THIRD QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three and Nine-Month Periods ended October 31, 2012

*This management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") for the three and nine-month periods ended October 31, 2012 should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes as at October 31, 2012, the annual audited consolidated financial statements and related notes for the year ended January 31, 2012, and the annual MD&A for the year ended January 31, 2012, all of which are available on SEDAR at www.sedar.com.*

This MD&A includes statements which are forward-looking in nature; please refer to "Forward Looking Statements" below for an explanation of the assumptions, uncertainties and risks associated with these statements. This MD&A also includes a number of defined terms and abbreviations as well as several financial terms, such as "EBITDA", "EBITDAR" and "adjusted profit", that are not defined by IFRS but which are considered by the Corporation's management to be important in understanding the Corporation's financial results. Please refer to "Non-IFRS Measures" for explanations of the financial terms that are not defined by IFRS and the section titled "Definitions" for the meaning of all other defined terms and abbreviations.

Business Profile

Discovery Air, founded in 2004, is a Canadian specialty aviation company, operating over 150 aircraft with approximately 850 team members. Its subsidiaries provide airborne training to the Canadian military, air ambulance services, airborne fire services, helicopter operations, fixed-wing air charter services, expediting and logistics support, and a range of maintenance, repair, overhaul, modification, engineering and certification services.

The Aviation segment includes four subsidiaries. Great Slave Helicopters Ltd. ("**Great Slave**"), one of the largest helicopter operators in Canada, has bases throughout Canada and South America from which it provides flight services in support of mining, oil and gas seismic and exploration work, forest fire suppression, aerial construction and precision external load work and environmental impact surveys. Air Tindi Ltd. ("**Air Tindi**"), a commercial fixed-wing operator with bases in Yellowknife, Calgary, Cambridge Bay, and Edmonton, utilizes a diversified fleet of fixed-wing aircraft to provide scheduled and charter passenger and cargo services, as well as air ambulance services in northern and western Canada. Top Aces Inc. ("**Top Aces**") provides primarily airborne training services to the Canadian Department of National Defence ("**DND**"). Discovery Air Fire Services Inc. ("**Fire Services**"), formerly Hicks & Lawrence Limited, provides primarily forest fire management and court-related air transport services to the Government of Ontario.

The Corporate Support and Other segment consists of certain support functions at Discovery Air (collectively, "**Corporate**") as well as three operating subsidiaries. Corporate consists of certain shared services provided by personnel or professional advisors retained by the Corporation, such as finance, treasury, information technology, management, legal and human resources support. Discovery Air Technical Services Inc. ("**Technical Services**") provides a range of maintenance, repair and overhaul ("**MRO**"), modification, engineering and certification services. Discovery Mining Services Ltd. ("**Discovery Mining**") provides remote exploration camp and expediting, logistics and staking services to a broad spectrum of resource exploration companies. Discovery Air Innovations Inc. ("**Innovations**"), the Corporation's business development arm, is focused on developing new market opportunities for Discovery Air and its subsidiaries.

The Corporation's Class A common voting shares and unsecured debentures trade on the Toronto Stock Exchange (symbols DA.A and DA.DB.A, respectively).

Selected Financial Information

(thousands of dollars, except per share amounts)	Three months ended October 31 (unaudited)			Nine months ended October 31 (unaudited)		
	2012	2011	% change	2012	2011	% change
Results of operations						
Revenue	**$ 64,874**	$ 55,115	*18%*	**$ 192,032**	$ 163,021	*18%*
Operating expenses	**$ 49,050**	$ 39,203	*25%*	**$ 144,330**	$ 112,876	*28%*
Depreciation of property and equipment and intangible assets	**$ 6,187**	$ 5,158	*20%*	**$ 18,568**	$ 15,846	*17%*
	$ 9,637	$ 10,754	*-10%*	**$ 29,134**	$ 34,299	*-15%*
Financing costs	**$ 4,275**	$ 4,607	*-7%*	**$ 13,202**	$ 13,072	*1%*
Profit attributable to shareholders of Discovery Air Inc.	**$ 1,230**	$ 6,184	*-80%*	**$ 11,525**	$ 21,577	*-47%*
Basic earnings per common share	**$ 0.08**	$ 0.42	*-81%*	**$ 0.79**	$ 1.52	*-48%*
Diluted earnings per common share	**$ 0.08**	$ 0.31	*-74%*	**$ 0.63**	$ 1.23	*-49%*
Financial position and liquidity						
Total assets	**$ 319,345**	$ 289,673	*10%*	**$ 319,345**	$ 289,673	*10%*
Total loans, borrowings and finance leases	**$ 160,121**	$ 133,605	*20%*	**$ 160,121**	$ 133,605	*20%*
Cash from operations	**$ 23,133**	$ 18,944	*22%*	**$ 22,090**	$ 15,316	*44%*
Working capital	**$ 39,987**	$ 49,449	*-19%*	**$ 39,987**	$ 49,449	*-19%*
Key non-IFRS performance measures*						
Adjusted Profit	**$ 3,958**	$ 5,084	*-22%*	**$ 11,831**	$ 16,229	*-27%*
Basic Adjusted profit per common share	**$ 0.27**	$ 0.35	*-23%*	**$ 0.81**	$ 1.14	*-29%*
Diluted Adjusted profit per common share	**$ 0.22**	$ 0.26	*-15%*	**$ 0.64**	$ 0.95	*-33%*
EBITDAR	**$ 20,326**	$ 20,686	*-2%*	**$ 62,622**	$ 61,794	*1%*
EBITDA	**$ 15,963**	$ 15,807	*1%*	**$ 48,122**	$ 50,514	*-5%*
EBITDA Margin	**25%**	29%		**25%**	31%	

* See "Non-IFRS measures" below

Consolidated Results

Three months ended October 31, 2012

Revenue

Quarterly revenue increased 18% to $64.9 million. The revenue increase over the comparative period was due primarily to increased revenue in the Aviation segment on higher revenue per flight hour together with approximately $4.4 million in incremental revenues from newly acquired operations, namely, Helicopers.cl SpA (formerly, Servicios Aereos Helicopters.cl Ltda) ("**SAL**") and the assets of Northern Air Support Ltd. ("**NAS**") (see "Investing Activities"). The Corporate Support and Other segment also reported higher revenues (up $2.7 million) on increased MRO activity at Technical Services.

The Corporation's two largest customer sectors are government services and resource-based (mining and oil & gas) industries. Revenues from government services represented 45% of total revenues (compared to 47% in the third quarter of Fiscal 2012). The Corporation's resource-based revenues represented 36% of total revenues (compared to 42% in the third quarter a year earlier). Lower mining-based revenue was the most significant contributor to the percentage decline. The remaining customer base is comprised of MRO, parts sales and scheduled services.

Expenses

Expenses consist of fixed and variable expenses, with the largest expense items being crew, fleet and parts costs, as well as general and administrative expenses.

Quarterly expenses were $49.1 million (or 76% of revenues) up from $39.2 million (or 71% of revenues) for the quarter ended October 31, 2011. The higher costs were primarily attributable to increased costs in the Aviation segment (up $6.7 million) on incremental costs associated with newly acquired businesses (approximately $3.6 million), and higher fleet costs to support additional fixed wing aircraft brought into service. (The Corporation increased the amount of aircraft in service by 12 aircraft compared to the same period last year.) Corporate Support and Other segment expenses increased due to higher MRO activity. General and administrative expense was also higher in the quarter, increasing by $2.5 million from the comparative period. The increase was primarily due to, incremental overhead costs to support ongoing growth in operations, and due to the addition of NAS and SAL.

EBITDA and EBITDAR (see "Non-IFRS Measures" below)

EBITDA was $16.0 million, up marginally from $15.8 million reported in the third quarter of Fiscal 2012. While Aviation segment EBITDA increased by $0.5 million on higher revenues, the lower margins reflect higher costs in relation to the revenue increase for the reasons noted above. EBITDA and EBITDA margins were also negatively impacted by increased administrative expense at the Corporate Support and Other segment.

Quarterly EBITDAR was $20.3 million in the third quarter compared to $20.7 million in the comparative period, a decrease of 2%. The Corporation generally utilizes leased aircraft to support short term, seasonal flight services, which, in the third quarter, were lower than in the comparative period due to the slow down on the mining-based activity in northern Canada.

Depreciation, finance and other expenses

Depreciation expense in the third quarter was $6.2 million compared to $5.2 million in the comparative period. Despite lower overall flight hours, depreciation expense increased largely due to a shift in increased utilization of larger aircraft types over the comparative period and incremental depreciation from the inclusion of the newly acquired operations.

Finance costs were $4.3 million in the quarter compared to $4.6 million in the comparative period. Interest accreting on the loans and borrowings was $2.5 million ($1.8 million in the third quarter of Fiscal 2012).

At quarter end, the Corporation identified four fixed wing aircraft and other non-aircraft assets which had not generated revenues in the third quarter. Accordingly, the Corporation assessed these assets for potential impairment and determined that they had an estimated recoverable amount that was less than their carrying value. The recoverable amount was determined by reference to their fair market value less costs of disposal. The fair value was determined by reference to appraised values of the assets based upon quoted prices of similar assets. This analysis resulted in the Corporation recognizing an impairment loss of $3.0 million on the aircraft in its Aviation segment and $0.7 million on non-aircraft assets in the Corporate Support and Other segment ($2.7 million net of tax, in aggregate). In the third quarter of Fiscal 2012, the Corporation reported a gain for a mark-to-market adjustment for an embedded derivative on one of its debt instruments.

The Corporation's quarterly income tax provision was $0.5 million, compared to an income tax provision of $1.8 million in the comparative period. The Corporation's effective tax rate of 27.8% is comparable to the Corporation's statutory income tax rate of 26.9%. In the comparative period, the effective income tax rate of 22.3% was lower than the statutory income tax rate of 28.1% primarily due to the non-taxable change in fair value of financial liabilities at fair value.

Earnings

The Corporation recorded quarterly profit of $1.2 million ($0.08 per share - basic) compared to $6.2 million ($0.42 per share – basic) in the third quarter of Fiscal 2012. The profit decrease reflects the impact of the non-cash impairment loss in the current quarter, as noted above, and the gain from a mark-to-market adjustment on the embedded derivative in the comparative period (see "Other gains and losses" below). Excluding these items, the adjusted profit was $4.0 million in current quarter ($0.27 per share – basic) compared to adjusted profit of $5.1 million ($0.35 per share – basic) in the comparative period (see "Non-IFRS Measures" below).

The conversion features of the two convertible debentures were dilutive in relation to the adjusted earnings in the current and comparative quarters, as well as the profit in the comparative period. Despite the Corporation's Class A

Share price as at October 31, 2012 and 2011 being below the conversion price of the convertible debentures, IAS 33 considers these debentures dilutive if the interest savings (net of tax) is less than the basic earnings per share.

Nine months ended October 31, 2012

Revenue

Year-to-date revenue increased 18% to $192.0 million. The revenue increase over the comparative period was due primarily to increased flight hours and higher revenue per flight hour from the Aviation segment. Approximately $13.9 million in incremental revenue (7% of total revenue) was from newly acquired operations. The Corporate Support and Other segment revenue increase (up $2.7 million) was due to higher MRO activity at Technical Services.

Year-to-date revenues from government customers represented 47% of total revenues compared to 50% in the comparative period. Revenues from forest fire management services recorded the largest increase (41%) with revenues from airborne training services and medevac services reflecting modest increases over the comparative period. Year-to-date revenue from resource-based customers represented 36% of total revenues, consistent with the comparative period. The Corporation's increase in revenue from resource-based customers reflects the incremental contribution from the newly acquired operations as well as increased revenue contribution from oil and gas-based activity which offset the lower mining-based revenues from northern Canada. The remaining customer base is comprised of MRO, parts sales, which had increased contribution over the comparative period, and scheduled services

Expenses

Year-to-date expenses were $144.3 million (or 75% of revenues) up from $112.9 million (or 69% of revenues) in the comparative period. As noted in the quarterly results, the higher costs were attributable to increased Aviation segment expenses, up $26.2 million, associated with the newly acquired businesses ($9.6 million), increased flight hours, and higher fleet cost to support additional aircraft brought into service. Corporate Support and Other segment expenses were also higher primarily due to increased MRO activity and higher general and administrative expenses.

EBITDA and EBITDAR (see "Non-IFRS Measures" below)

Year-to-date EBITDA was $48.1 million compared to $50.5 in the comparative period; and EBITDA margin was 25% and 31% respectively. The year-to-date decrease in EBITDA and EBITDA margin was largely attributable to higher operating costs and lower than expected revenue contribution from increased aircraft in service, as well as higher costs related to infrastructure and administrative support costs. Year-to-date EBITDAR was $62.6 million, compared to $61.8 million in the comparative period, a 1% increase over the comparative period.

Depreciation, finance and other expenses

Depreciation expense, year-to-date, was $18.6 million compared to $15.8 million in the comparative period. The increase in depreciation expense was largely attributable to higher flight hours and incremental assets related to the recent acquisitions in the Aviation segment.

Finance costs were $13.2 million compared to $13.1 million in the comparative period. Interest accreting on the loans and borrowings was $7.2 million ($3.1 million in the third quarter of Fiscal 2012).

The Corporation's year-to-date income tax provision was $3.8 million compared to an income tax provision of $7.9 million in the comparative period. The Corporation's year-to-date effective income tax rate of 25.1% was lower than the statutory income tax rate of 26.9% primarily due to the capital gains tax rate associated with the gain on extinguishment of debt. In the comparative period, the effective income tax rate of 26.9% was lower than the statutory tax rate of 28.1% due to the non-taxable change in fair value of financial liabilities at fair value.

Earnings

The Corporation's year-to-date profit was $11.5 million ($0.79 per share – basic) compared to a profit of $21.6 million ($1.52 per share – basic) in the comparative period. The year-to-date profit reflects a net gain of $2.4 million related to a number of non-operational transactions such as fair value adjustments of embedded derivatives and debt extinguishment and a $3.7 million impairment loss related to aircraft and other asset write downs in the quarter. The comparative year-to-date profit reflects a $5.3 million net gain related to fair value adjustments of embedded derivatives and debt extinguishment. Excluding the impact of these transactions, year-to-date adjusted profit was $11.8 million ($0.81 per share – basic) compared to an adjusted profit of $16.2 million ($1.14 per share – basic) in the comparative period (see "Non-IFRS Measures" and "Other gains and losses" below).

Aviation Segment

(thousands of dollars)	Three months ended October 31					Nine months ended October 31				
	(unaudited)					(unaudited)				
		2012		2011	*% Change*		**2012**		2011	*% Change*
Revenue	**$**	**57,165**	$	50,117	*14%*	**$**	**172,844**	$	146,582	*18%*
Expenses		**39,468**		32,748	*21%*		**118,102**		91,948	*28%*
Share of loss (profit) of equity accounted investees		**(31)**		112	*-128%*		**(78)**		(324)	*-76%*
EBITDA	**$**	**17,728**	$	17,257	*3%*	**$**	**54,820**	$	54,958	*0%*
Capital expenditures	**$**	**5,019**	$	8,182	*-39%*	**$**	**41,531**	$	16,512	*152%*
	As at October 31, 2012					***As at October 31, 2011***				
Total assets	**$**	**294,628**	$	261,968	*12%*	**$**	**294,628**	$	261,968	*12%*
Goodwill	**$**	**41,434**	$	37,862	*9%*	**$**	**41,434**	$	37,862	*9%*
Intangible assets	**$**	**10,855**	$	15,083	*-28%*	**$**	**10,855**	$	15,083	*-28%*

Three months ended October 31, 2012

The Aviation segment's quarterly revenues were $57.2 million on 19,863 flight hours, compared to revenue of $50.1 million on 20,384 flight hours in the comparative period. The 14% increase in revenue (despite a 3% decrease in flight hours) reflects improved revenue per flight hour on increased utilization of higher rate aircraft in the current quarter over the comparative period.

The Aviation segment quarterly expenses were $39.5 in the current quarter (or 69% of revenues) compared to $32.7 million (or 65% of revenues) in the comparative period. The increase in expenses as a percentage of revenues was attributable to, among other things, increased operational cost to onboard new fixed-wing aircraft and to support the increase in aircraft fleet, higher costs on higher rate aircraft and change in aircraft utilization on change in customer mix. Additionally, the segment margins were negatively affected by lower forest fire activity in Ontario (as compared to record levels in the third quarter in Fiscal 2012).

Crew costs, which include wages, benefits, travel and training for pilots and maintenance engineers, for the quarter were $13.4 million (or 23% of revenues) compared to $11.7 million (or 23% of revenues) in the comparative period. In addition to year-over-year increase in fleet size, crew costs also reflect higher costs associated with staff retention due to scarcity of skilled pilots and maintenance staff.

Fleet costs include aircraft lease, facility, parts, maintenance, and fuel costs. Fleet costs, excluding fuel costs, for the quarter were $13.4 million (or 23% of revenues), compared to $11.2 million (or 22% of revenues) in the comparative period. The increases in these costs were largely attributable to increased aircraft in service and related facility costs. In addition to the facilities acquired from SAL and NAS, the Corporation has also set up facilities in Cambridge Bay, Nunavut and Calgary. As historically been the case, substantially all of the Corporation's fuel costs are recovered from customers and recorded as revenue.

General and administrative expenses consist mainly of wages and benefits for administrative personnel, facility costs, travel costs, insurance costs and other overhead expenses. General and administrative expenses were $8.7 million (or 15% of revenues) in the quarter compared to $6.5 million (or 13% of revenues) in the comparative quarter. This increase was attributable primarily to incremental overhead costs to support ongoing growth in operations and the addition of the SAL and NAS operations.

The segment's quarterly EBITDA was $17.7 million compared to $17.3 million in the comparative period, yielding EBITDA margins of 31% and 35%, respectively. As noted above, the slight increase in EBITDA and decrease in EBITDA margin was attributable largely to additional costs of a larger fixed-wing fleet. Quarterly EBITDAR was $22.1 million, which was consistent with the comparative period.

Depreciation expense in the quarter was $5.8 million (or 10% of revenues) compared to $5.0 million (or 10% of revenues) in the comparative period due to the year-over-year increase in capital assets deployed.

Nine months ended October 31, 2012

Aviation segment year-to-date revenue was $172.8 million on 62,051 flight hours, compared to revenue of $146.6 million on 55,346 flight hours in the comparative period. The 18% increase in revenue and 12% increase in flight hours reflecting a favourable flight hour composition over the comparative period. As noted in the quarterly results, the segment's year-to-date revenues reflect the benefit of higher utilization from the segment's higher rate aircraft fleet compared to the same period last year.

The Aviation segment's year-to-date expenses were $118.1 million (or 68% of revenues) compared to $91.9 million (or 63% of revenues) in the comparative period. The operations of NAS and SAL represented 38% of the year-over-year increase in the segment's expenses. Expenses were higher as a percentage of revenues for the reasons described above.

Crew costs were $41.5 million, year-to-date, (or 24% of revenues) compared to $33.7 million (or 23% of revenues) in the comparative period, with higher costs associated with increased aircraft fleet and higher retention costs primarily in the northern Canada operations. Fleet costs, excluding fuel costs, were $39.9 million year-to-date (or 23% of revenues) compared to $29.8 million (or 20% of revenues) in the comparative period largely to increased fleet. General and administrative expenses year-to-date were $24.9 million (or 14% of revenues) compared to $19.2 million (or 13% of revenues) in the prior period. As noted above, the increase in general and administrative expense reflects increased infrastructure support costs, such as transaction costs for acquisitions, business development costs for new initiatives, as well as staff and office transition costs to new facilities.

Year-to-date EBITDA for the segment was $54.8 million compared to $55.0 million in the comparative period, yielding EBITDA margins of 32% and 38%, respectively. Year-to-date EBITDAR was $69.3 million compared to $66.2 million in the comparative period with the increase attributable to increased utilization of leased aircraft.

Depreciation expense year-to-date was $17.7 million (or 10% of revenues) compared to $15.3 million (or 10% of revenues) in the comparative period, again, due to the year-over-year increase in capital assets deployed.

Corporate Support and Other

(thousands of dollars)	Three months ended October 31 (unaudited)			Nine months ended October 31 (unaudited)		
	2012	**2011**	***% Change***	**2012**	2011	*% Change*
Revenue	**$ 7,709**	$ 4,998	*54%*	**$ 19,188**	$ 16,439	*17%*
Expenses	**9,582**	6,455	*48%*	**26,228**	20,928	*25%*
Share of profit of equity accounted investees	**(108)**	(7)	*1443%*	**(342)**	(45)	*660%*
EBITDA	**$ (1,765)**	$ (1,450)	*22%*	**$ (6,698)**	$ (4,444)	*51%*
Capital expenditures	**$ 1,238**	$ 4,957	*-75%*	**$ 4,755**	$ 5,640	*-16%*
	As at October 31, 2012			***As at October 31, 2011***		
Total assets	**$ 24,717**	$ 27,705	*-11%*	**$ 24,717**	$ 27,705	*-11%*
Goodwill	**$ -**	$ -		**$ -**	$ -	
Intangible assets	**$ 616**	$ 740	*-17%*	**$ 616**	$ 740	*-17%*

Three months ended October 31, 2012

Corporate Support and Other generated revenues of $7.7 million in the quarter compared to $5.0 million in comparative period. The 54% increase in revenue was primarily attributable to Technical Services' increased MRO and engineering modification services as well as incremental contribution from aircraft parts management services provided to Canadian North Airlines ("Canadian North"). In July 2012, Technical Services entered into a five year contract with Canadian North to provide aircraft part management services for the airline's Boeing 737 fleet. Discovery Mining's revenue was lower than the comparative period due to lower mining-based activity in northern Canada.

The segment incurred expenses totaling $9.6 million compared to $6.5 million in comparative period, an increase of 48%. As noted in the consolidated results, the increase in expenses was due, in part, to increased MRO activity from Technical Services and increased infrastructure and administrative support costs, including business development activities.

The segment recorded an EBITDA loss of $1.8 million in the quarter, compared to an EBITDA loss of $1.5 million in comparative period. The loss was attributable primarily to higher administrative costs at Corporate and higher MRO operating costs as a percentage of revenues due to lower than anticipated MRO activity.

Nine months ended October 31, 2012

Corporate Support and Other segment's year-to-date revenues were $19.2 million compared to $16.4 million in the comparative period with the 17% increase in revenues attributable to higher MRO activities from Technical Services, offsetting lower revenues from the segment's mining exploration camps and logistics activity in northern Canada.

The segment's year-to-date expenses were $26.2 million compared to $20.9 million in the comparative period, a 25% increase. As noted in the discussion of the segment's quarterly results, the increase in expenses was largely attributable to higher MRO expenses as well as increased infrastructure and administrative support cost, including staff and office transition costs, and ongoing business development initiatives.

Year-to-date EBITDA loss was $6.7 million compared to an EBITDA loss of $4.4 million in the comparative period.

Liquidity and Financial Resources

The following schedule summarizes the movement in cash flow components:

	Nine months ended October 31 (unaudited)	
(thousands of dollars)	**2012**	2011
Operating activities	**$ 22,090**	$ 15,316
Investing activities	**(43,412)**	(16,895)
Financing activities	**15,945**	3,616
Net increase (decrease) in cash for the period	**$ (5,377)**	$ 2,037

Operating Activities

Cash from operating activities for the nine-month period ended October 31, 2012 was $22.1 million, representing a $6.8 million increase over the prior period. The favourable variance is largely attributable to a $6.9 million reduction in the investment in non-cash working capital over the comparative period and a $4.0 million reduction in interest paid compared to the same period last year. The reduction in interest paid is primarily attributable to the payment-in-kind interest arrangement related to the Secured Debentures that replaced loans bearing interest payable in cash. The favourable variance from the items noted above were offset by a $1.6 million increase in income tax payments and a $2.5 million decrease in cash from other operating activities, primarily profit adjusted for non-cash items.

Working Capital

As at the quarter end, the Corporation had positive working capital of $40.0 million and a current ratio of 2.1 compared to a working capital position of $49.5 million and a current ratio of 2.9 as at October 31, 2011. The decrease in working capital was largely attributable to a $6.3 million increase in the current portion of long-term debt resulting from the current year financing activities, discussed in this section below, and a $2.3 million provision for an estimated contingent consideration payment related to the acquisition of SAL. The contingent consideration, which is based on a multiple of expected adjusted earnings and working capital requirements, is expected to be finalized by February 1, 2013 (see "Investing Activities" below).

The $3.5 million increase working capital from the January 31, 2012 working capital position of $36.5 million (current ratio of 2.7) reflect the seasonable increase in working capital from operations, offset by the current portion of long term debt and contingent consideration noted above.

On August 1, 2012, the Corporation replaced its demand operating line of credit with a committed operating line of credit ("New Operating Line") that matures on April 9, 2015 and which, in respect of most advances, bears interest at

the lender's prime rate plus 2%. The New Operating Line has a maximum borrowing limit of $15.0 million, increasing to up to $25.0 million during the Corporation's peak operating period of March 1 through October 31. Aggregate borrowings are also limited to eligible accounts receivable and inventory, subject to an allowance for specific reserves. The New Operating Line, which may be used by the Corporation for working capital and general corporate purposes, is secured by a first charge on the receivables and inventory of the Corporation and certain of its subsidiaries, general security agreements and other customary security agreements. In addition to the financial covenants, the Corporation is required to have a nil loan balance for thirty consecutive days during each non-peak operating period. The transaction costs for this facility were $0.5 million. As at October 31, 2012, the Corporation had available the maximum $25.0 million borrowing capacity, and was in compliance with all related covenants.

Except as noted below under "Investing Activities", the Corporation has not committed to any expenditures that would significantly change its working capital requirements. Each significant, non-maintenance related capital expenditure is assessed to gain reasonable assurance that the capital expenditure will be matched by projected revenues or cost savings generated by the expenditure.

The Corporation believes that it has sufficient liquidity to meet its operating requirements based on its existing working capital position, expected cash from operations and available credit under its operating facility. It also has unpledged real estate assets totaling approximately $20 million available as additional collateral required to secure financing. This assessment could change if the Corporation experiences, in the near term time horizon, higher than expected capital expenditures related to aircraft purchases or fleet maintenance, or a dramatic sustained decline in resource based activities. Cessation of airborne training services to the DND would also have an adverse impact to liquidity, however, there is no indication of this occurring given that historically this service has remained largely consistent and the existing Interim Contracted Airborne Training Services ("ICATS") was recently extended to June 2016.

Investing Activities

Year-to-date net cash outlay from investing activities was $43.4 million compared to $16.9 million in the comparative period. Year-to-date capital expenditures of $32.2 million comprised purchases of two helicopters and nine fixed-wing aircraft totaling $19.5 million (three of which were purchased in the current quarter with related spare parts of $2.1 million), facility additions of $1.0 million and equipment purchases related to a new Technical Services contract of $1.6 million. The remaining capital asset additions related to sustaining capital expenditures and aircraft overhaul costs. During the year, two aircraft were sold for proceeds of $0.2 million.

Year-to-date acquisitions totaled $11.7 million and included the following business acquisitions:

On February 2, 2012, the Corporation, through a subsidiary of Great Slave, purchased 100% of SAL and its subsidiaries. SAL was acquired due to its good strategic fit with Great Slave's South American operations, providing helicopter services to domestic and multinational customers in Chile's mining, power construction and forestry sectors. SAL has two main operating bases in central and southern Chile and currently operates a fleet of up to 10 intermediate and medium-sized helicopters. The Chilean Peso is SAL's functional currency. The purchase price consisted of cash consideration of $2.3 million (net of cash acquired of $0.2 million) and contingent consideration of up to $4.5 million, payable in two installments as of December 31, 2012 and as of December 31, 2013. The Corporation estimated the total purchase price to be $7.0 million. The fair value of the assets acquired is $2.9 million, comprising of aircraft valued at $3.8 million, $1.2 million of other fixed assets and net working capital and assumed long term-debt of $2.1 million. The Corporation intends to finalize the purchase price allocation by February 1, 2013.

On May 4, 2012, the Corporation, through a subsidiary of Great Slave, completed the purchase of the assets of NAS for $9.4 million. NAS is a helicopter charter company serving the western Canadian mining, forestry and oil and gas seismic sectors with bases in Kelowna, British Columbia and Rocky Mountain House, Alberta. The fair value of the assets acquired is $9.7 million, comprised of aircraft and spare parts valued at $8.6 million, buildings at $0.9 million, vehicles and furniture and equipment at $0.1 million, and net working capital of $0.1 million. The intangible asset valuations are currently being finalized. Prior to these assessments, a gain of $0.3 million was recorded and is presented separately on the Corporation's Interim Condensed Consolidated Statements of Profit. The transaction resulted in a gain as the Corporation was able to acquire the assets for less than their fair market value.

Capital expenditures in the comparative period were $22.2 million and included seven fixed-wing and two rotary wing aircraft purchases for $12.8 million, with the remaining costs incurred for constructing and equipping three facilities, sustaining capital expenditures and capitalized aircraft overhaul costs. The comparative period also included the disposal of eight aircraft for proceeds of $5.1 million.

Aside from regular aircraft overhauls related to the existing fleet, the Corporation had no capital asset expenditure commitments as at October 31, 2012.

Financing Activities

As at October 31, 2012, the Corporation had unrestricted cash of $7.7 million and available but unused borrowing capacity of $25.0 million to fund its operating requirements. Consistent with the seasonal nature of the Corporation's business, the Corporation draws on its operating line of credit primarily in the first and second quarters to fund costs associated with seasonal increases in business volumes, as well as to fund increased working capital. These draws are typically repaid during the third quarter.

Year-to-date, the Corporation made debt repayments of $40.0 million, made up of $32.0 million to retire a $34 million term loan at a discount, $4.5 million to replace a bridge loan, a $0.5 million debt retirement related to a hangar and $3.0 million of scheduled debt repayments. In the comparative period, the Corporation made scheduled debt payments of $96.7 million, consisting of a $2.9 million cash payment (and the issuance of 1,035,200 shares, post share consolidation) to retire a related party debt, $28.8 million to retire unsecured convertible debentures, $57.6 million to repay four long-term debt facilities and related interest and fees with the proceeds of the Secured Debentures and $8.6 million of scheduled debt repayments.

On March 26, 2012, the Corporation repaid the $34 million term loan in full, 10 months prior to its February 1, 2013 maturity. To repay this loan and related transaction costs, the Corporation entered into two new credit facilities totaling $29.9 million, and a $4.5 million bridge loan from a related party. The repayment of the $34 million term loan was reduced by $2.2 million, comprising a $2.0 million discount and $0.2 million in accrued interest, in exchange for the early retirement of the debt.

On March 26, 2012, the Secured Debentures were amended to, among other things, facilitate the early repayment of the $34 million term loan. The amendments included, but were not limited to, revised language as to when and in what circumstances the existing maturity date (currently set at March 22, 2017) of the Secured Debentures can be changed; revised language as to when and, in what circumstances the Corporation (as borrower) can early redeem the Secured Debentures; and new language requiring the consent of the holders of the Secured Debentures in the event that the Corporation issues equity securities or securities convertible into equity securities at a price less than the current conversion price of the Secured Debentures. As a result of these amendments, the conversion feature in the Secured Debentures is no longer classified as a liability that is recorded at fair value in each reporting period, and is now classified as equity and included in contributed surplus. The amendment of the terms was not considered a significant modification of the Secured Debentures. However, the fair value of the liability related to the conversion feature was considered extinguished upon the amendment of the Secured Debentures. Accordingly, a mark-to-market adjustment of $0.2 million was recorded in profit during the first quarter of this year.

On July 31, 2012, the Secured Debentures were amended to facilitate the New Operating Line that was secured on August 1, 2012. The Secured Debentures were amended to, among other things, confirm the Secured Debenture holders' priority in relation to cash proceeds from their priority collateral and clarify certain defined terms in the Secured Debentures.

On May 12, 2011, the Corporation closed a $30.0 million issuance of 8.375% convertible unsecured subordinated debentures at a price of $1,000 per debenture (the "Unsecured Debentures"). On May 27, 2011, the Corporation closed the issuance of an overallotment option on the original issue of these debentures for an additional $4.5 million, bringing the total principal amount of the debentures to $34.5 million. These Unsecured Debentures accrue interest at the rate of 8.375% per annum payable semi-annually and the principal balance is due at maturity on June 30, 2016. At the holders' option, the Unsecured Debentures may be converted into Shares at any time prior to the maturity date at a conversion price of $7.30 per Share, subject to standard anti-dilution and adjustment provisions. The Unsecured Debentures are not 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 Unsecured Debentures, in whole or in part, at par plus accrued and unpaid interest, provided that the weighted average trading price of the Class A Shares on the TSX during a specified period prior to redemption is not less than 125% of the conversion price. At inception, the fair value of the future payments of principal and interest under the Unsecured Debentures was $32.7 million and the fair value of the holders' conversion option (the "Equity Component") was determined to be $1.4 million ($1.8 million pre-tax) and recorded in contributed surplus. The Equity Component and transaction costs of $2.2 million are netted against the carrying value of the Unsecured Debentures and are being accreted to its face value based on an effective interest rate of 11.61% per annum.

On March 26, 2012, the Corporation entered into a $20.0 million term loan agreement to refinance a portion of the $34 million term loan. At October 31, 2012, $19.0 million was outstanding under this term facility. The loan matures on March 15, 2017 and is repayable in monthly installments of $167,000 plus interest, with the balance due at maturity. The loan bears interest at a rate equal to the lender's floating base rate plus 3.00% per annum. The loan is secured by a charge on specific aircraft, as well as certain subsidiary guarantees and general security agreements. Transaction costs of $222,000 are netted against the carrying value of the loan and are accreted to the loan's face value based on its effective interest rate of 4.99% per annum. The agreement requires that the Corporation observe a variety of non-financial covenants and maintain a minimum fixed charge coverage.

On July 31, 2012, the $20.0 million term loan was amended to facilitate the New Operating Line that was secured on August 1, 2012. The $20.0 million term loan was amended to confirm the lender's priority over its priority collateral.

On March 26, 2012, the Corporation entered into four term loan agreements for an aggregate principal amount of $14.2 million to refinance a portion of the $34 million term loan and to fund the purchase of additional aircraft. At October 31, 2012, $13.5 million was outstanding under this term facility. The loans mature on March 26, 2017 and are repayable in aggregate monthly installments of $185,000 plus interest payments, with the balance due at maturity. The loans bear interest at a rate equal to the one-month Canadian dollar banker's acceptance rate plus 4.55% per annum. The loans are secured by charges on specific aircraft, as well as certain subsidiary guarantees and general security agreements. Transaction costs of $163,000 are netted against the carrying value of the loan and are being accreted to the loan's face value based on the loan's effective interest rate of 5.97% per annum. The loan agreements require that the Corporation observe a variety of non-financial covenants, maintain a minimum fixed charge coverage and not exceed a specified level of leverage.

On March 26, 2012, the Corporation entered into a $4.5 million bridge loan from a related party. The bridge lender is a related party as it is an affiliate of Clairvest Group Inc. ("Clairvest") (see "Related Party Transactions"). The bridge loan had a 91-day term, bore interest at 9.50% per annum with interest payable monthly and was secured by way of certain guarantees and real estate previously pledged as security for the $34 million term loan. No financing fees were payable in connection with the bridge loan, and the bridge loan was not convertible into securities of the Corporation. This loan was replaced on June 22, 2012 with a $4.5 million term loan from a third party lender. The replacement loan matures on April 22, 2015 and is repayable through monthly payments of interest and in quarterly installments of $500,000 during the first year, $375,000 during the second year and $250,000 during the last year. The loan bears a fixed interest rate of 9.00%. The loan is secured by a subordinated general security agreement over the assets of the Corporation and certain subsidiaries. Transaction costs of $104,000 are netted against the carrying value of the loan and are being accreted to the loan's face value based on its effective interest rate of 10.22% per annum. The agreement requires that the Corporation observe a variety of non-financial covenants and maintain a minimum fixed charge coverage.

On May 2, 2012, the Corporation entered into a $15.0 million term loan agreement to fund the purchase of additional aircraft. At October 31, 2012, $13.8 million was outstanding under this term facility. The loan matures on February 15, 2016, and is repayable through an annual curtailment each December equal to 1/10th of the original amounts drawn and monthly payments of interest. The loan bears an interest rate equal to the greater of 4.50% and the lender's floating base rate plus 1.50% per annum. The loan is secured by a charge on specific aircraft, as well as certain subsidiary guarantees and general security agreements. Transaction costs of $139,000 are netted against the carrying value of the loan and are being accreted to the loan's face value based on its effective interest rate of 5.00% per annum. The agreement requires that the Corporation observe a variety of non-financial covenants, maintain a minimum fixed charge coverage and not exceed a specified level of leverage.

At October 31, 2012, the Corporation was in compliance with all of its debt covenants.

Contractual Obligations and Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements that management is aware of other than those disclosed in note 22 of the Corporation's annual audited consolidated financial statements for the year ended January 31, 2012.

Share Consolidation

On September 23, 2011, the Corporation received the approval of the Toronto Stock Exchange to effect a share consolidation on the basis of 10 pre-consolidation Shares for every one post-consolidation Share. The Class A Shares commenced trading on a post-consolidation basis on September 29, 2011. The consolidation reduced the number of Shares outstanding as at the date of the share consolidation from 145,556,159 to 14,555,615.

Shareholders' Equity

Year-to-date, shareholders' equity increased by the amount of the comprehensive income, the after-tax value of the Secured Debenture's conversion option and share-based compensation included in contributed surplus.

At October 31, 2012, there were 14,510,855 Class A Shares and 44,760 Class B Shares outstanding. At the same date, there were 411,135 stock options outstanding and no Share purchase warrants outstanding. During the current quarter, the Corporation issued no stock options under the employee stock option plan approved by the shareholders in June 2010. The Corporation maintains 266,635 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. During the current quarter, 2,680 stock options were expired or were otherwise terminated in accordance with their terms

Additional information with respect to shareholders' equity is contained in the consolidated financial statements for the year ended January 31, 2012 and 2011, which can be found on SEDAR at www.sedar.com.

Related Party Transactions

Clairvest whose affiliates and investors in certain of its funds have a beneficial interest in, or exercise direction or control over, $68 million of the original $70 million principal amount of the Secured Debentures and have certain director nomination rights. The Secured Debentures held by these parties would represent, on a post-conversion basis, more than 10% of the issued and outstanding Shares of the Corporation. The interest on the Secured Debentures for the three and nine months ended October 31, 2012 was $2.0 million and $5.5 million, respectively (for the three and nine months ended October 31, 2011 - $0.7 million). In addition, the Corporation also incurs a merchant bank fee of $250,000 per annum, payable to Clairvest on a monthly basis.

OUTLOOK

Although revenue continues to trend favourably, the Corporation has not achieved the desired profit margins. Management continues to look at opportunities to reduce cost and build efficiency. To date, approximately $1.5 million in vendor cost savings have been identified which should favorably impact the results in fiscal 2014. In the Corporation's fixed wing business, growth came with the addition of new customers, new aircraft, new infrastructure and more personnel. Growth costs money and efficiency takes time. Management is repositioning the business to better match the Corporation's assets with the needs of its customers that ensures value to its shareholders.

Initiatives which are not core to the Corporation's business model have been curtailed. Aside from profitable growth, the Corporation will continue to focus on its core strategy, which is to provide safe and reliable aviation and logistics services in challenging environments. It will also endeavour to more closely match company spending and investments with contracts that generate revenue and sustainable profits.

The Corporation derives approximately one third of its revenues from resource based industries. Exploration and associated activity in the Corporation's target markets continues to be volatile and management continues to closely monitor the situation and has mitigated some of the Canadian market exposure through expansion into foreign markets. It is difficult to assess the ultimate outcome of this slowdown on the Corporation's future performance.

Business development activity continues across all business sectors. During the quarter, the Corporation signed a three year extension on the ICATS standing offers with the Canadian military and announced a Memorandum of Understanding with Airbus Military for the Canadian Fixed Wing Search and Rescue Program.

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. These risks and uncertainties are substantially unchanged from the description found in the "Risk Factors" section of the Corporation's MD&A for the year ended January 31, 2012, as well as in the "Risk

Factors" section of the Corporation's Annual Information Form dated April 30, 2012, both of which can be found on SEDAR at www.sedar.com.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

In preparing the interim condensed consolidated 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 as they are important to the Corporations financial condition and results. There have been no changes to the Corporations significant account estimates disclosed in the Corporation's MD&A for the year ended January 31, 2012, which can be found on SEDAR at www.sedar.com.

RECENTLY ISSUED STANDARDS

For detailed discussion on recently issued standards please refer to Corporation's annual audited consolidated financial statements and related notes for the year ended January 31, 2012, which can be found on SEDAR at www.sedar.com. There were no additional recently issued standards relevant to the Corporation during quarter ended October 31, 2012. The Corporation has not completed the assessment of the standards identified in the January 31, 2012 MD&A, which are effective from annual periods beginning on or after January 1, 2013.

NON-IFRS MEASURES

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 the Corporation's ability to service debt and to meet other payment obligations, and as a basis for valuation. Beginning February 1, 2012, the Corporation changed the definition of EBITDA and EBITDAR to exclude gains and losses on disposal of property and equipment. EBITDA and EBITDAR for prior periods are restated to reflect this change in their composition. EBITDA margin is EBITDA as a percentage of revenue.

The following is a reconciliation of EBITDA and EBITDAR to net profit:

	Three months ended October 31 (unaudited)		Nine months ended October 31 (unaudited)	
(thousands of dollars)	**2012**	2011	**2012**	2011
Net profit attributable to shareholders' of Discovery Air Inc.	**$ 1,230**	$ 6,184	**$ 11,525**	$ 21,577
Income tax provision	**466**	1,770	**3,829**	7,946
Impairment loss	**3,723**	-	**3,723**	-
Gain on extinguishment of debt	**-**	-	**(2,224)**	(5,900)
Gain on business acquisition	**-**	-	**(297)**	-
Change in fair value financial liabilities reported at fair value	**-**	(1,100)	**(201)**	(1,100)
Interest and financing charges	**4,275**	4,607	**13,202**	13,072
Depreciation	**6,187**	5,158	**18,568**	15,846
Gain on disposal of property and equipment	**101**	(812)	**67**	(927)
Non-controlling interest	**(19)**	-	**(70)**	-
EBITDA	**$ 15,963**	$ 15,807	**$ 48,122**	$ 50,514
Aircraft lease expenses	**4,363**	4,879	**14,500**	11,280
EBITDAR	**$ 20,326**	$ 20,686	**$ 62,622**	$ 61,794

"**Adjusted profit (loss)**" refers to net profit (loss) attributable to shareholders of the Discovery Air Inc. excluding a non-recurring gain on extinguishment of debt, gains and losses on disposal of property and equipment, gains on acquisitions, and gains and losses resulting from the change in fair value of financial liabilities, and impairment loss, net of related taxes. Management believes adjusted profit better reflects the Corporation's operational performance. Adjusted profit (loss) per common share is equal to profit (loss) attributable to shareholders of Discovery Air Inc. per share excluding the above noted items.

The following is a reconciliation of adjusted profit:

(thousands of dollars)	Three months ended October 31 (unaudited) 2012	2011	Nine months ended October 31 (unaudited) 2012	2011
Net profit attributable to shareholders of Discovery Air Inc.	**$ 1,230**	$ 6,184	**$ 11,525**	$ 21,577
Gain on extinguishment of debt	**-**	-	**(2,224)**	(5,900)
Tax effect on gain on extinguishment of debt	**-**	-	**300**	1,652
Gain on business acquisition	**-**	-	**(297)**	-
Change in fair value of financial liabilities at fair value	**-**	(1,100)	**(201)**	(1,100)
Impairment loss	**3,723**	-	**3,723**	-
Tax effect on impairment loss	**(995)**	-	**(995)**	-
Adjusted profit	**$ 3,958**	$ 5,084	**$ 11,831**	$ 16,229

Segmented breakdown of EBITDA and EBITDAR

(thousands of dollars)	Three months ended October 31, 2012 (unaudited) Aviation	Corporate Support and Other	Total	Three months ended October 31, 2011 (unaudited) Aviation	Corporate Support and Other	Total
Revenue	**$ 57,165**	**$ 7,709**	**$ 64,874**	$ 50,117	$ 4,998	$ 55,115
Expenses	**39,468**	**9,582**	**49,050**	32,748	6,455	39,203
Share of (profit) loss of equity accounted investees	**(31)**	**(108)**	**(139)**	112	(7)	105
EBITDA	**$ 17,728**	**$ (1,765)**	**$ 15,963**	$ 17,257	$ (1,450)	$ 15,807
Aircraft lease expenses	**4,363**	**-**	**4,363**	4,879	-	4,879
EBITDAR	**$ 22,091**	**$ (1,765)**	**$ 20,326**	$ 22,136	$ (1,450)	$ 20,686

(thousands of dollars)	Nine months ended October 31, 2012 (unaudited) Aviation	Corporate Support and Other	Total	Nine months ended October 31, 2011 (unaudited) Aviation	Corporate Support and Other	Total
Revenue	**$ 172,844**	**$ 19,188**	**$ 192,032**	$ 146,582	$ 16,439	$ 163,021
Expenses	**118,102**	**26,228**	**144,330**	91,948	20,928	112,876
Share of (profit) of equity accounted investees	**(78)**	**(342)**	**(420)**	(324)	(45)	(369)
EBITDA	**$ 54,820**	**$ (6,698)**	**$ 48,122**	$ 54,958	$ (4,444)	$ 50,514
Aircraft lease expenses	**14,500**	**-**	**14,500**	11,280	-	11,280
EBITDAR	**$ 69,320**	**$ (6,698)**	**$ 62,622**	$ 66,238	$ (4,444)	$ 61,794

Effective February 1, 2012, the Corporation revised its reporting segments from "Northern Services" and "Government Services" to "Aviation" and "Corporate Support and Other". In arriving at the new reporting segments, the Corporation's management considered the nature and financial characteristics of the business activities in which the Corporation and its subsidiaries engage and the economic environments in which they operate. Under the previous reporting segment structure, the Northern Services segment consisted of Great Slave, Air Tindi and

Discovery Mining, while the Government Services segment consisted of Top Aces, Technical Services and Fire Services. The Corporate Support segment was made up of Corporate and Innovations. The change in reporting segments did not have any impact on the Corporation's interim condensed consolidated statements of financial position, statements of profit, statements of comprehensive income or statements of cash flows.

For the three month period ended January 31, 2012, the Aviation segment recorded revenues of $24.1 million, expenses of $27.1 and EBITDA loss of $3.2 million. In the same period, the Corporate Support and Other segment recorded revenues of $4.6 million, expenses of $7.8 million and EBITDA loss of $3.2 million.

Summary of other gains and losses

(thousands of dollars)	Three months ended October 31		Nine months ended October 31	
	(unaudited)		**(unaudited)**	
	2012	2011	**2012**	2011
Loss (gain) on disposal of property and equipment	**$ 101**	$ (812)	**$ 67**	$ (927)
Change in fair value of financial liabilities at fair value	**-**	(1,100)	**(201)**	(1,100)
Gain on extinguishment of debt	**-**	-	**(2,224)**	(5,900)
Gain on business acquisition	**-**	-	**(297)**	-
	$ 101	$ (1,912)	**$ (2,655)**	$ (7,927)

SUMMARY OF QUARTERLY RESULTS

(thousands of dollars, except per share amounts)

	(unaudited)							
	Oct-12	Jul-12	Apr-12	Jan-12	Oct-11	Jul-11	Apr-11	Jan-11
Results of operations:								
Total Revenue	**$ 64,874**	$ 74,225	$ 52,933	$ 28,699	$ 55,115	$ 70,657	$ 37,249	$ 23,747
EBITDA	**$ 15,963**	$ 23,292	$ 8,867	$ (6,169)	$ 15,807	$ 29,696	$ 5,014	$ (1,036)
Cash from (used in) operations	**$ 23,133**	$ 4,452	$ (5,495)	$ 9,635	$ 18,944	$ 6,769	$ (10,397)	$ 9,811
Adjusted profit (loss)*	**$ 3,958**	$ 8,638	$ (765)	$ (10,604)	$ 5,084	$ 13,731	$ (2,586)	$ (6,099)
Profit (loss) attributable to shareholders of Discovery Air Inc.	**$ 1,230**	$ 8,935	$ 1,360	$ (9,825)	$ 6,184	$ 17,979	$ (2,586)	$ (6,099)
Basic earnings per share	**$ 0.08**	$ 0.61	$ 0.09	$ (0.67)	$ 0.42	$ 1.24	$ (0.19)	$ (0.45)
Basic adjusted profit (loss) per share*	**$ 0.27**	$ 0.59	$ (0.05)	$ (0.73)	$ 0.35	$ 0.95	$ (0.19)	$ (0.45)
Diluted earnings per share	**$ 0.08**	$ 0.38	$ 0.09	$ (0.67)	$ 0.31	$ 0.96	$ (0.19)	$ (0.45)
Diluted adjusted profit (loss) per share*	**$ 0.22**	$ 0.37	$ (0.05)	$ (0.73)	$ 0.26	$ 0.71	$ (0.19)	$ (0.45)

*See "Non-IFRS Measures"

Seasonality and Quarterly Fluctuations

The Corporation's businesses are, to varying degrees, seasonal in nature. Seasonality and other factors can affect the comparability of results from one period to another, particularly from quarter to quarter. The seasonality and quarterly fluctuations are substantially unchanged from the description found under the heading "Seasonality and Quarterly Fluctuations" in the Corporation's MD&A for the fiscal year ended January 31, 2012, which is available on SEDAR at www.sedar.com

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

There were no material changes in the Corporation's disclosure controls and procedures and internal controls over financial reporting that occurred during the nine months ended October 31, 2012 that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting and disclosures of required information.

The Corporation has yet to complete the internal control assessment for the recently acquired operations of SAL and NAS. The Corporation intends to complete this assessment in the next two quarters. These operations are not considered to be material to the Corporation.

DEFINITIONS

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

(a) "**2011 Unsecured Debentures**" means the $34,500,000 aggregate principal amount of 8.375% convertible unsecured subordinated debentures issued by the Corporation pursuant to a short form prospectus dated May 5, 2011, which trade on the Toronto Stock Exchange under the symbol "DA.DB.A";
(b) "**Class A Shares**" means the Corporation's Class A common voting shares, which trade on the Toronto Stock Exchange under the symbol "DA.A";
(c) "**Class B Shares**" means the Corporation's Class B common variable voting shares;
(d) "**Fiscal 2012**" means the fiscal year of the Corporation ended January 31, 2012;
(e) "**Fiscal 2013**" means the fiscal year of the Corporation ended January 31, 2013;
(f) "**Secured Debentures**" means the $70,000,005 aggregate principal amount of senior secured convertible debentures issued by the Corporation on September 23, 2011 pursuant to a private placement, which, as of October 31, 2012, had an adjusted principal amount of $77,980,378 (inclusive of accrued interest); and
(g) "**Shares**" means the Class A Shares and the Class B Shares.

FORWARD-LOOKING STATEMENTS

Forward-looking information and statements are included in this management's discussion and analysis. Forward-looking information and statements include, but are not limited to, statements concerning possible or assumed future financial and operating results set out in this document, the Corporation's strengths, strategies and priorities and the Corporation's assessment of the economic and business outlook for the Corporation and the Corporation's industry. Generally, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "could", "should", "would", "expect", "believe", "plan", "estimate", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. More particularly, and without limitation, this 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 its debt covenants and other terms and conditions of its credit agreements; plans and/or requirements to make new capital investments.

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 which contains a further discussion of risk factors, can be found on SEDAR at www.sedar.com.

Dated: December 10, 2012