief Financial Officer have evaluated the design of the Corporation's ICFR as at October 31, 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.

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, the Corporation's ability to secure operating contracts; the strength of the Canadian economy in general and the strength of the local economies within Canada in which the Corporation conducts operations; the effects of changes in interest rates; the effects of competition in the markets in which the Corporation operates; inflation; capital market fluctuations, including the availability of equity and/or debt capital to the Corporation; the impact of changes in the laws and regulations regulating aviation services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; weather conditions in the geographical regions in which the Corporation operates; and the Corporation's anticipation of and success in managing the risks implied by the foregoing.

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

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

Dated: December 15, 2008