FIRST QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three-Month Period ended April 30, 2013

*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 month period ended April 30, 2013 should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and related notes as at April 30, 2013, the annual audited consolidated financial statements and related notes for the year ended January 31, 2013, and the annual MD&A for the year ended January 31, 2013, 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 International Financial Reporting Standards ("**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 160 aircraft with over 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. ("**GSH**"), one of the largest helicopter operators in Canada, has bases throughout Canada and South America from which it provides flight services to support 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. Discovery Air Fire Services Inc. ("**Fire Services**") provides primarily forest fire management and court-related air transport services to the Government of Ontario. Discovery Air Defence Services Inc. ("**Defence Services**"), formerly Top Aces Inc., provides primarily airborne training services to the Department of National Defence and the Canadian Forces ("**DND**").

The Corporate Support and Other segment consists of certain support functions at Discovery Air (collectively, "**Corporate**") as well as two 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.

Effective February 1, 2013, the activities and personnel of Discovery Air Innovations Inc. ("**Innovations**"), the Corporation's business development arm, were assumed by Defence Services in order to focus those resources on supporting Defence Services growth initiatives. This shift in business development cost to the Aviation segment was offset by re-alignment of various telecommunication, information technology and other costs from the Aviation segment to the Corporate Support and Other segment as these infrastructure costs are managed on a consolidated basis at Corporate. The net impact of the changes is not material to the presentation of the segmented results.

The Corporation's Class A Shares and Unsecured Debentures trade on the Toronto Stock Exchange (symbols DA.A and DA.DB.A, respectively).

Selected Financial Information

	Three months ended April 30 (unaudited)				
(thousands of dollars, except per share amounts)		**2013**		**2012**	**% change**
Results of operations					
Revenue	**$**	**43,594**	$	52,933	*-18%*
Operating expenses	**$**	**46,153**	$	44,207	*4%*
Depreciation of property and equipment and intangible assets	**$**	**5,605**	$	5,596	*0%*
	$	**(8,164)**	$	3,130	*-361%*
Financing costs	**$**	**4,093**	$	4,322	*-5%*
Profit (loss) attributable to shareholders of Discovery Air Inc.	**$**	**(8,804)**	$	1,360	*-747%*
Basic and diluted earnings (loss) per common share	**$**	**(0.60)**	$	0.09	*-767%*
Financial position and liquidity					
Total assets	**$**	**314,432**	$	295,885	*6%*
Total loans, borrowings and finance leases	**$**	**160,653**	$	140,135	*15%*
Cash used in operations	**$**	**(13,468)**	$	(5,500)	*-145%*
Working capital	**$**	**20,417**	$	22,446	*-9%*
Key non-IFRS performance measures*					
Adjusted loss	**$**	**(8,804)**	$	(773)	*-1039%*
Basic and diluted Adjusted loss per common share	**$**	**(0.60)**	$	(0.05)	*-1100%*
EBITDAR	**$**	**(387)**	$	12,956	*-103%*
EBITDA	**$**	**(2,190)**	$	8,867	*-125%*
EBITDA Margin		**-5%**		17%	

* See "Non-IFRS measures" below

Consolidated Results

Revenue

Quarterly revenue decreased 18% from the comparative period to $43.6 million. The revenue decrease was primarily due to lower airborne training to the DND and decreased revenue contribution from the Corporation's resourced-based sectors. The lower revenue contribution from the Aviation segment was also impacted by poor weather conditions resulting in higher than expected lost flying days in the first quarter. The Corporate Support and Other segment reported higher revenues (up $3.2 million over the comparative period) on increased MRO activity at Technical Services despite lower contribution for Discovery Mining, which was negatively impacted by lower junior mining activity in northern Canada.

The Corporation's two largest customer sectors are government and the resource-based (mining and oil & gas). Revenues from government services represented 41% of total revenues (compared to 46% in the first quarter of Fiscal 2013). The year-over-year decline was principally due to lower airborne training activity at Defence Services. The Corporation's resource-based revenues represented 29% of total revenues (compared to 36% in the comparative period). Both mining and oil and gas based revenues were negatively impacted by decreased junior mining and seismic work activity in the first quarter. MRO services helped partially offset the decline in the two main sectors.

Expenses

The largest expense items for the Corporation are crew, fleet and parts costs, as well as general and administrative expenses. While there are variable components to these costs, a significant portion of these costs are fixed in nature within a given year.

Quarterly expenses increased by 4% to $46.2 million over the comparative period. The first quarter for the Corporation's operations, primarily in northern Canada, continues to represent a seasonal ramp up period for the upcoming peak season in the second and third quarters. The higher year-over-year expenses reflect incremental costs related to the acquisition of the assets of Northern Air Support Ltd. ("**NAS**") and additional fixed wing aircraft brought into service during Fiscal 2013 as well as increased cost associated with higher MRO activity.

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

Current quarter EBITDA loss was $2.2 million compared to EBITDA profit of $8.9 million reported in the comparative period. The lower EBITDA reflects lower flight hour activity at Defence Services that was below the comparative period due to the timing of training exercises. Similarly, the Corporation's operations in northern Canada performed below the comparative period results due to significantly lower demand from mining and oil and gas customers. NAS was acquired in May 2012 and, as a result, its carrying costs through the first quarter (which is its traditionally slowest period) are not reflected in the prior period results. Unfavourable weather conditions also affected results through much of the first quarter. It should be noted that a portion of the EBITDA decline in the first quarter reflects quarterly volatility in the Corporation's airborne training services and is not necessarily indicative of an annual trend at Defence Services.

In the first quarter of Fiscal 2013, EBITDA was at record levels, far exceeding those reported in previous years, due to increased demand for airborne training and special mission services, increased helicopter revenues from oil and gas and mining customers and a successful first quarter for Helicopters.cl SpA (based in Chile) following its acquisition on February 2, 2012.

EBITDAR in the first quarter was a loss of $0.4 million compared to positive EBITDAR of $13.0 million in the comparative period. The Corporation generally utilizes leased aircraft to support short-term, seasonal flight services. Lower flight hours in the first quarter resulted in lower aircraft leasing expense, which was $1.8 million in the first quarter relative to $4.1 million in the comparative period. The Corporation generally utilizes leased aircraft to support short term, seasonal flight services.

Depreciation, finance and other expenses

Depreciation expense in the quarter was $5.6 million which was consistent with the comparative period despite lower overall flight hours due to incremental depreciation from the inclusion of the newly acquired operations in Fiscal 2013.

Finance costs were $4.1 million in the quarter compared to $4.3 million in the comparative period. Interest accreting on the loans and borrowings was $0.5 million ($0.7 million in the first quarter of Fiscal 2013).

The Corporation's quarterly income tax recovery was $3.1 million, compared to an income tax provision of less than $0.1 million in the comparative period. The Corporation's effective tax rate of 26% is comparable to the Corporation's statutory income tax rate of 27%. In the comparative period, the effective income tax rate of 3% was lower than the statutory income tax rate of 27% primarily due to permanent differences related to extinguishment of debt and changes in fair value of financial liabilities that are recorded at fair value.

Earnings

The Corporation recorded a quarterly loss of $8.8 million ($0.60 loss per share – basic and diluted) compared to a profit of $1.4 million ($0.09 earnings per share – basic and diluted) in the first quarter of Fiscal 2013. The comparative period earnings reflect a tax-effected gain of $1.9 million on extinguishment of debt and a $0.2 million gain related to a change in the fair value of the Corporation's embedded derivative that existed up to March 26, 2012. Excluding these items, the comparative period reflects an adjusted loss of $0.8 million ($0.05 loss per share – basic and diluted) (see "Non-IFRS Measures – Adjusted profit (loss)" below).

Aviation Segment

(thousands of dollars)		Three months ended April 30			
		(unaudited)			
		2013		2012	*% Change*
Revenue	**$**	**35,144**	$	47,682	*-26%*
Expenses		**34,877**		36,397	*-4%*
Share of profit of equity accounted investees		**(2)**		(40)	*-95%*
EBITDA	**$**	**269**	$	11,325	*-98%*
Capital expenditures	**$**	**4,107**	$	11,468	*-64%*
		As at April 30			
Total assets	**$**	**283,666**	$	274,640	*3%*
Goodwill	**$**	**39,809**	$	41,370	*-4%*
Intangible assets	**$**	**9,732**	$	12,978	*-25%*

Three months ended April 30, 2013

The Aviation segment's quarterly revenues were $35.1 million on 10,606 flight hours, compared to revenue of $47.7 million on 14,445 flight hours in the comparative period. The 26% decrease in revenue and 27% decrease in flight hours reflect lower activity in the resourced-based sectors of both northern Canada and Chile. The segment also saw lower airborne training services to the DND. Poor weather conditions and competitive pressures in the fixed wing business in the north were also contributing factors in lower flight hours in the first quarter.

The Aviation segment quarterly expenses were $34.9 in the current quarter compared to $36.4 million in the comparative period. While the decline in expenses was attributable to lower flight hours in the quarter, the higher expense as a percentage of revenues reflect lower absorption of fixed costs from lower revenues. As noted in the consolidated results, much of the first quarter costs in the segment reflect the seasonal ramp up period for the upcoming peak season in the second and third quarters, with the increased year-over-year infrastructure costs associated with the acquired operations of NAS and a larger fixed-wing fleet.

Crew costs, which include wages, benefits, travel and training for pilots and maintenance engineers, for the quarter were $13.1 million (or 37% of revenues) compared to $13.4 million (or 28% of revenues) in the comparative period. The year-over-year decrease in crew costs was largely attributable to the lower flight hour activity.

Fleet costs include aircraft lease, facility, parts, maintenance and fuel costs. Fleet costs, excluding fuel costs, for the quarter were $10.1 million (or 29% of revenues), compared to $12.0 million (or 25% of revenues) in the comparative period, with the year-over-year decrease in fleet costs largely attributable to lower aircraft lease expense on lower flight hours. Other fleets costs remained consistent with prior year and reflect the typical ramp up costs in the Corporation's first quarter. Also, as historically has 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 $7.8 million (or 22% of revenues) in the quarter compared to $7.0 million (or 15% of revenues) in the comparative quarter. This increase was attributable primarily to incremental overhead costs associated with the acquisition of NAS in Fiscal 2013 as well as a general increase in support costs for business development initiatives.

The segment's quarterly EBITDA was $0.3 million compared to $11.3 million in the comparative period with the decrease in EBITDA largely attributable to lower revenues and higher year-over-year infrastructure costs related to the expansion of the fixed wing fleet and the acquisition of NAS during Fiscal 2013. Quarterly EBITDAR was $2.1 million compared to $15.4 million in the comparative period, reflecting lower EBITDA as well as lower aircraft lease expense from decreased flight hour activity in the current quarter.

Depreciation expense in the current quarter was $5.1 million (or 15% of revenues) compared to $5.4 million (or 11% of revenues) in the comparative period, with the decrease attributable to lower flight hour activity in the current quarter.

Corporate Support and Other

(thousands of dollars)	Three months ended April 30 (unaudited) 2013		2012	% Change
Revenue	$	8,450	$ 5,251	61%
Expenses		11,276	7,810	44%
Share of profit of equity accounted investees		(367)	(101)	263%
EBITDA	$	(2,459)	$ (2,458)	0%
Capital expenditures	$	1,083	$ 1,238	-13%
		As at April 30		
Total assets	$	30,766	$ 21,245	45%
Intangible assets	$	474	$ 705	-33%

Three months ended April 30, 2013

Corporate Support and Other generated revenues of $8.5 million in the quarter compared to $5.3 million in comparative period. The 61% 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. Discovery Mining's revenue was lower than the comparative period due to lower mining-based activity in northern Canada.

The segment incurred expenses totaling $11.3 million compared to $7.8 million in comparative period, an increase of 44%. As noted in the consolidated results, the increase in the segment expenses was largely attributable to increased MRO activity from Technical Services.

The segment recorded an EBITDA loss of $2.5 million in the first quarter which was consistent the comparative period, with increased year-over-year EBITDA from Technical Services offset by lower EBITDA from Discovery Mining which saw lower mining-based activity in the current quarter.

Liquidity and Financial Resources

The following schedule summarizes the movement in cash flow components:

(thousands of dollars)	Three months ended April 30 (unaudited) 2013		2012
Operating activities	$	(13,468)	$ (5,500)
Investing activities		(5,026)	(11,245)
Financing activities		12,688	7,075
Net decrease in cash for the period	$	(5,806)	$ (9,670)

Operating Activities

Cash used in operating activities for the three month period ended April 30, 2013 was $13.5 million, representing a $8.0 million increase over the prior period. The unfavourable variance is largely attributable to an $11.1 million reduction in EBITDA offset by a $3.2 million smaller investment in non-cash working capital over the comparative period.

Working Capital

As at the end of the first quarter, the Corporation had positive working capital of $20.4 million and a current ratio of 1.4, compared to a working capital position of $22.4 million and a current ratio of 1.5 as at April 30, 2012.

The $10.0 million decrease from the January 31, 2013 working capital position of $30.4 million (current ratio of 2.0) reflects the seasonal ramp up of operations and the associated requirements for sustenance capital and funding of losses in the quarter.

As at April 30, 2013, the Corporation has not committed to any growth capital 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 on an annual basis and the standing offers for Interim Contracted Airborne Training Services have been extended to June 2016.

Investing Activities

The quarterly net cash outlay from investing activities was $5.0 million compared to $11.2 million in the comparative period. Capital expenditures in the quarter of $5.2 million comprised of sustaining capital expenditures and aircraft overhaul costs.

The comparative period net cash outlay from investing activities included $4.3 million related to two aircraft and facility expansion; $2.9 million related to the acquisition of Helicopters.cl SpA and a deposit for NAS, with the remaining cost representing sustaining capital expenditures and aircraft overhaul costs.

Financing Activities

As at April 30, 2013, the Corporation had available but unused borrowing capacity of $0.9 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.

The Corporation made scheduled debt repayments of $2.6 million. In the comparative period, the Corporation made debt payments of $32.7 million, consisting of $32.0 million to retire a $34 million term loan at a discount and $0.7 million of scheduled debt repayments.

The credit facilities contain various restrictive covenants including interest coverage, funded debt to EBITDA (as defined by the lending agreement), liabilities to equity, fair market value of assets pledged to loan balance, as well as other customary covenants, representations and warranties, funding conditions and events of default.

The Secured Debentures require that the Corporation be in compliance with a variety of financial and non-financial covenants. On April 22, 2013 the holders of the Secured Debentures waived the covenant requiring the Corporation to maintain total debt leverage ratio of not greater than 6.00:1.00 for the quarter ended April 30, 2013. With this waiver the Corporation was in compliance with all its debt covenants for the period ended April 30, 2013.

Although the Corporation is entering what has historically been its peak earnings season, trailing twelve month EBITDA has exerted pressure on the total debt leverage ratio. Accordingly, the Corporation requested and received an additional waiver for the consolidated total debt leverage ratio covenant for the second quarter ending July 31, 2013.

In addition, lenders' consent is required, among other things, to incur additional indebtedness beyond a defined amount, pay dividends or make other distributions or repurchase or redeem its capital stock, prepay, redeem or repurchase certain debt, sell secured assets, and move aircraft internationally.

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 11 of the Corporation's interim condensed consolidated financial statements for the three months ended April 30, 2013.

Shareholders' Equity

For the quarter, shareholders' equity decreased due to comprehensive loss, offset marginally by share-based compensation included in contributed surplus.

At April 30, 2013, there were 14,510,855 Class A Shares and 44,760 Class B Shares outstanding. At the same date, there were 1,171,205 stock options 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 260,605 outstanding stock options issued under the Corporation's 2006 stock option plan. This plan was terminated in June 2008, eliminating any additional grants under the 2006 plan. During the current quarter, 33,350 stock options expired or were otherwise terminated in accordance with their terms.

The Corporation's Unsecured Debentures provide for potential debt conversion to Class A Shares of 4,726,027 and the Secured Debentures provide for a potential debt conversion to Class A Shares of 9,333,334.

Additional information with respect to shareholders' equity is contained in the consolidated financial statements for the year ended January 31, 2013, which can be found on SEDAR at www.sedar.com.

OUTLOOK

The factors contributing to the decrease in current quarter revenues and earnings included (a) lower airborne training flight hours, (b) the impact of slower resource-based activity (in particular lower mining exploration and seismic activity), and (c) weather-related conditions.

Based on prior years' experience, it is not unusual to see intra-quarter volatility in the Corporation's financial results. That said, management continues to monitor economic conditions in the Corporation's target markets, in particular the resource based industry where we derive approximately one third of our revenues. Exploration and associated activity continue to be under pressure in northern Canada and we expect this softness to impact certain of the businesses, in particular, Discovery Mining, GSH and Air Tindi, at least in the near term. The extent and duration of this softness in demand and its associated impact on our businesses remains difficult to predict at this time. We continue to focus on providing safe, reliable and cost effective services to our customers in these uncertain times.

Recent flight hour bookings with respect to airborne training services have been strong, which is offsetting the lower-than-expected flight hour activity experienced by Defense Services in the first quarter. Business development initiatives are also underway to continue to expand our service offerings in this area.

As the Corporation begins the ramp up into the busy season, it is anticipated that adequate aircraft assets are in place to meet the expected customer needs for the remainder of the year. Notwithstanding, a significant increase in demand for our services or expansion of service offerings could necessitate the additional investment of capital.

Cost management and efficiency improvements continue to be an increasing area of priority particularly for the fixed wing business. This includes work force reductions, negotiated reductions in third party costs and efficiency gains through process improvements.

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, 2013, as well as in the "Risk Factors" section of the Corporation's Annual Information Form dated April 30, 2013, 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 Corporation's significant account estimates disclosed in the Corporation's MD&A for the year ended January 31, 2013, which can be found on SEDAR at www.sedar.com.

RECENTLY ISSUED STANDARDS

Effective February 1, 2013, the Corporation adopted IFRS 10 *Consolidated Financial Statements*, amended IAS 28 *Investment in Associates and Joint Ventures*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, and IFRS 13 *Fair Value Measurement*. The adoption of these standards had no material impact on the financial statements of the Corporation.

A number of new standards, and amendments and interpretations of standards, are not yet effective for the quarter ended April 30, 2013, and have not been applied in preparing these interim condensed consolidated financial statements. Management is currently reviewing such standards to determine the impact on the Corporation's financial statements.

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, 2013, which can be found on SEDAR at www.sedar.com. There were no additional recently issued standards relevant to the Corporation during quarter ended April 30, 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.

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

	Three months ended April 30 (unaudited)	
(thousands of dollars)	**2013**	2012
Net profit (loss) attributable to shareholders' of Discovery Air Inc.	**$ (8,804)**	$ 1,360
Income tax provision (recovery)	**(3,143)**	46
Gain on extinguishment of debt	**-**	(2,224)
Change in fair value financial liabilities reported at fair value	**-**	(201)
Interest and financing charges	**4,093**	4,322
Depreciation	**5,605**	5,596
Gain on disposal of property and equipment	**-**	(9)
Non-controlling interest	**59**	(23)
EBITDA	**$ (2,190)**	$ 8,867
Aircraft lease expenses	**1,803**	4,089
EBITDAR	**$ (387)**	$ 12,956

"**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 (loss):

	Three months ended April 30 (unaudited)	
(thousands of dollars)	**2013**	2012
Net profit (loss) attributable to shareholders of Discovery Air Inc.	**$ (8,804)**	$ 1,360
Gain on extinguishment of debt	**-**	(2,224)
Tax effect on gain on extinguishment of debt	**-**	301
Change in fair value of financial liabilities at fair value	**-**	(201)
Gain on disposal of property & equipment		(9)
Adjusted loss	**$ (8,804)**	$ (773)

Segmented breakdown of EBITDA and EBITDAR

(thousands of dollars)	**Three months ended April 30, 2013 (unaudited)**			Three months ended April 30, 2012 (unaudited)		
	Aviation	**Corporate Support and Other**	**Total**	Aviation	Corporate Support and Other	Total
Revenue	**$ 35,144**	**$ 8,450**	**$ 43,594**	$ 47,682	$ 5,251	$ 52,933
Expenses	**34,877**	**11,276**	**46,153**	36,397	7,810	44,207
Share of profit of equity acounted investees	**(2)**	**(367)**	**(369)**	(40)	(101)	(141)
EBITDA	**$ 269**	**$ (2,459)**	**$ (2,190)**	$ 11,325	$ (2,458)	$ 8,867
Aircraft lease expenses	**1,803**	**-**	**1,803**	4,089	-	4,089
EBITDAR	**$ 2,072**	**$ (2,459)**	**$ (387)**	$ 15,414	$ (2,458)	$ 12,956

SUMMARY OF QUARTERLY RESULTS

(thousands of dollars, except per share amounts)

	(unaudited)							
	Apr-13	Jan-13	Oct-12	Jul-12	Apr-12	Jan-12	Oct-11	Jul-11
Results of operations:								
Total Revenue	$ 43,594	$ 37,321	$ 64,874	$ 74,225	$ 52,933	$ 28,699	$ 55,115	$ 70,657
EBITDA	$ (2,190)	$ (6,761)	$ 15,963	$ 23,292	$ 8,867	$ (6,158)	$ 15,806	$ 29,695
Cash from (used in) operations	$ (13,468)	$ 5,521	$ 23,132	$ 4,458	$ (5,500)	$ 9,635	$ 18,944	$ 6,769
Adjusted profit (loss)*	$ (8,804)	$ (11,547)	$ 4,045	$ 8,616	$ (773)	$ (11,583)	$ 4,386	$ 13,413
Profit (loss) attributable to shareholders of Discovery Air Inc.	$ (8,804)	$ (10,929)	$ 1,230	$ 8,935	$ 1,360	$ (9,825)	$ 6,184	$ 17,979
Basic earnings per share	$ (0.60)	$ (0.75)	$ 0.08	$ 0.61	$ 0.09	$ (0.67)	$ 0.42	$ 1.24
Basic adjusted profit (loss) per share*	$ (0.60)	$ (0.79)	$ 0.28	$ 0.59	$ (0.05)	$ (0.80)	$ 0.30	$ 0.92
Diluted earnings per share	$ (0.60)	$ (0.75)	$ 0.08	$ 0.38	$ 0.09	$ (0.67)	$ 0.31	$ 0.96
Diluted adjusted profit (loss) per share*	$ (0.60)	$ (0.79)	$ 0.22	$ 0.37	$ (0.05)	$ (0.80)	$ 0.23	$ 0.72

*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, 2013, which is available on SEDAR at www.sedar.com

SUBSEQUENT EVENTS

On May 6, 2013, GSH sold one of its wholly-owned subsidiaries, Hudson Bay Helicopters Ltd. ("HBH"). HBH is a helicopter company based in Churchill, Manitoba, with a primary business related to tourism based activities. The Corporation received cash proceeds of $1.2 million on the sale of HBH and recorded a gain of $0.5 million. Included in the sale was a nominal amount of working capital, aircraft of $1.0 million, and deferred income tax liabilities of $0.3 million.

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 three months ended April 30, 2013 that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting and disclosures of required information.

DEFINITIONS

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

(a) "**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 2013**" means the fiscal year of the Corporation ended January 31, 2013;
(e) "**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 April 30, 2013, had an adjusted principal amount of $81,703,222 (inclusive of accrued interest); and
(f) "**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: June 13, 2013