# MANAGEMENT'S DISCUSSION AND ANALYSIS

## of

## Second Quarter Report
## July 31, 2011

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations for the three and six months ended July 31, 2011 and July 31, 2010 of Discovery Air Inc. ("Discovery Air" or the "Corporation") should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes of the Corporation for the three and six months ended July 31, 2011 and 2010 and the annual audited consolidated financial statements and related notes for the year ended January 31, 2011, which are available on SEDAR at www.sedar.com. On February 1, 2011, the Corporation adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes using a transition date of February 1, 2010. The interim condensed consolidated financial statements for the six months ended July 31, 2011, including required comparative information, have been prepared in accordance with International Financial Reporting Standards 1, *First-time Adoption of International Financial Reporting Standards,* and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), and are reported in Canadian dollars. Previously, the Corporation prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles. Unless otherwise noted, Fiscal 2011 comparative information has been prepared in accordance with IFRS.

### *Financial Definitions*

In this MD&A, the following financial terms have the meanings ascribed to them below:

(a) "EBITDA" means earnings before interest and financing charges, income taxes and depreciation;
(b) "EBITDAR" means EBITDA before aircraft lease costs;
(c) "Fiscal 2012" means the fiscal year of the Corporation ending January 31, 2012;
(d) "Fiscal 2011" means the fiscal year of the Corporation ending January 31, 2011;
(e) "Q1/12", "Q2/12", "Q3/12" and "Q4/12" mean the first, second, third and fourth quarters, respectively, of Fiscal 2012;
(f) "Q1/11", "Q2/11", "Q3/11" and "Q4/11" mean the first, second, third and fourth quarters, respectively, of Fiscal 2011; and
(g) "YTD/12" and "YTD/11" mean the six month year-to-date results, respectively, of Fiscal 2012 and Fiscal 2011.

## *Business Profile*

Discovery Air, founded in 2004, is a specialty aviation services company operating across Canada and in select markets internationally. With over 140 aircraft, it is one of the largest aircraft operators in Canada, employing during its peak periods over 800 flight crew, maintainers and support staff working to deliver a variety of air transport and logistics solutions to a wide range of government and business customers. Discovery Air offers fixed-wing and rotary-wing capabilities and aircraft maintenance services, as well as logistics and remote operations management services. These services are provided through the following subsidiaries of the Corporation: Top Aces Inc. ("Top Aces"), which delivers airborne training and special mission services to the Canadian military; Hicks & Lawrence Limited ("Hicks"), a supplier of airborne fire management services to the Ontario government and charter services to government agencies and corporate customers; Discovery Air Technical Services Inc. ("Technical Services"), which provides a range of maintenance, repair, overhaul, modification, engineering and certification services ("MRO"); Great Slave Helicopters Ltd. ("Great Slave"), one of the largest VFR helicopter operators in Canada; Air Tindi Ltd. ("Air Tindi"), the largest fixed-wing aircraft charter provider based in Northern Canada; Discovery Mining Services Ltd. ("Discovery Mining"), which supplies all-weather exploration camps as well as expediting and logistics support services; and Discovery Air Innovations Inc. ("Innovations"), the innovation arm of Discovery Air that identifies and captures large, new market opportunities.

## *Selected Financial Information*

| (thousands of dollars, except per share amounts) | Q2/12 | Q2/11 | YTD/12 | YTD/11 |
|---|---|---|---|---|
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Results of operations** | | | | |
| Revenue | $ 70,657 | $ 57,658 | $ 107,906 | $ 83,473 |
| Expenses | $ 41,208 | $ 31,803 | $ 73,668 | $ 55,259 |
| Depreciation of property and equipment and intangible assets | $ 6,184 | $ 5,973 | $ 10,688 | $ 10,355 |
| | $ 23,265 | $ 19,882 | $ 23,550 | $ 17,859 |
| Finance costs | $ 4,719 | $ 4,306 | $ 8,470 | $ 7,851 |
| Earnings and comprehensive earnings | $ 17,979 | $ 11,324 | $ 15,393 | $ 7,397 |
| Basic earnings per common share | $ 0.12 | $ 0.08 | $ 0.11 | $ 0.05 |
| Diluted earnings per common share | $ 0.10 | $ 0.08 | $ 0.10 | $ 0.05 |
| **Financial position and liquidity** | | | | |
| Total assets | $ 284,776 | $ 271,817 | $ 284,776 | $ 271,817 |
| Total loans and borrowings | $ 121,204 | $ 141,000 | $ 121,204 | $ 141,000 |
| Cash from (used) in operations | $ 6,768 | $ 2,265 | $ (3,628) | $ (7,273) |
| Working capital | $ 28,725 | $ 23,377 | $ 28,725 | $ 23,377 |
| **Key non-IFRS performance measures*** | | | | |
| EBITDAR | $ 34,459 | $ 30,099 | $ 41,228 | $ 34,134 |
| EBITDA | $ 30,063 | $ 26,386 | $ 34,827 | $ 28,820 |
| EBITDA Margin | 43% | 46% | 32% | 35% |

* See Non-IFRS measures

## *Segmented information*

Through six operating subsidiaries, Discovery Air offers fixed-wing and rotary-wing capabilities, logistics and remote operations management services and aircraft MRO. Discovery Air has two reportable business segments: Government Services and Northern Services.

The Corporation's Government Services segment includes three subsidiaries. Top Aces delivers airborne training and special mission services to the Canadian military. Top Aces provides close air support training to the Canadian Army, as well as maritime support, electronic warfare training and target tow services to the Canadian Navy. Top Aces also delivers adversary fighter support, target tow and electronic warfare training support to the Canadian Air Force. Most electronic warfare training is accomplished with military personnel on board Top Aces' aircraft. Hicks is a primary supplier of airborne fire management services to the Ontario government, and also provides charter service to government agencies and corporate customers throughout northern Ontario. Technical Services provides a range of aircraft maintenance, repair and overhaul, modification, engineering and certification services from its Quebec City location.

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

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

## *Seasonality and quarterly fluctuations*

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

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

## *Results of operations for Q2/12 and Q2/11*

| (thousands of dollars) | Q2/12 (unaudited) | | | | Q2/11 (unaudited) | | | |
|---|---|---|---|---|---|---|---|---|
| | Northern Services | Government Services | Corporate Support | Total | Northern Services | Government Services | Corporate Support | Total |
| **Revenue** | **$ 43,534** | **$ 27,123** | **$ -** | **$ 70,657** | **$ 35,797** | **$ 21,856** | **$ 5** | **$ 57,658** |
| Expenses | 25,999 | 12,883 | 2,326 | 41,208 | 20,712 | 9,193 | 1,898 | 31,803 |
| Depreciation of property and equipment and intangible assets | 3,743 | 2,428 | 13 | 6,184 | 3,750 | 2,212 | 11 | 5,973 |
| **Earnings (loss) before undernoted items** | **$ 13,792** | **$ 11,812** | **$ (2,339)** | **$ 23,265** | **$ 11,335** | **$ 10,451** | **$ (1,904)** | **$ 19,882** |
| Finance costs | | | | 4,719 | | | | 4,306 |
| Gain on extinguishment of related party debt | | | | (5,900) | | | | - |
| Gain on sale of property and equipment | | | | (369) | | | | (263) |
| Share of earnings of equity accounted investees | | | | (245) | | | | (268) |
| Income tax provision | | | | 7,081 | | | | 4,783 |
| **Earnings and comprehensive income** | | | | **17,979** | | | | **11,324** |
| **EBITDA*** | **$ 18,165** | **$ 14,224** | **$ (2,326)** | **$ 30,063** | **$ 15,616** | **$ 12,663** | **$ (1,893)** | **$ 26,386** |
| **Capital expenditures** | **$ 2,379** | **$ 1,337** | **$ 159** | **$ 3,875** | **$ 1,896** | **$ 3,501** | **$ 7** | **$ 5,404** |
| | **As at July 31, 2011** | | | | **As at July 31, 2010** | | | |
| **Total assets** | **$ 150,091** | **$ 132,474** | **$ 2,211** | **$ 284,776** | **$ 145,036** | **$ 125,468** | **$ 1,313** | **$ 271,817** |
| **Goodwill** | **$ -** | **$ 37,862** | **$ -** | **$ 37,862** | **$ -** | **$ 37,862** | **$ -** | **$ 37,862** |
| **Intangible assets** | **$ 6,855** | **$ 10,085** | **$ -** | **$ 16,940** | **$ 9,004** | **$ 12,367** | **$ -** | **$ 21,371** |

## *Consolidated results*

### *Revenue and Hours Flown*

Revenue was $70.7 million for Q2/12, compared to $57.7 million for Q2/11, a 23% increase. The Corporation's revenue, which is largely driven by flight hours, is primarily generated from aviation transportation services that are delivered through its subsidiaries. Revenues from non-flight hour sources include revenue of Discovery Mining and of Technical Services, scheduled passenger services to remote communities provided by Air Tindi and the basing, standby and minimum fees that are typical of government contracts, such as those held by Top Aces, Hicks, and to a lesser extent, Great Slave. Revenue generated from flight hours for Q2/12 was $53.2 million (75% of total revenue), compared to $46.7 million (81% of total revenue) for Q2/11. Hours flown in Q2/12 were 24,844 compared to 22,568 for Q2/11, a 10% increase. Flight hour revenue decreased as a percentage of total revenue primarily due to the inclusion of Technical Services revenues following its commencement of in late Fiscal 2011 operations in Q4/11. The Northern Services and Government Services segments recorded year-over-year increases in revenue of 22% and 24%, respectively, in Q2/12. The second quarter includes the Northern Services segment's peak operating season due to demand from its resource-based customers. The increase in Northern Services revenues reflects a year-over-year increase in mining activity in northern Canada, stronger flight hour demand in its Peruvian operations and a higher level of forest fire activity in northern Ontario. The Government Services segment's increase in revenues was attributable to incremental revenues from Technical Services, increased forest fire activity in northern Ontario and continuing strong demand from the Canadian military for airborne training and special mission services.

While the Corporation's government-based customers continued to be significant contributors to the Corporation's quarterly results, the 23% increase in revenue over the comparative period was largely attributable to increased demand from the Corporation's mining and oil and gas based customers, which together represented a 63% increase over the comparative period. The Corporation also benefited from an increasing contribution from Technical Services, which recorded its largest quarterly revenues to date.

*Expenses*
Expenses were $41.2 million for Q2/12, a 30% increase compared to $31.8 million for Q2/11. Expenses consist of operating fixed and variable expenses, which include crew and fleet related costs, as well as general and administrative expenses. The increase in expenses was attributable to the following factors:

- increased direct costs, including leased aircraft costs, associated with higher revenue;
- incremental costs related to Technical Services which began operations in late fiscal 2011; and
- higher business development and start-up costs associated with expansion into new markets.

Crew and fleet related costs are the largest operating expense categories. Crew related costs, consisting primarily of wages, benefits, travel and training for pilots and maintenance engineers, totalled $14.9 million for Q2/12, compared to $11.4 million for Q2/11, representing a 31% increase. Fleet related costs consist primarily of aircraft lease costs, fuel, maintenance, and facility costs. Fleet related costs for Q2/12 were $16.7 million compared to $12.5 million for Q2/11, representing a 34% increase. While fuel costs represent a significant component of the Corporation's operating expenses, the Corporation recovers substantially all of these and other recoverable costs from its customers, and classifies these recoveries as revenue. The historically high level of fuel recovery has greatly mitigated the impact of rising fuel prices on the Corporation's earnings. General and administrative expenses are mainly wages and benefits of administrative personnel, facility costs, travel costs, insurance costs and other overhead expenses. For Q2/12, these costs were $9.6 million compared to $7.8 million for Q2/11. The 23% increase was largely attributable to increased infrastructure and business development costs to support a higher level of operating activities.

*EBITDA and EBITDAR (see Non-IFRS Measures)*
EBITDA was $30.1 million for Q2/12, compared to $26.4 million for Q2/11, while the EBITDA margin for Q2/12 was 43% compared to 46% for Q2/11. The year-over-year increase in EBITDA was primarily driven by increased revenues in the current quarter. The lower EBITDA margin for Q2/12 was largely attributable to Technical Services revenues not yet matching full operating costs for that operation, increased business development costs primarily through the newly created Innovations group to develop new markets for existing operations and new businesses and investment in infrastructure to support higher revenue levels. EBITDAR for Q2/12 was $34.5 million, compared to $30.1 million for Q2/11. Aircraft lease costs were $4.4 million in Q2/12, compared to $3.7 million in Q2/11. In Q2/12, the Corporation utilized more short-term aircraft lease arrangements to meet increased year-over-year demand.

*Earnings*
In Q2/12, the Corporation recorded earnings of $18.0 million compared to earnings of $11.3 million for Q2/11. The Corporation recorded a pre-tax gain of $5.9 million on the extinguishment of a $13.2 million related party debt (see "Related Party Transactions" below) during the quarter. Excluding the tax-effected impact of this gain (4.2 million) brings Q2/12 earnings to approximately $13.8 million, a 22% increase over Q2/11. Q2/12 depreciation expense related to capital and intangible assets was $6.2 million compared to $6.0 million for Q2/11. Finance costs of $4.7 million for Q2/12 were comparable to $4.3 million for Q2/11, and included a write-off of the unamortized balance of deferred finance costs and discount on debt as a result of repayment during the quarter of the Corporation's $28.8 million convertible debentures (see "Debt Financing" below"). These costs were largely offset by a deferral of the finance fee anticipated in Q2/12 for the renewal of the operating line of credit, now expected to be completed in Q3/12 (See "Subsequent events"). The Corporation's share of equity accounted investees' earnings (net of income tax) was $0.2 million for Q2/12, comparable to $0.3 million in Q2/11. The Corporation recorded a $0.4 million gain on sale of aircraft in Q2/12. The Q2/12 income tax provision was $7.1 million, compared to $4.8 million for Q2/11. The Corporation's statutory income tax rate for Q2/12 was approximately 28% compared to 30% for Q2/11. The difference between the Corporation's income tax provision rate and the statutory rate arises from changes in the timing of the reversal of temporary tax and accounting differences and permanent tax differences.

### *Northern Services*

The Northern Services segment generated revenue of $43.5 million on 18,956 flight hours for Q2/12, compared to revenue of $35.8 million on 17,900 flight hours for Q2/11. The 22% increase in revenue and 6% increase in flight hours from Q2/11 were largely attributable to the segment's 63% year-over-year increase in revenues from its mining and oil and gas based customers. The segment also benefited from increased forest fire suppression work in northern Ontario.

Segment expenses totalled $26.0 million for Q2/12, compared to $20.7 million for Q2/11, a 26% increase. The increase was largely attributable to increased revenue with additional costs incurred to support new opportunities both in and outside the northern Canadian markets.

The segment recorded EBITDA of $18.2 million for Q2/12, compared to $15.6 million for Q2/11, with the variance attributable to higher revenue levels. EBITDAR for Q2/12 was $22.4 million, compared to $18.9 million for Q2/11. The segment incurred higher aircraft lease expense in Q2/12 to meet the demand for increased flight hours in Q2/12.

### *Government Services*

The Government Services segment generated revenue of $27.1 million on 5,888 flight hours for Q2/12, compared to revenue of $21.9 million on 4,668 flight hours for Q2/11. This represented a 24% increase in revenue and a 26% increase in total flight hours. The increase in revenues was largely attributable to incremental revenues generated by Technical Services, which began operations in late Fiscal 2011, and to an increase in forest fire suppression service in northern Ontario. Revenues from airborne training and special mission services provided to the Canadian military remained consistent with Q2/11.

The segment incurred expenses totaling $12.9 million for Q2/12, an increase of 40% compared to $9.2 million for Q2/11. The increase in operating costs corresponds to the increase volume of revenue as well as inclusion of Technical Services which continues to expand its services.

The segment generated EBITDA of $14.2 million for Q2/12, compared to $12.7 million for Q2/11. The increase in EBITDA flows directly from increased utilization of the segment's higher-rate aircraft and higher forest fire suppression services activity. EBITDAR for Q2/12 was $14.3 million, compared to $13.1 million for Q2/11.

### *Corporate Support*

Corporate support expenses totalled $2.3 million for Q2/12, compared to $1.9 million for Q2/11. The increase was primarily attributable to increased business development costs.

## *Results of operations for YTD/12 and YTD/11*

| (thousands of dollars) | YTD/12 (unaudited) | | | | YTD/11 (unaudited) | | | |
|---|---|---|---|---|---|---|---|---|
| | Northern Services | Government Services | Corporate Support | Total | Northern Services | Government Services | Corporate Support | Total |
| **Revenue** | **$ 62,081** | **$ 45,825** | **$ -** | **$ 107,906** | **$ 51,179** | **$ 32,289** | **$ 5** | **$ 83,473** |
| Expenses | 44,446 | 25,087 | 4,135 | 73,668 | 35,524 | 16,222 | 3,513 | 55,259 |
| Depreciation of property and equipment and intangible assets | 6,123 | 4,535 | 30 | 10,688 | 6,317 | 4,006 | 32 | 10,355 |
| **Earnings (loss) before undernoted items** | **$ 11,512** | **$ 16,203** | **$ (4,165)** | **$ 23,550** | **$ 9,338** | **$ 12,061** | **$ (3,540)** | **$ 17,859** |
| Finance costs | | | | 8,470 | | | | 7,851 |
| Gain on extinguishment of related party debt | | | | (5,900) | | | | - |
| Gain on sale of property and equipment | | | | (115) | | | | (262) |
| Share of earnings of equity accounted investees (net of income tax) | | | | (474) | | | | (344) |
| Income tax provision | | | | 6,176 | | | | 3,217 |
| **Earnings and comprehensive income** | | | | **15,393** | | | | **7,397** |
| **EBITDA*** | **$ 18,185** | **$ 20,777** | **$ (4,135)** | **$ 34,827** | **$ 16,255** | **$ 16,067** | **$ (3,502)** | **$ 28,820** |
| **Capital expenditures** | **$ 4,804** | **$ 4,031** | **$ 178** | **$ 9,013** | **$ 3,235** | **$ 4,044** | **$ 37** | **$ 7,316** |
| | **As at July, 31 2011** | | | | **As at July 31, 2010** | | | |
| **Total assets** | **$ 150,091** | **$ 132,474** | **$ 2,211** | **$ 284,776** | **$ 145,036** | **$ 125,468** | **$ 1,313** | **$ 271,817** |
| **Goodwill** | **$ -** | **$ 37,862** | **$ -** | **$ 37,862** | **$ -** | **$ 37,862** | **$ -** | **$ 37,862** |
| **Intangible assets** | **$ 6,855** | **$ 10,085** | **$ -** | **$ 16,940** | **$ 9,004** | **$ 12,367** | **$ -** | **$ 21,371** |

## *Consolidated results*

### *Revenue and Hours Flown*

Revenue was $107.9 million for YTD/12, compared to $83.5 million for YTD/11, a 29% increase. Revenue generated from flight hours for YTD/12 was $82.1 million (76% of total revenue), compared to $67.6 million (81% of total revenue) for YTD/11. Hours flown in YTD/12 were 34,950 compared to 31,110 for YTD/11, an increase of 12%. As noted in the quarterly results, flight hour revenue decreased as a percentage of total revenue primarily due to the inclusion of Technical Services revenues following its commencement of operations in late Fiscal 2011. The Northern Services and Government Services segments recorded year-over-year revenue increases of 21% and 42%, respectively, in YTD/12. The Northern Services segment's year-to-date revenue increase reflects continuing strong activity from the segment's resource-based customers, both in northern Canada and Peru, as well as higher seasonal forest fire suppression activity in northern Ontario in the second quarter. The Government Services segment's year-to-date revenue increase reflects increased flight hours to support the Canadian military's airborne training and special mission services, the incremental revenue contribution from Technical Services, and the increase in forest fire suppression support in northern Ontario in the current quarter.

The Corporation's YTD/12 revenue from all major industry sectors increased over the comparative period as noted in the quarterly results. Revenues from the Corporation's mining exploration, mining production and oil and gas sectors combined reflect a 55% increase over the comparative period. Revenue from government-based customers increased 11% year-over-year as a result of higher flight hour demand from the Canadian military and well as from increased forest fire suppression activity in northern Ontario.

### *Expenses*

Expenses were $73.7 million for YTD/12, a 33% increase from $55.3 million for YTD/11. As noted in the quarterly results, in addition to higher expenses associated with increased revenues, the Corporation also incurred higher costs associated with business development, and infrastructure costs to support a higher volume of activity from operations.

Crew related costs totalled $26.2 million for YTD/12 compared to $19.3 million for YTD/11, representing a 36% increase. Fleet related costs consist primarily of aircraft lease costs, fuel, maintenance, and facility costs. Fleet related costs for YTD/12 were $29.2 million compared to $20.9 million for YTD/11, representing a 40% increase. As noted in the quarterly results, while fuel costs represent a significant component of the Corporation's operating expenses, a significant portion of this cost is recoverable from customers. General and administrative expenses were $18.4 million for YTD/12 compared to $15.0 million for YTD/11, a 23% increase. The increase was largely attributable to increased infrastructure and business development costs to support a higher level of operating activities.

*EBITDA and EBITDAR (see Non-IFRS Measures)*
EBITDA was $34.8 million for YTD/12, compared to $28.8 million for YTD/11, while the EBITDA margin for YTD/12 was 32% compared to 35% for YTD/11. The year-over-year increase in EBITDA was largely attributable to higher revenue levels. The EBITDA margin for YTD/12 was lower due to higher operating costs as noted in the Q2/12 results. EBITDAR for YTD/12 was $41.2 million, compared to $34.1 million for Q2/11. Aircraft lease costs were $6.4 million in YTD/12, compared to $5.3 million in YTD/11. In YTD/12, the Corporation utilized more short-term aircraft lease arrangements to meet increased year-over-year demand.

*Earnings*
In YTD/12, the Corporation recorded earnings of $15.4 million compared to earnings of $7.4 million for YTD/11. Adjusting for the impact of the pre-tax gain of $5.9 million on extinguishment of a $13.2 million related party debt (see "Related Party Transactions" below) in the current quarter brings YTD/12 earnings to approximately $11.2 million, a 51% increase over YTD/11. Depreciation expense related to capital assets and intangible assets for YTD/12 was $10.7 million compared to $10.4 million for YTD/11. Finance costs of $8.5 million for YTD/12 were comparable to $7.9 million for YTD/11. The Corporation's share of equity accounted investees' earnings (net of income tax) was $0.5 million for YTD/12 compared to $0.3 million in YTD/11. The Corporation recorded a $0.1 million gain on sale of aircraft in YTD/12. The Corporation had an income tax provision of $6.2 million for YTD/12, compared to an income tax provision of $3.2 million for YTD/11. The Corporation's statutory income tax rate for YTD/12 was approximately 28% compared to 30% for YTD/11.

## *Northern Services*

The Northern Services segment generated revenue of $62.1 million on 27,085 flight hours for YTD/12, compared to revenue of $51.2 million on 24,902 flight hours for YTD/11. The 21% increase in revenue and 9% increase in flight hours from YTD/11 were largely attributable to the segment's 55% year-over-year increase in revenues from its mining exploration and production and oil and gas based customers. The segment also benefited from a year-over-year increase in forest fire suppression activity in northern Ontario in the second quarter.

The segment incurred expenses totaling $44.4 million for YTD/12, compared to $35.5 million for YTD/11, a 25% increase. In addition to higher aircraft lease and crew related costs associated with increased revenues, the segment incurred costs to support new revenue sources both in and outside the northern Canadian markets.

The segment recorded EBITDA of $18.2 million for YTD/12, compared to $16.3 million for YTD/11 with the variance attributable to higher revenue levels. EBITDAR for YTD/12 was $24.3 million, compared to $21.0 million for YTD/11.

## *Government Services*

The Government Services segment generated revenue of $45.8 million on 7,865 flight hours for YTD/12, compared to revenue of $32.3 million on 6,208 flight hours for YTD/11. This represented a 42% increase in revenue and a 27% increase in total flight hours, again largely attributable to higher demand for airborne training and special mission services from the Canadian military, incremental revenues generated by Technical Services and higher forest fire suppression activity in northern Ontario in the second quarter.

The segment incurred expenses totaling $25.1 million for YTD/12, compared to $16.2 million for YTD/11, an increase of 55%. The increase in operating costs corresponds to the increase volume of revenue as well as inclusion of Technical Services which continues to expand its services.

The segment generated EBITDA of $20.8 million for YTD/12, compared to EBITDA of $16.1 million for YTD/11. The increase in EBITDA results directly from increased utilization of the segment's higher-rate aircraft and higher forest fire suppression activity. EBITDAR for YTD/12 was $21.1 million, compared to EBITDAR of $16.7 million for YTD/11.

## *Corporate Support*

Corporate support expenses totalled $4.1 million for YTD/12, compared to $3.5 million for YTD/11. The increase was primarily attributable to increased business development costs.

## *Liquidity and Financial Resources*

The schedule below summarizes changes in cash flow components for YTD/12 and YTD/11:

| (thousands of dollars) | YTD/12 | YTD/11 |
|---|---|---|
| Operating activities | $ (3,628) | $ (7,273) |
| Investing activities | (6,539) | (4,678) |
| Financing activities | 4,912 | 7,258 |
| Net increase (decrease) in cash for the year | $ (5,255) | $ (4,693) |

Cash as at July 31, 2011 decreased by $5.3 million from January 31, 2011 compared to a cash decrease of $4.7 million comparing July 31, 2010 to January 31, 2010. The Corporation had $11.6 million drawn on its operating line of credit as at July 31, 2011 compared to $12.1 million as at July 31, 2010. While the Corporation increased its draw in relation to seasonal demands, the Corporation was able to reflect a lower outstanding balance as a result of applying to the operating line of credit a portion of the proceeds from the new convertible debentures issued in May 2011.

*Operating activities*

Operating activities for YTD/12 recorded a net cash outflow of $3.6 million compared to a YTD/11 net cash outflow of $7.3 million. The increase in cash flow from operations was driven by higher year-over-year earnings in the current period of $11.0 million, and adjustments to future income tax related to loss utilization anticipated in the current fiscal year ($2.1 million). Offsetting the increase in cash flow was the higher seasonal investment in non-cash working capital ($3.2 million) and the addback of a $5.9 million gain on debt extinguishment.

*Investing activities*

YTD/12 expenditures of $9.0 million includes the purchase of two fixed wing aircraft for $2.0 million in Q1/12, a fixed wing aircraft purchase for $1.8 million in Q2/12, along with costs incurred for sustaining capital expenditures and capitalized aircraft overhaul costs. On a comparative basis, the Corporation's YTD/11 net capital expenditures of $7.3 million reflect the aircraft purchase for $2.7 million along with costs incurred for sustaining capital expenditures and capitalized aircraft overhaul costs.

In addition to aircraft overhaul costs related to its existing fleet, the Corporation has committed to the purchase of a fixed wing aircraft for approximately US $0.9 million and three fixed wing aircraft for approximately € 2.9 million in Q3/12. For Q4/12, the Corporation has committed to purchase two fixed wing aircraft for approximately US $3.2 million and one fixed wing aircraft for approximately € 0.8 million.

Each significant, non-maintenance-related capital expenditure is assessed to gain reasonable assurance that the capital expenditure will, at a minimum, be matched by projected revenues or cost savings generated by the expenditure.

*Financing activities*

The Corporation had an outstanding balance of $11.6 million on its operating line of credit as at July 31, 2012 compared to an outstanding balance of $12.1 million as at July 31, 2011. Consistent with the seasonal nature of the Corporation's business cycle, the Corporation draws on its operating line of credit primarily in the first and second quarters to fund start-up costs associated with seasonal increases in business volumes, as well as to fund investments in non-cash working capital; these draws are typically substantially repaid during the third quarter. In addition to funding operational activities, the Corporation also drew on the operating line of credit to facilitate short term financing of aircraft purchases totaling $2.0

million during Q1/12 and $1.8 million in Q2/12. The Corporation was able to reduce its operating line of credit balance during Q2/12 by applying excess proceeds of $2.4 million from its May 2011 debenture issuance.

The Corporation undertook several long-term financing transactions during Q2/12. In May 2011, the Corporation extinguished a $13.2 million related party debt via a cash payment of $3.1 million and the issuance of 10,352,000 common shares. The Corporation also issued $34.5 million (8.375%) convertible debentures in May 2011. Net proceeds of the issue after issue costs of $2.2 million were used to repay the Corporation's $28.8 million (8.75%) convertible debentures and accrued interest in June 2011, with the remaining $2.4 million used as noted to reduce the Corporation's operating line of credit indebtedness. The Corporation made scheduled debt repayments of $7.5 million during YTD/12. On a comparative basis, for YTD/11 the Corporation did not undertake any significant new long-term financing and made scheduled repayments of $4.9 million.

*Working capital and cash position*

At the end of Q2/12, the Corporation had a working capital position of $28.7 million and a current ratio of 1.6 compared to a negative working capital position of $10.3 million and a current ratio of 0.8 at the end of Fiscal 2011. Given the seasonal nature of the Corporation's businesses and the classification of the Corporation's $28.1 million convertible debenture as a current liability at January 31, a more meaningful comparison would be of the working capital position as at the end of Q2/12 and Q2/11. As at the end of Q2/11, the working capital position was $23.4 million with a current ratio of 1.6.

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

- a reduction in resource sector demand leading to lower revenues in the Corporation's Northern Services segment;
- Top Aces not being awarded a new long-term contract for the delivery of military training services; the RFP for this contract was released in August 2011; and,
- capital expenditures related to aircraft purchases or fleet maintenance that are higher than expected.

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

The Corporation's operating line of credit is used to fund short-term financing requirements which arise as a result of the seasonality of the Corporation's revenue and cash flow generation. Except as noted above in "Investing Activities", the Corporation has not committed to any expenditures that would significantly change its working capital requirements for the foreseeable future. For further information on the Corporation's operating line of credit, see "Subsequent Events" below.

*Debt financing*

The Corporation was liable for $121.2 million in term debt obligations as at the end of Q2/12 compared to $139.1 million as at the end of Fiscal 2011. In May 2011, the Corporation extinguished a $13.2 million related party debt through a cash payment of $3.1 million and the issuance of 10,352,000 common shares. In the same month, the Corporation completed the issuance of $34.5 million convertible debentures. The debentures mature on June 30, 2016 and will accrue interest at 8.375% per annum payable semi-annually. Holders of the debentures may elect to convert their respective holdings into the Corporation's Class A common voting or Class B variable voting shares at any time prior to the maturity date at a conversion price of $0.73 for each common share, subject to standard anti-dilution provisions. The debentures will not be redeemable before June 30, 2014. From June 30, 2014 to the maturity date, the Corporation may, at its option and subject to notice period requirements, redeem the debentures, in whole or in part, at par plus accrued and unpaid interest, provided that the weighted average trading price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. As at July 31, 2011, the fair value of the obligation to make future payments of principal and interest under the debentures was $32.7 million and the fair value of the holders' conversion option was $1.8 million. Financing costs of $2.2 million, included in the long-term debt obligation, represent unamortized issuance costs. Interest and finance costs are recognized to increase the liability component to the debentures' face value of $34.5 million, calculated based on the effective interest rate of 11.61%.

On June 16, 2011, the Corporation used the net proceeds of issuance of the debentures to fully repay its $28.8 million 8.75% convertible unsecured subordinated debentures due December 31, 2011 and accrued interest payable thereon. Remaining proceeds were contributed to working capital.

On July 21, 2011, the Corporation entered into an agreement to complete a private placement for $70.0 million senior secured convertible debentures. These debentures will have a 5 ½ year term from issuance, subject to earlier redemption rights in favour of the Corporation relating to the occurrence of certain milestone events. The Corporation may also redeem the debentures at any time after three years from issuance providing the common share weighted average trading price exceeds 116% of the then-applicable conversion price over an agreed trading period prior to issuance of the redemption notice. Interest on the debentures will accrue at a rate of 10% per annum and will be payable annually commencing 12 months after closing on an "in kind" basis through the issuance of additional debentures. The original conversion price of the debentures, $0.75 per common share, will also increase at 10% per annum, and as a result, the original face amount of the debentures plus all paid-in-kind interest will be convertible at all times into not more than 93,333,333 common shares (subject to customary anti-dilution adjustments). The debentures will have a first-lien security interest in all assets of the Corporation except with respect to accounts receivable and certain inventory, and except with respect to certain assets already pledged to existing senior lenders to the Corporation. The Corporation will have the right to require full subordination of the debentures' security interest in respect of new indebtedness upon the occurrence of agreed milestone events. Prior to any of the milestone events occurring, the Corporation may require subordination of the Debentures' security interest in to-be acquired assets in favour of lenders up to an amount of $50 million. The transaction is expected to be completed in September 2011 and net proceeds will be used to repay existing debt owed to certain of the Corporation's lenders, with the balance to be contributed to working capital.

The Corporation was in compliance with all covenants established by its lenders as at July 31, 2011.

## *Shareholders' Equity*

Shareholders' equity increased by the amount of the YTD/12 net earnings and by the increase to share capital from the issuance of 10,352,000 common shares valued at $4.4 million in respect of the $13.2 million related party debt extinguishment in May 2011. Contributed surplus increased by $1.8 million representing the fair value of the conversion feature on the issuance of the $34.5 million convertible debentures noted above, completed in May 2011. Contributed surplus increased by an additional $20,500 for Q2/12 and $36,500 for Q2/YTD related to stock options issued.

At July 31, 2011, there were 144,813,555 Class A common shares and 742,604 Class B common shares outstanding. This share count included the 10,352,000 common shares issued in May 2011 as partial consideration in the $13.2 million related party debt extinguishment. At July 31, 2011, there were 4,878,850 common share options outstanding and no common share purchase warrants outstanding. During Q2/12, the Corporation granted 545,000 stock options under the employee stock option plan approved by the shareholders in June 2010. The Corporation maintains 2,833,850 outstanding stock options issued under an employee stock option plan created in January 2006. This plan was terminated in June 2008, eliminating any additional grants under this plan. 56,950 stock options related to the January 2006 plan expired during Q2/12.

## *Related Party Transactions*

On May 2, 2011, the Corporation completed a transaction to repay related party debts and accrued interest totalling $13.4 million through a cash payment of $3.1 million and the issuance of 10,352,000 Class A common shares. Based on the $0.43 market value of the Class A common shares at the date of the transaction, the Corporation recorded a Q2/12 pre-tax gain on the transaction of approximately $5.9 million. Interest expense on this debt for Q2/12 was $2,000 (Q2/11 - $81,000) and $145,000 for YTD/12 (YTD/11 - $165,000).

## *Off-Balance Sheet Arrangements*

The Corporation has no off-balance sheet arrangements that management is aware of other than those disclosed in note 14 of the Corporation's annual audited consolidated financial statements for the year ended January 31, 2011 and note 9 in the Q2/12 interim condensed consolidated financial statements.

## *Risk Factors*

The Corporation is subject to a number of risks and uncertainties and is affected by a number of factors outside the control of its management. Details are provided in the "Risk Factors" section of the Corporation's management's discussion and analysis for the year ended January 31, 2011, which can be found on SEDAR at www.sedar.com.

## *Changes in Accounting Policies*

Refer to notes 2, 12 and 13 of the Corporation's April 30, 2011 interim condensed consolidated financial statements for a detailed discussion of the Corporation's transition to IFRS.

## *Recently Issued Standards*

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ending January 31, 2012, and have not been applied in preparing these interim condensed consolidated financial statements. Management is currently reviewing the standards to determine the impact on the interim condensed consolidated financial statements.

*IFRS 9 Financial Instruments*

The IASB issued IFRS 9 Financial Instruments in November 2009 and subsequently added to the scope of the standard in October 2010. The standard introduces new requirements for the classification and measurement of financial assets and liabilities and is applicable for annual periods beginning on or after January 1, 2013. The Corporation has not early adopted IFRS 9 Financial Instruments, and has yet to assess its full impact.

*IFRS 10 Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation intends to adopt IFRS 10 in its financial statements for the annual period beginning on February 1, 2013. The Corporation has not yet determined the impact of adoption of IFRS 10.

*IFRS 11 Joint Arrangements*

In May 2011, the IASB issued IFRS 11 Joint Arrangements. The standard introduces new requirements for entities which had previously accounted for joint ventures using proportionate consolidation. The Corporation intends to adopt IFRS 11 in its financial statements for the annual period beginning on February 1, 2013, when the standard becomes effective. The Corporation does not expect IFRS 11 to have a material impact on the Corporation's financial statements.

*IFRS 12 Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after January 1, 2013. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Corporation intends to adopt IFRS 12 in its financial statements for the annual period beginning on February 1, 2013. While the Corporation has not yet determined the impact of adoption of IFRS 12, it is expected that the amendment of IFRS 12 will increase the current level of disclosure of interests in other entities.

*IFRS 13 Fair Value Measurement*

The IASB issued IFRS 13 Fair Value Measurement in May 2010, which is effective prospectively for annual periods beginning on or after January 1, 2013. The standard replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e., an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on income or loss or other comprehensive income. The Corporation intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on February 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

*Amendments to IAS 28 Investments in Associates and Joint Ventures*

In May 2011, the IASB issued Amendments to IAS 28 Investments in Associates and Joint Ventures, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The standard requires that the interest retained when there is a cessation of significant influence or joint control triggered not be remeasured. The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on February 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

## *Use of Accounting Estimates*

In preparing the interim financial statements, various accounting estimates are made in applying the Corporation's accounting policies. These estimates require significant judgment on the part of management and are considered critical in assessing the Corporation's financial condition and results. There have been no changes to the Corporation's significant accounting estimates disclosed in the Corporation's Fiscal 2011 MD&A.

## *NON-IFRS MEASURES*

The EBITDA margin and EBITDAR margin are EBITDA and EBITDAR respectively, as a percentage of revenue. Management believes EBITDA and EBITDAR to be important measures, as they exclude the effects of long-term investment decisions from the performance of the Corporation's day-to-day operations. Management believes these measurements are useful in assessing a company's ability to service debt and to meet other payment obligations, and as a valuation measurement.

Prior to Fiscal 2012, the Corporation's EBITDA and EBITDAR were calculated on the basis of depreciation of rotable and overhauled components being classified as operating expenses. Starting in Fiscal 2012 with the Corporation's conversion to IFRS, depreciation of rotable and overhauled components is included in depreciation, and is therefore excluded in the calculation of EBITDA and EBITDAR.

The following table reflects the calculation of IFRS EBITDA and EBITDAR:

| (thousands of dollars) | Q2/12 | Q2/11 | YTD/12 | YTD/11 |
|---|---|---|---|---|
| Earnings | $ 17,979 | $ 11,324 | $ 15,393 | $ 7,397 |
| Income tax provision | 7,081 | 4,783 | 6,176 | 3,217 |
| Gain on extinguishment of related party debt | (5,900) | - | (5,900) | - |
| Financing charges | 4,719 | 4,306 | 8,470 | 7,851 |
| Depreciation of property and equipment and intangible assets | 6,184 | 5,973 | 10,688 | 10,355 |
| EBITDA | $ 30,063 | $ 26,386 | $ 34,827 | $ 28,820 |
| Aircraft lease expenses | 4,396 | 3,713 | 6,401 | 5,314 |
| EBITDAR | $ 34,459 | $ 30,099 | $ 41,228 | $ 34,134 |

## *Segmented breakdown of EBITDA and EBITDAR*

| (thousands of dollars) | Q2/12 (unaudited) | | | | Q2/11 (unaudited) | | | |
|---|---|---|---|---|---|---|---|---|
| | Northern Services | Government Services | Corporate Support | Total | Northern Services | Government Services | Corporate Support | Total |
| Revenue | $ 43,534 | $ 27,123 | $ - | $ 70,657 | $ 35,797 | $ 21,856 | $ 5 | $ 57,658 |
| Expenses | $ 25,999 | $ 12,883 | $ 2,326 | $ 41,208 | $ 20,712 | $ 9,193 | $ 1,898 | $ 31,803 |
| Loss (gain) on sale of property and equipment | (369) | - | - | (369) | (263) | | | $ (263) |
| Share of (earnings) loss of equity accounted investees (net of income tax) | (261) | 16 | | (245) | (268) | | | $ (268) |
| **EBITDA** | **$ 18,165** | **$ 14,224** | **$ (2,326)** | **$ 30,063** | **$ 15,616** | **$ 12,663** | **$ (1,893)** | **$ 26,386** |
| Aircraft lease expenses | 4,281 | 115 | - | 4,396 | 3,311 | 402 | - | 3,713 |
| **EBITDAR** | **$ 22,446** | **$ 14,339** | **$ (2,326)** | **$ 34,459** | **$ 18,927** | **$ 13,065** | **$ (1,893)** | **$ 30,099** |

| (thousands of dollars) | YTD/12 (unaudited) | | | | YTD/11 (unaudited) | | | |
|---|---|---|---|---|---|---|---|---|
| | Northern Services | Government Services | Corporate Support | Total | Northern Services | Government Services | Corporate Support | Total |
| Revenue | $ 62,081 | $ 45,825 | $ - | $ 107,906 | $ 51,179 | $ 32,289 | $ 5 | $ 83,473 |
| Expenses | $ 44,446 | $ 25,087 | $ 4,135 | $ 73,668 | $ 35,524 | $ 16,222 | $ 3,513 | $ 55,259 |
| Loss (gain) on sale of property and equipment | $ (115) | $ - | $ - | $ (115) | $ (256) | | $ (6) | $ (262) |
| Share of earnings of equity accounted investees (net of income tax) | $ (435) | $ (39) | $ - | $ (474) | $ (344) | | | $ (344) |
| **EBITDA** | **$ 18,185** | **$ 20,777** | **$ (4,135)** | **$ 34,827** | **$ 16,255** | **$ 16,067** | **$ (3,502)** | **$ 28,820** |
| Aircraft lease expenses | 6,087 | 314 | - | 6,401 | 4,710 | 604 | - | 5,314 |
| **EBITDAR** | **$ 24,272** | **$ 21,091** | **$ (4,135)** | **$ 41,228** | **$ 20,965** | **$ 16,671** | **$ (3,502)** | **$ 34,134** |

## *SUMMARY OF QUARTERLY RESULTS*

(thousands of dollars, except per share amounts)

| | **2012 - IFRS (unaudited)** | | **2011 - IFRS (unaudited)** | | | | **2010 - GAAP (unaudited)** | |
|---|---|---|---|---|---|---|---|---|
| | **IFRS Q2/12** | **IFRS Q1/12 Apr 30** | **IFRS Q4/11** | **IFRS Q3/11** | **IFRS Q2/11** | **IFRS Q1/11 Apr 30** | **CGAAP Q4/11** | **CGAAP Q3/11** |
| **Results of operations:** | | | | | | | | |
| Total revenue | $ 70,657 | $ 37,249 | $ 23,746 | $ 44,066 | $ 57,658 | $ 25,815 | $ 17,749 | $ 34,125 |
| EBITDA | $ 30,063 | $ 4,766 | $ (658) | $ 14,471 | $ 26,386 | $ 2,433 | $ (2,296) | $ 9,933 |
| Earnings (loss) | $ 17,979 | $ (2,586) | $ (6,079) | $ 3,871 | $ 11,324 | $ (3,929) | $ (4,837) | $ 1,668 |
| Basic earnings per share | $ 0.12 | $ (0.02) | $ (0.05) | $ 0.03 | $ 0.08 | $ (0.03) | $ (0.04) | $ 0.01 |
| Diluted earnings per share | $ 0.10 | $ (0.02) | $ (0.05) | $ 0.03 | $ 0.08 | $ (0.03) | $ (0.04) | $ 0.01 |

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

## *SUBSEQUENT EVENTS*

The Corporation and the Lender agreed to extend the maturity date of the Corporation's existing operating line of credit from June 9, 2011 to September 30, 2011 in order to complete documentation of the annual renewal of this facility. The renewal is for a further one year term, with minor modifications to certain terms and conditions and with a reduction in the annual interest rate from 18% to 13%. The aircraft term loan provided by the same Lender is expected to be fully repaid from proceeds of the issuance by the Corporation of $70.0 million in new senior secured convertible debentures as described under "Debt Financing", above.

## *DISCLOSURE CONTROLS AND INTERNAL CONTROLS*

The change from CGAAP to IFRS has resulted in various accounting process changes within the Corporation's operating units, specifically related to the Corporation's property, plant and equipment and consolidation accounting. While there were no control deficiencies identified during the current quarter, the Corporation's management will continue to monitor the internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") to ensure that they have not been materially affected as a result of transitioning to IFRS. There were no other changes during the period that materially affected or are reasonably likely to materially affect the Corporation's ICFR and DC&P.

## *FORWARD-LOOKING STATEMENTS*

Forward-looking information and statements are included in this MD&A. Forward-looking information and statements include, but are not limited to, statements concerning possible or assumed future financial and operating results set out in this document, the Corporation's strengths, strategies and priorities and the Corporation's assessment of the economic and business outlook for the Corporation and the Corporation's industry. Generally, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "could", "should", "would", "expect", "believe", "plan", "estimate", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. More particularly, and without limitation, this MD&A contains forward-looking statements relating to: the seasonality of the Corporation's business; its business development; the impact of the current economic conditions on the results of its operations and/or financial condition; management's outlook for the future; management's ability to reduce costs and/or contain them at the existing levels; management's ability to continue to manage working capital effectively; the impact of weather conditions on the results of the Corporation's operations and/or financial condition; its ability to utilize planned and/or existing fleet capacity; its ability to continue to meet lender covenants and other terms and conditions of its credit agreements; plans and/or requirements to make new capital investments; and, its plans, decisions and the impacts resulting from the implementation of IFRS.

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

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

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

**Dated: September 13, 2011**