ANNUAL INFORMATION FORM
For the year ended January 31, 2007

April 30, 2007

TABLE OF CONTENTS

EXPLANATORY NOTES

Unless otherwise noted, all information is given as at January 31, 2007. Financial information is based on the audited consolidated financial statements of Discovery Air Inc. ("DA" or the "Corporation") for the year ended January 31, 2007. All monetary amounts are expressed in Canadian Dollars and references to "$" are to Canadian dollars.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Corporation occasionally makes forward-looking statements about its objectives, operations and targeted financial results. These statements may be written or verbal and may be included in such things as press releases, corporate presentations, Annual Reports and other disclosure documents and communications. 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. 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 strength of the Canadian economy in general and the strength of local economies within Canada in which the Corporation operates; the effect of changes in interest rates; the effect of changes in foreign currency exchange rates; the effects of competition in the markets in which the Corporation operates; capital market fluctuations; resource and commodity price fluctuations; the effect of changing technology; the weather and weather patterns; and the impact of changes in laws and regulations. When relying on forward-looking statements to make decisions, investors and others should carefully consider these factors and other uncertainties or potential events. The Corporation makes no undertaking to update any forward-looking statement that is made from time to time by the Corporation.

CORPORATE STRUCTURE

Incorporation

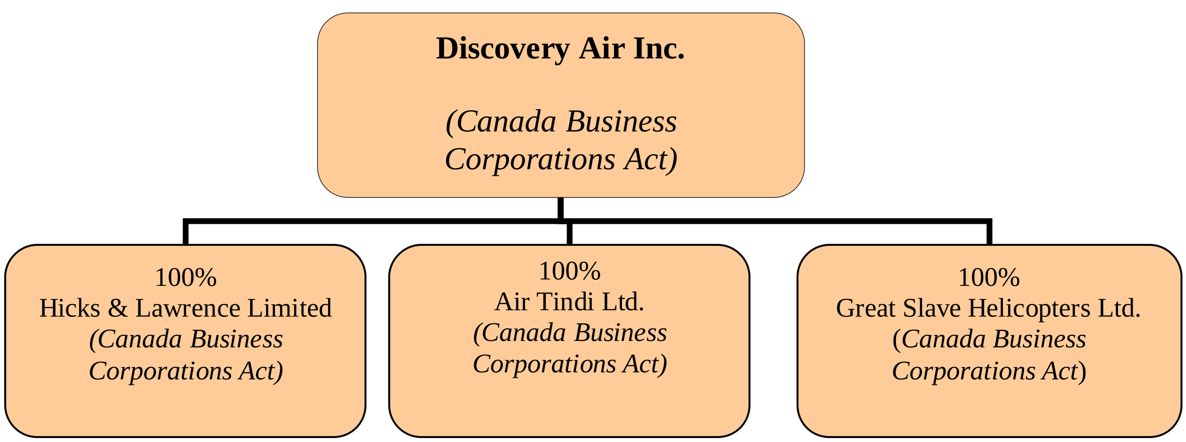
The Corporation was incorporated on November 12, 2004 pursuant to the Ontario *Business Corporations Act* ("OBCA") and was continued under the *Canada Business Corporations Act* ("CBCA") on March 27, 2006. The share structure of the Corporation was amended at the time of the continuance to restrict foreign ownership, in order to meet the requirement of the *Canada Transportation Act* ("CTA") that holders of licences to operate a domestic air service be Canadian. See "Description of Capital Structure - Constraints".

The head office of the Corporation is 106 Dickens Street, Yellowknife, Northwest Territories, X1A 2R3. The registered office of the Corporation is Suite 2002, 140 Fullarton Street, London, Ontario, N6A 5P2.

Intercorporate Relationships and Business Activities

The Corporation is a holding company. Its wholly-owned subsidiaries are Air Tindi Ltd. ("Air Tindi"), Great Slave Helicopters Ltd. ("GSHL") and Hicks & Lawrence Limited ("H&L"), which companies are engaged in niche aviation business activities, primarily in northern Canada. Air Tindi, GSHL and H&L provide air services to clients such as government and private sector customers in areas such as resource and mineral exploration and production, wildlife services, air ambulance services, natural resource management, scheduled and charter passenger flights, air cargo service, forest fire suppression, seismic exploration, tourism, and flight training air services.

The following chart summarizes the primary corporate structure of DA, the jurisdiction of incorporation of each corporate entity and the percentage of votes attached to all securities beneficially owned or over which control is exercised by the Corporation.



THE BUSINESS

Overview

The Corporation acquired all of the issued and outstanding shares in the capital of H&L in 2004 and 2005. In April of 2006, the Corporation completed an initial public offering of its Class A common voting shares ("Common Shares") and listed its Common Shares on the TSX Venture Exchange. In June of 2006, its Common Shares became listed on the Toronto Stock Exchange and it acquired all of the issued and outstanding shares in the capital of GSHL. In December 2006, the Corporation acquired all of the issued and outstanding shares in the capital of Air Tindi. The Corporation's mission is to build shareholder value by creating an alliance of profitable aviation businesses that can realize synergies, economies of scale and deliver safe, professional air service to clients in selected niche markets. The Corporation intends to explore opportunities for acquiring aviation companies which demonstrate successful business models, are established niche market operators, and are positioned for growth.

Operating decisions for DA's businesses are made by management of Air Tindi, GSHL and H&L, respectively. DA provides management services to Air Tindi, GSHL and H&L including legal, strategic management, financial structuring, and certain finance and accounting services in return for a fee. Investment decisions and all other capital allocation decisions are made for DA and its subsidiaries by the officers or by management of DA.

The Corporation has changed its year end from October 31 to January 31 in order to align its year end with that of other companies within the aviation industry. Therefore the fiscal year to which this Annual Information Form relates to the three month period ended January 31, 2007.

Great Slave Helicopters Ltd.

GSHL was formed by articles of amalgamation dated April 1, 2004, pursuant to the CBCA. GSHL is a Northwest Territories headquartered helicopter company that provides helicopter services throughout Canada's north to private and public sector customers. In partnership with northern Aboriginal groups, GSHL is able to provide helicopter services on traditional lands covered by land claim settlement agreements. GSHL conducts business and supports operational bases throughout the Canadian north, as well as Alberta, Saskatchewan, Manitoba and Ontario. GSHL provides an essential service for its northern customers as access to, and movement at, the majority of its customers' locations is only possible via the assistance of aircraft. This includes the movement of both people, and all required supplies and equipment.

GSHL derives revenue from the following core business sectors:

- Exploration support, including oil, gas, seismic, base mineral, and diamond exploration.
- Forest fire suppression services.
- Provision of support to government agencies, including environmental, law enforcement, geological and scientific support.
- Other services, including environmental surveying, utilities-pipeline patrol, power line construction, telecommunications support, and operation of a flight training school.

In 2004, GSHL changed its year end from March 31 to December 31. GSHL generated revenues of $39.7 million in fiscal 2005 (twelve months ended December 31, 2005). GSHL generated revenues of $36.3 million for the nine months ended December 31, 2004, and $31.3 million in fiscal 2004 (twelve months ended March 31, 2004).

For the ten months ended October 31, 2006, GSHL's total revenues were approximately $55.0 million. These revenues were derived primarily from the following sectors: Mining (44%), Oil & Gas (26%), Forestry (20%) and Other, including environmental, non-forestry government and tourism (10%), with GSHL's twelve largest customers representing approximately 46% of revenues.

For the three month period ended January 31, 2007, GSHL’s total revenues were $4.4 million. The business of GSHL follows a seasonal pattern with the lowest revenues generally taking place from November to April. Therefore, its revenues for the period are at the lowest point in the seasonal cycle.

GSHL's predecessor company was founded in 1984 by two individuals. For the first year, the company operated one helicopter in Alberta and one in Yellowknife, Northwest Territories. By 1990, the fleet had expanded to 14 helicopters, most of which operated out of Yellowknife. In 1992, the company was sold to the then Chief Engineer and Chief Pilot who maintained their ownership in GSHL until its acquisition by the Corporation on June 20, 2006. Following the change of ownership, the two former owners remain actively involved with GSHL's operations, as President and Chief Executive Officer and Vice-President, respectively, and both have a significant ownership interest in DA (approximately 17% each of the issued and outstanding Common Shares as of January 31, 2007).

GSHL now has over 200 employees and operates a fleet of 74 helicopters, consisting of seven different types. These types range from the Hughes 500 mining workhorse to the JetRanger and LongRanger mineral exploration standbys, and an increasing number of Eurocopter A-Stars in configurations matching the requirements of clients. The helicopter mix also includes the medium lift Bell 204s, Bell 205s and Bell 212s. This fleet of helicopters is suited for a variety of jobs, enabling GSHL to provide its customers with maximum flexibility.

Oil and gas exploration support augments GSHL's non-peak months, from October to April, while mineral and diamond exploration support normally peaks in May and continues until September. The combination of these sectors allows a portion of GSHL's fleet to be utilized more extensively throughout the year as opposed to just during its traditional peak months. GSHL is a service provider for several large mineral exploration companies that utilize helicopter services for their exploration programs. GSHL's network of bases and diverse fleet adds the benefit of providing reliable and timely back up equipment for added safety and reliability. Several of GSHL's mining and exploration customers have long term contracts with GSHL ranging from one to five years in length, while others have recurring seasonal contracts.

GSHL provides services to the oil and gas sector through its five strategically located bases within the MacKenzie Valley of the Northwest Territories and its base in Alberta. From its base in Norman Wells, located in the heart of the oil and gas production area of the Mackenzie Valley, as well as from bases in Inuvik, Fort Liard and Fort Simpson, Northwest Territories, and Calgary, Alberta, GSHL provides local support for all of its customer's exploration needs.

GSHL has also formed a number of partnerships with Aboriginal communities. These partnerships allow Aboriginal communities to participate in business ventures, and provide Aboriginal youth the training to enter the business world as pilots, engineers and support staff. These partnerships also allow GSHL to secure the role as the primary supplier of helicopter support in and around these communities within the various land claim settlement areas. An important aspect of working in northern Canada is maintaining Aboriginal partnerships or affiliations. GSHL has become a leader in maintaining such relationships, particularly throughout the Mackenzie Valley.

GSHL also provides, in association with the forest fire management departments of provincial and territorial governments in central and western Canada, varying degrees of forest fire management, protection and suppression services. Fire suppression requires the use of intermediate and medium support helicopters for the purposes of initial attack and deployment of fire crews to fire sites.

GSHL has an 18,000 square foot maintenance facility and administration office at the Yellowknife Airport. Pilots, engineers and support staff are situated there, along with a large spare parts inventory and complete overhaul and maintenance facility. Technicians and engineers have up-to-date maintenance and avionics equipment, full diagnostic equipment, as well as shops, to complete component breakdown and overhaul, avionics and structural repair. The facility is also available to clientele to prepare their equipment prior to departure to the job site. GSHL's other bases also provide hangar and office space. GSHL's 8,500 square foot facility in Calgary, Alberta, located at the Springbank Airport, is GSHL's major maintenance facility for the medium helicopters in the fleet and also serves as a flight school allowing GSHL to train pilots and potentially employ them as part of its recruitment and retention policy.

GSHL faces competition from other large and medium sized companies providing helicopter services in some of the same geographic locations and serving the same markets. However, GSHL's experience, locations and Aboriginal partnerships enable it to remain very competitive.

For more information on the business of GSHL, refer to Form 51-102F4 – Business Acquisition Report of the Corporation dated September 15, 2006 which is incorporated herein by reference. The business acquisition report is available on SEDAR at www.sedar.com.

Hicks & Lawrence Limited

H&L was formed by articles of amalgamation dated April 1, 2002, pursuant to the OBCA. H&L is a northern Ontario based aviation company that has been providing aerial fire surveillance ("Detection") and airspace and aircraft management ("Birddog") services in support of forest fire management programs for over two decades. In addition, H&L is a Transport Canada approved aircraft maintenance organization. H&L generates revenue primarily from the provision of forest fire suppression services, including Detection and Birddog services. H&L generated revenues of $5.8 million for the year ended October 31, 2006 and revenues of $5.1 million for the eleven and a half month period ended October 31, 2005. As at January 31, 2007, H&L owned and operated a fleet of 27 aircraft. H&L’s revenues are generated almost exclusively during the forest fire season which in Northern Ontario typically begins in late April and ends in late September, therefore, H & L has nominal revenues for the three month period ended January 31, 2007.

Detection services include, among other things, forest fire surveillance activities and the transmission of information about forest fires to fire management centres. Birddog services include, among other things, controlling aircraft movements within the vicinity of a forest fire to ensure collision avoidance and to maximize the efficiency with which water and fire suppressants are delivered to the fire by water bomber aircraft.

Detection services are performed utilizing Cessna 337 series aircraft while Birddog services are performed utilizing Twin Commander 500 series aircraft.

The design characteristics of the Cessna 337 make this aircraft ideal for the performance of forest fire detection operations. The multi-engine platform provides an added level of security during flight operations over remote terrain, while the aircraft's high wing configuration allows approximately 300° of visibility from the flight deck. H&L’s fleet of Cessna 337 aircraft have been retro-fitted with specialized high-frequency radio communication systems. Additionally, many of the fleet have specialized aircraft tracking systems installed and approximately one-third of the fleet have satellite telephone systems installed.

The Twin Commander 500 series aircraft also has a high wing configuration which provides excellent visibility from the flight deck. Like the Cessna 337 series aircraft, the entire Twin Commander 500 series aircraft fleet has specialized high-frequency radio communication systems, satellite telephone systems and aircraft tracking systems installed for communications, logistics management and safety purposes.

H&L has developed and implemented its own aircraft operating standards and procedures as well as comprehensive flight training programs for both the Cessna 337 and Twin Commander 500 series aircraft. H&L provides initial and recurrent ground and flight crew training programs for all of its pilots including specialized forest fire detection and Birddog training. H&L’s primary flight operations base is located in Dryden, Ontario. Additionally, H&L operates satellite flight operations bases located in Geraldton, Chapleau, Sudbury and Timmins, Ontario.

H&L is qualified to carry out the majority of the inspections tasks and procedures necessary to maintain its aircraft fleet. H&L's primary maintenance centre is co-located with its primary flight operations base in Dryden, Ontario. The facilities comprising the Dryden maintenance base are owned by H&L and include two maintenance hangars that provide over 21,000 square feet of workspace and aircraft/equipment storage space, as well as 2,400 square feet of administrative office space. H&L also supports satellite aircraft maintenance bases located in Geraldton and Sudbury, Ontario.

To the knowledge of the Corporation, no other Ontario based aviation company possesses the necessary resources to offer the bird dog and fire detection services currently provided by H&L.

On March 14, 2007 H&L purchased the turbine charter business of Walsten Air Service (1986) Ltd., including a fleet of four Beech King Air aircraft, a hangar facility located in Kenora, Ontario as well as intangibles related to the business. The business will operate under the trade name Walsten Air, a division of H & L. The acquired Walsten business extends H&L’s service offering from piston aircraft to now include turbine air transport services. Walsten Air is the primary provider of air transport services to Northern Ontario Court parties. Additionally, Walsten Air provides the Ontario Government with air transport services in support of the Ontario Ministry of Natural Resources' Forest Fire Management program, as well as air charter services to various private sector companies.

For more information on the business of H&L, refer to pages 5 through 11 inclusive in the Prospectus of the Corporation dated March 30, 2006, which pages of the Prospectus are incorporated herein by reference. The Prospectus is available on SEDAR at www.sedar.com.

Air Tindi Ltd.

On December 19, 2006 the Corporation purchased all of the issued and outstanding shares in the capital of Air Tindi. Air Tindi operates a diversified fleet of 22 fixed wing aircraft offering scheduled and chartered passenger and cargo services, as well as air ambulance services, in northern Canada. Its customers include, among others, major diamond and base metal exploration and mining companies and government entities.

Air Tindi is a commercial fixed wing charter company based in Yellowknife, Northwest Territories that, alone and in partnership with its joint venture corporation, Tli Cho Air Inc., provides air charter services throughout Canada's north to public and private sector customers. In partnership with Tli Cho Air, Air Tindi is able to provide these fixed wing services on traditional lands covered by land claim settlement agreements. Air Tindi conducts business and supports operations bases throughout the Canadian north and Alberta and provides charters throughout Canada and the United States. Air Tindi also provides scheduled service to five northern communities. Air Tindi provides an essential service for its customers as access to, and movement at, the majority of its customers' locations is only possible via the assistance of aircraft. This includes the movement of people, supplies and equipment.

Air Tindi derives revenue from the following core business sectors:

- Exploration and mining
- Tourism Industry (outfitters, lodges, hunting & fishing)
- Medivac service in Northern Canada
- Provision of support to the public sector, including environmental, law enforcement, geological and scientific support.
- Scheduled Flights to northern communities
- Other services, including private environmental surveying, utilities-pipeline patrol, power line construction, telecommunications support, and general miscellaneous charters.

Approximately 45% of revenues are derived from the mining sector; approximately 25% from the public sector; and approximately 30% from scheduled and other chartered flights, including tourism.

Air Tindi began operations in November 1988 with four aircraft and eight employees in Yellowknife, Northwest Territories. The name "Tindi" means Big Lake, or Great Slave Lake, in the local Dogrib language. Initial success was built on the transportation of people and freight to the communities, cabins, and lodges in the remote areas north of Yellowknife, where there are no roads.

Air Tindi was originally founded by the Arychuk family, who were all born and raised in the North. The four original founders still maintain their management positions and continue to work with Air Tindi and all have a significant interest in the shareholdings of the Corporation (approximately 4.6% each, of the issued and outstanding Common Shares as of January 31, 2007). A significant part of Air Tindi's success has been the early acquisition of experienced personnel, while procuring aircraft from other companies and maintaining northern jobs. This approach has allowed Air Tindi to adopt the best management and operational techniques.

Air Tindi operates from two locations in Yellowknife. The facilities at the International airport include three hangers (being a 16,000 sq. foot hangar that houses the maintenance and sheet metal departments, a dedicated medivac hangar and a new 18,000 sq. foot Dash 7 heavy maintenance hangar), a cargo warehouse and a private scheduled and charter passenger terminal. The float base location, a three-storey, 11,000 sq. foot building, is home to the float equipped aircraft in the summer and ski equipped aircraft in the winter. The float base is also home to the dispatch, flight operations, finance and marketing departments.

Air Tindi operates the largest and most diversified fleet of fixed wing aircraft based in the Northwest Territories. This fleet includes nine different types of aircraft, being the Citation II Jet, Dash 7 Combi Airliner, Twin Otter 300, King Air 200, Beech 99 Commuter, 208 Caravan, 208B Grand Caravan, Turbo Otter and Cessna 185. This fleet of aircraft is suited for a variety of jobs, enabling Air Tindi to provide its customers with maximum flexibility. Air Tindi employs over 160 people.

Air Tindi faces competition from other large and medium sized companies providing fixed wing services in some of the same geographic locations and serving the same markets. However, in Air Tindi's experience, aboriginal partnerships enable it to remain very competitive.

In 2005, Air Tindi changed its year-end from October 31 to February 28. Air Tindi generated consolidated revenues of $24.4 million in fiscal 2004 (12 months ended October 31, 2004). $5.1 million in fiscal 2005 (four months ended February 28, 2005), and $28.7 million in fiscal 2006 (12 months ended February 28, 2006).

For the nine months ended November 30, 2006, Air Tindi generated $27.4 million in revenues. From December 19, 2006, the date of acquisition, to January 31, 2007, Air Tindi generated revenues of $2.7 million.

For more information on the business of Air Tindi refer to Form 51-102F4 – Business Acquisition Report of the Corporation dated March 2, 2007. The Business Acquisition Report is available on SEDAR at www.sedar.com.

REGULATORY ENVIRONMENT

The aviation industry in Canada is subject to a stringent and comprehensive regulatory environment.

Civil air transportation in Canada is regulated federally and is the responsibility of the Minister of Transport. The Canadian Transportation Agency is responsible for the licensing system of air carriers that provide domestic or international publicly available air transportation services, and for the enforcement of the CTA and its related regulations. Transport Canada administers the *Aeronautics Act*, and all related regulations, orders and advisory materials, which contain the requirements for the issuance and maintenance of air operator certificates. No person may operate an air transport service or aerial work service unless that person holds and complies with the provisions of an air operator certificate that authorizes the person to operate that service.

As part of the certification process, the applicant must demonstrate that it has developed an operational and organizational structure in accordance with Transport Canada regulations. Transport Canada approval is required for key managerial personnel including the operations manager, chief pilot and director of maintenance. Transport Canada must also approve the applicant's proposed operations manual, standard operating procedures, minimum equipment lists, and other required documents.

Issuance of an air operator certificate designates the operator to which the certificate is assigned as adequately equipped and capable of conducting a safe operation. Air Tindi, GSHL and H&L have been issued all applicable air operator certificates to conduct their respective flight operations. As long as they comply with the conditions and operations specifications outlined in the respective certificates, the certificates will remain valid.

All operators participating in the civil air transportation business must also adhere to the aviation safety requirements as set out in the Canadian Aviation Regulations (CARs). The CARs are administered by Transport Canada and contain the policies and procedures for such areas as aircraft identification and registration, personnel licensing, general operating and flight rules, commercial air services, and air navigation services.

Air Tindi’s, GSHL's and H&L's flight operations and maintenance procedures, policies and controls are Transport Canada approved.

See also "Description of Capital Structure – Constraints" regarding CTA imposed restrictions on foreign ownership.

RISK FACTORS

If any of the following risks actually materialize, the business, financial condition, liquidity or results of operations of the Corporation could be materially affected. These risks and uncertainties are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the operations of the Corporation.

Industry Risk

Seasonality of Business

Due to the highly focused nature of the rotary wing and fixed wing services provided by GSHL and H&L, respectively, and to a lesser extent, the fixed wing services provided by Air Tindi, revenue generation opportunities are significantly higher in the late spring, summer and early fall seasons. Reduced demand for Air Tindi's charter, GSHL's and H&L's aircraft services during the months of November through April are generally due to adverse weather conditions and fewer daylight hours. As a result, the operations of the Corporation are subject to seasonal variations. Operating results therefore vary from quarter to quarter, and results from one quarter may not be indicative of results that may be achieved for another quarter or the full year.

Industry and Government Regulations

The aircraft industry, both fixed wing and rotary wing, is subject to complex aviation, transportation, environmental, labour, employment and other laws and regulations. These laws and regulations generally require aircraft operators to maintain and comply with a variety of certificates, permits, licenses and other approvals. The ability of Air Tindi, GSHL and H&L to conduct business is dependent on their ability to maintain these licences and certificates. None of Air Tindi, GSHL nor H&L can ensure that, for a reasonable cost, they will be able to remain in compliance with all applicable industry standards and regulations applicable to them in the future.

Air Tindi, GSHL and H&L are routinely audited by Transport Canada to ensure compliance with all flight operation and aircraft maintenance requirements. As of the date hereof, Air Tindi, GSHL and H&L are in compliance with all flight operation and aircraft maintenance requirements, however, there can be no assurance that they will pass all audits in the future. Failure to pass such audits could result in fines or grounding of the aircraft which could have a material adverse effect on the Corporation's business, results of operations or financial condition.

Air Tindi, GSHL and H&L are also subject to certain federal, provincial and local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability, fines or penalties for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. As a result, Air Tindi, GSHL or H&L may incur costs to clean up contamination present on, at or under its facilities, even if such contamination was present prior to the commencement of its operations at the facility and was not caused by its activities.

Competition

GSHL and Air Tindi face competition from other large national competitors as well as other regional competitors. Some of GSHL's customers may also elect to perform their own helicopter operations. Certain services may also be able to be provided by other types of aircraft not currently owned by Air Tindi and GSHL.

To the knowledge of the Corporation, no other Ontario based aviation company currently possesses the necessary resources to support the provision of the services provided by H&L. However, future Ontario based or current or future out-of-province operators may be more suitably equipped to compete against H&L for the provision of these services.

There can be no assurance that Air Tindi, GSHL and H&L will be able to compete successfully against their current or future competitors or that such competition will not have a material adverse effect on the Corporation's business, results of operations or financial condition.

Insurance

Air Tindi’s, GSHL's and H&L's operations are subject to risks normally inherent in the air services industry in which they operate, including potential liability which could result from, among other circumstances, personal injury or property damage arising from disasters, accidents or incidents involving aircraft operated by Air Tindi, GHSL, H&L or their agents. The Corporation may not be able to obtain insurance against all hazards associated with the air services that Air Tindi, GSHL and H&L provide. The availability of, and the ability to collect on, insurance coverage may be beyond the control of the Corporation. The Corporation cannot guarantee that insurance coverage will be sufficient to cover large claims or losses or that the insurer will be solvent when claims are made. There can be no assurance that the Corporation will be able to obtain insurance at acceptable levels and costs in the future.

The Corporation may become subject to liability for hazards which it cannot or may not elect to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies. The occurrence of an aircraft-related accident or mishap involving the Corporation could have a material adverse effect on the Corporation's business, results of operations or financial condition. If the Corporation is held liable for uninsured hazards, the payment of those liabilities would reduce the potential for expansion, development and marketing of the Corporation. The loss of insurance coverage or the inability to collect on insurance coverage in the event of a loss, expropriation or confiscation of, or severe damage to, a large number of aircraft in Air Tindi’s, GHSL's or H&L's fleet could adversely affect the Corporation's business, results of operations or financial condition.

Foreign Currency Risk

The Corporation's revenues are primarily in Canadian dollars. The Corporation is exposed to fluctuations in the Canada/US exchange rate due to US dollar payment obligations associated with aircraft payment obligations, maintenance expenditures such as spare parts and fuel costs. As a result, a significant change in the Canada/US exchange rate could have a material adverse effect on the Corporation's business, results of operations or financial condition.

Reliance On A Single Customer

H&L’s revenue from aerial forest fire services is derived from two contracts with the Ontario Government. These contracts expire at the end of the fire season in 2007 and 2009 respectively, with the continuation of each contract for each new fiscal year being conditional upon a sufficient appropriation of funds by the Ontario Government so that payments under the contract may be satisfied. Given the nature of the services being provided, management believes that it is unlikely that the Ontario Government will discontinue appropriation of funds for these contracts. Either contract may be immediately terminated by the government agency by giving notice to H&L upon occurrence of certain events of default including if H&L becomes insolvent or breaches certain specified material terms or conditions of the contract, and may be terminated without cause by giving H&L thirty days prior written notice.

Business Risk

Dependence on the Natural Environment

Weather conditions, which cannot be predicted, can greatly affect the number of flight hours, and therefore could potentially have a material adverse effect on the Corporation's business, results of operations or financial condition.

Dependence on Key Personnel

The management teams responsible for the operations of Air Tindi, GSHL and H&L are comprised of a number of highly experienced individuals, many of whom have held various operational positions at all levels of the aviation industry. The continued development and success of the Corporation is highly dependent on the skills, talents, and efforts of these individuals. The loss of the services of one or any of these individuals could have an adverse effect on the Corporation's business performance and resulting financial condition.

Replacement and Maintenance of Aircraft

Air Tindi, GSHL and H&L need aircraft to continue to conduct business as air operators. Neither company can guarantee that it will be able to purchase aircraft in the future on acceptable terms. As well, the companies may face unexpected repairs to their aircraft that are beyond their control and that adversely affect their business. Air Tindi, GSHL and H&L cannot guarantee that they will be able to obtain equipment or replacement parts on satisfactory terms when required.

Dependence on Third Party Suppliers

The majority of spare parts and aircraft system components of Air Tindi, GSHL and H&L are purchased from third party suppliers. These suppliers are located throughout Canada and the United States, and in many cases have established long standing relationships with Air Tindi, GSHL and H&L, as the case may be. Contingent suppliers have been identified for a number of parts and components, however, as some items are of a highly specialized nature, they can only be purchased directly from an original equipment manufacturer. The inability of suppliers to provide Air Tindi, GSHL or H&L with the required parts and systems in a timely manner could result in Air Tindi, GHSL or H&L being unable to maintain flight operations at full capacity.

Need to Hire New Personnel

There is significant competition for employees with the skills required to perform the services that Air Tindi, GSHL and H&L offer. Qualified, capable staff are in great demand and are likely to remain a scarce resource for the foreseeable future. There can be no assurance that Air Tindi, GSHL and H&L will be successful in attracting a sufficient number of highly skilled employees in the future, or that it will be successful in training, retaining and motivating the employees it is able to attract, and any inability to do so could impair the Corporation's ability to achieve its business objectives.

Need for Additional Financing

The Corporation may require additional financing in the future. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of Air Tindi, GSHL and H&L. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Corporation or at all. Where additional financing is attained by way of issuance of treasury shares, control of the Corporation may change and shareholders may suffer additional dilution to their investment.

Labour Relations

None of Air Tindi’s, GHSL's nor H&L's employees are unionized, but the Corporation cannot ensure that it will maintain a non-unionized workforce. If unionization occurs, the potential for labour disputes, such as strikes, may be increased. Any significant disputes could adversely affect the Corporation's business or financial condition.

Fuel Costs

Fuel prices are susceptible to political and terrorist events, weather conditions, refinery capacity and other factors that can affect the supply and price of fuel. While the majority of fuel costs are paid for by Air Tindi’s, GSHL's and H&L's customers, respectively, a significant change in the price of fuel or a fuel-supply shortage could have a material adverse effect on the Corporation's business, results of operations or financial condition.

DESCRIPTION OF CAPITAL STRUCTURE

General

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Class B common variable voting shares (the "Variable Voting Shares") (the Variable Voting Shares together with the Common Shares are sometimes collectively referred to herein as the "Voting Shares").

Common Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are Canadians and Variable Voting Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are not Canadians. See "Description of Capital Structure – Constraints" below.

As of January 31, 2007, there were 108,526,516 Common Shares and zero Variable Voting Shares issued and outstanding.

The holders of the Corporation's Common Shares are entitled to vote at all meetings of the shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote, and will be entitled to one vote for each Common Share held.

The holders of the Corporation's Variable Voting Shares are entitled to vote at all meetings of the shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote, and will be entitled to one vote for each Variable Voting Share held, provided that the Variable Voting Shares as a class are entitled to exercise no greater than 25% of all votes attached to the Common Shares and the Variable Voting Shares, collectively.

The holders of the Common Shares and the holders of the Variable Voting Shares are entitled to:

(a) receive equally, subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, any dividends declared by the Corporation; and

(b) receive equally, subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the remaining property of the Corporation upon the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary.

The Corporation granted $28,750,000 of 8.75% convertible unsecured subordinated debentures (the "Debentures") on December 19, 2006 pursuant to a private placement. The maturity date of the Debentures is December 31, 2011 and they accrue interest at the rate of 8.75% per annum payable in arrears on a semi-annual basis. The debentures are convertible into Common Shares at the holder's option at any time prior to the close of business on the earlier of the maturity date and the last business day prior to the date specified for redemption. The conversion price is $2.05 for each Common Share, subject to adjustment in certain circumstances. The Debentures are not redeemable before December 31, 2009. On or after December 31, 2009 and prior to December 31, 2010, the Debentures are redeemable by the Corporation at par plus accrued and unpaid interest, provided the weighted average trading price of the Common Shares during the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after December 31, 2010 and prior to the maturity date, the Debentures are redeemable by the Corporation at par plus accrued and unpaid interest. The Debentures are governed by a Trust Indenture between the Corporation and Computershare Trust Company of Canada dated December 19, 2006 which sets out details regarding conversion, redemption, interest payments, meetings of debentureholders and other matters. A copy of the Trust Indenture is available on SEDAR at www.sedar.com.

Constraints

The CTA requires holders of licenses to operate a domestic air service to be Canadian within the meaning of the CTA. The Corporation's Articles of Continuance contain foreign ownership restrictions designed to ensure that the Corporation maintains its Canadian status under the CTA.

Specifically, Common Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are Canadians and Variable Voting Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are not Canadians.

For this purpose, Canadian has the meaning set forth in Subsection 55(1) of the CTA, which can be summarized as follows:

(a) an individual who is a Canadian citizen or an individual who has not become a Canadian citizen but who has been granted lawful permission to come into Canada to establish permanent residency and who has not ceased to be a permanent resident;

(b) a corporation or other entity that is incorporated or formed under the laws of Canada or a province that is controlled in fact by Canadians and of which at least 75% of the voting interests are owned and controlled by Canadians as defined in paragraph (a) or by corporations or entities that are also Canadian;

(c) a government in Canada or an agent thereof;

(d) a trust where the trustee and the holders of at least 75% of the beneficial interests in the trust are Canadians as defined in paragraphs (a), (b), (c) or (e); or

(e) a partnership of which each partner is a Canadian as defined in paragraphs (a), (b), (c) or (d).

Further, each issued and outstanding Common Share will be converted into one Variable Voting Share, automatically and without any further act of the Corporation or the holder, if such Common Share is or becomes beneficially owned or controlled, directly or indirectly, by a person who is not a Canadian. Each issued and outstanding Variable Voting Share will be automatically converted into one Common Share without any further act on the part of the Corporation or of the holder, if such Variable Voting Share is or becomes beneficially owned and controlled, directly or indirectly, by a Canadian. The Variable Voting Shares as a class are entitled to exercise no greater than 25% of all votes attached to the Common Shares and the Variable Voting Shares, collectively.

The Corporation's Articles of Continuance also grant to its board of directors all powers necessary to give effect to the ownership restrictions. The Corporation may in the future adopt various procedures and policies with respect to the transfer of Voting Shares of the Corporation to ensure that the 25% limitation on non-Canadian ownership of voting shares of the Corporation is complied with. In addition, the Corporation may in the future adopt policies and procedures to monitor the number of Voting Shares owned by Canadians to ensure that the provisions of the CTA are complied with.

DIVIDENDS

To date, the Corporation has not paid any dividends on its Common Shares. The future payment of dividends will be dependent upon the financial requirements of the Corporation to fund future growth, the financial condition of the Corporation, and other factors which the board of directors may consider appropriate in the circumstances. It is unlikely that dividends will be paid in the foreseeable future.

MARKET FOR SECURITIES

Trading Price and Volume

The Corporation's Common Shares are listed and posted for trading on the Toronto Stock Exchange. The trading symbol is DA.A. Prior to the initiation of trading on the Toronto Stock Exchange on June 9, 2006, the Corporation's Common Shares had been listed and trading on the TSX Venture Exchange since April 10, 2006.

The Corporation's Variable Voting Shares are not listed or posted for trading on any exchange or market. Holders of Variable Voting Shares may not be able to resell such securities, whether such securities are acquired by way of automatic conversion or otherwise.

The Corporation’s Debentures were listed and posted for trading on the Toronto Stock Exchange on April 20, 2007 under the trading symbol DA.DB.

The following table lists the high and low closing market prices and trading volume of the Common Shares from November 1, 2006 to January 31, 2007.

COMMON SHARES			
Month	**High**	**Low**	**Trading Volume**
January 2007	$1.84	$1.35	1,117,378
December 2006	$1.74	$1.53	341,448
November 2006	$1.77	$1.52	671,048

Prior Sales

The Corporation granted $28,750,000 of Debentures on December 19, 2006. All $28,750,000 of the Debentures remain outstanding on January 31, 2007. The offering of the Debentures was completed by private placement pursuant to an Underwriting Agreement between the Corporation, GMP Securities L.P. and CIBC World Markets Inc. dated December 19, 2006. Among other things, the Underwriting Agreement sets out the terms and conditions of the private placement, the covenants, representations and warranties of the Corporation, the conditions of closing and indemnity obligations. A copy of the Underwriting Agreement is available on SEDAR at www.sedar.com.

ESCROWED SECURITIES

The following table sets forth the number of securities of the Corporation held, to its knowledge, in escrow and the percentage that number represents of the outstanding securities of that class, as at January 31, 2007.

Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Common Shares	8,566,818	7.9%
Warrants	238,636	3.06%

(1) Pursuant to an agreement (the "Escrow Agreement") dated March 28, 2006 between the Corporation, Computershare Investor Services Inc, and four shareholders of the Corporation, Computershare Investor Services Inc. agreed to act as escrow agent for a total of 19,999,999 Common Shares and 477,272 Warrants to purchase Common Shares.

(2) At the time of closing of the initial public offering of the Corporation, 14,500,000 Common Shares of the Corporation were held by Pacific & Western Bank of Canada ("PWB") and subject to escrow pursuant to an Escrow Agreement. The Escrow Agreement provided that 3,625,000 of those Common Shares were released on the date the Common Shares were first listed on a Canadian stock exchange, being April 10, 2006. Pursuant to the Escrow Agreement another 2,529,091 of those Common Shares were released from escrow on July 10, 2006 and another 2,529,091 of those Common Shares were released from escrow on October 10, 2006.

(3) In October, 2006, PWB sold 9,400,000 Common Shares to Oak Trust Company, as trustee of the YMCA Trust. Of these, 3,583,182 Common Shares were freely tradeable and 5,816,818 were subject to escrow. Oak Trust Company, as trustee of the YMCA Trust, signed an acknowledgement to be bound by the terms of the Escrow Agreement in respect of the Common Shares it acquired that were subject to escrow requirements. The remaining escrowed Common Shares held by Oak Trust Company, as trustee of the YMCA Trust, will be released from escrow on October 10, 2007.

(4) In addition to PWB, three other shareholders of the Corporation entered into the above referred to Escrow Agreement. In the case of these three shareholders, two of whom are also warrantholders, twenty five per-cent of their Common Share and Warrant holdings were released on the date the Common Shares were first listed on a Canadian stock exchange, being April 10, 2006. An additional twenty five per-cent were released on October 10, 2006, an additional twenty five per-cent were released on April 10, 2007 and the remaining twenty five per-cent will be released on October 10, 2007.

DIRECTORS AND OFFICERS

The following table sets forth the names, municipalities of residence, positions held with the Corporation, and principal occupations of its directors and officers as at January 31, 2007.

Name	Office Held and Time as Director	Principal Occupation
David R. Taylor Ilderton, Ontario	Chairman, President and Chief Executive Officer, and Director since December 22, 2004	President and Chief Executive Officer of PWB and Pacific & Western Credit Corp. ("PWC"), a Canadian Schedule I Chartered bank and its parent company
Danny R. Anderson (2) Saskatoon, Saskatchewan	Director since January 13, 2006	Partner (through his professional corporation), MacPherson Leslie & Tyerman LLP, a law firm
John C. Drake London, Ontario	Director since January 13, 2006	President, Drake Goodwin Corporation, an investment firm
Arnold E. Hillier (1)(2) Saskatoon, Saskatchewan	Director since January 13, 2006	Retired, former Chairman, Chief Executive Officer and Chief Financial Officer, Claude Resources Inc., a natural resource mining and oil and gas company
William T. Mitchell (1) Etobicoke, Ontario	Director since January 13, 2006	Retired, former Senior Partner of PricewaterhouseCoopers LLP
Paul G. Oliver (1) Markham, Ontario	Director since January 13, 2006	Retired, former Senior Partner of PricewaterhouseCoopers LLP
Jonathan F.P. Taylor (2) Saskatoon, Saskatchewan	Director since January 13, 2006	Senior Vice-President of PWB and PWC, a Canadian Schedule I Chartered bank and its parent company
Adam Bembridge Yellowknife, Northwest Territories	Executive Vice President, Rotary Wing Division, and Director since October 18, 2006	President and Chief Executive Officer of GSHL, a wholly owned subsidiary of the Corporation
Ian Campbell Yellowknife, Northwest Territories	Director since October 18, 2006(A)	Vice-President of GSHL, a wholly owned subsidiary of the Corporation
Alex Arychuk Yellowknife, Northwest Territories	Executive Vice President, Fixed Wing Division(B)	President of Air Tindi, a wholly owned subsidiary of the Corporation

Name	Office Held and Time as Director	Principal Occupation
Richard H.L. Jankura London, Ontario	Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer of the Corporation
R. Shawn Clarke London, Ontario	Chief Operating Officer	Chief Operating Officer of the Corporation
Tammie L. Ashton London, Ontario	Vice-President and Corporate Secretary	Vice-President, General Counsel and Corporate Secretary of the Corporation

(1) Member of the Audit Committee.
(2) Member of the Human Resources & Corporate Governance Committee.

(A) Ian Campbell resigned as a director of the Corporation effective April 13, 2007.
(B) Alex Arychuk became a director of the Corporation on April 13, 2007.

The term of office for each of the directors of the Corporation will expire at the next annual meeting of shareholders of the Corporation.

At January 31, 2007, there were 108,526,516 issued and outstanding Common Shares of the Corporation. At January 31, 2007, the directors and senior officers of the Corporation as a group beneficially owned, directly or indirectly, or had control or direction over, 43,665,775Common Shares of the Corporation, representing approximately 40.2% of the total number of Common Shares outstanding.

Management is not aware of any potential conflicts involving any directors or officers of the Corporation other than Mr. David Taylor. Mr. David Taylor could be in a conflict of interest position in his capacity as an executive officer of PWB if he were to be involved in any credit decisions involving loans to the Corporation or any of its subsidiaries. In any such case, Mr. Taylor will declare his conflict and elevate the approval to the next level of approval, which is the Risk Review Committee of PWB. Mr. Taylor is not a member of such committee.

AUDIT COMMITTEE INFORMATION

The Mandate of the Audit Committee of the Corporation is attached to this Annual Information Form as Exhibit "A".

The members of the Audit Committee are: William T. Mitchell (Chair), Arnold E. Hillier and Paul G. Oliver. Each member of the Audit Committee is both independent and financially literate, as such terms are defined in Canadian securities legislation.

Mr. Mitchell is a retired senior partner of PriceWaterhouseCoopers LLP. While with PriceWaterhouseCoopers LLP, Mr. Mitchell held various senior positions including that of lead banking partner, partner in charge of the Audit Group in Toronto, Chairman of the Financial Services Industry Practice in Canada, and Chairman of the Financial Services Practice globally. Mr. Mitchell also served as lead engagement partner for PriceWaterhouseCoopers LLP for Schedule I and II Canadian banks, as well as other public corporations in various industries. He is past Chairman of the OSFI Advisory Committee. Mr. Mitchell was admitted to the Institute of Chartered Accountants in England and Wales in 1959. He was awarded Fellowship in the Institute of Chartered Accountants of Ontario in 1976, after having been admitted to membership in 1964.

Mr. Hillier is retired from his position as Chairman, Chief Executive Officer and Chief Financial Officer of Claude Resources Inc., a natural resource mining and oil and gas company with its head office in Saskatoon, Saskatchewan. Mr. Hillier previously held senior executive positions with companies in both the mining and the insurance industry. Mr. Hillier has a Bachelor of Commerce Degree from the University of Saskatchewan and is a member of the Institute of Chartered Accountants of Saskatchewan.

Mr. Oliver is a retired senior partner of PriceWaterhouseCoopers LLP in the Financial Services Industry Practice. His practice focused on Assurance, Financial Reporting and Business Advisory services, covering a broad range of organizations, with a focus in the regulated financial services industry. Mr. Oliver was admitted to the Institute of Chartered Accountants in England and Wales in 1968. He became a Fellow of the Institute of Chartered Accountants of Ontario in 2003, after having been admitted to membership in 1971. Mr. Oliver is a Certified Director of the Institute of Corporate Directors.

The Corporation's board of directors has approved an Audit Services Policy which provides that the Audit Committee shall pre-approve non-audit services and audit and non-audit related fees to be provided by the external auditor on a case-by-case basis.

Audit Fees

Fees paid to KPMG LLP for audit services during the three month period ended January 31, 2007 were $150,000.

Audit-Related Fees

Fees paid to KPMG LLP for audit-related services during the three month period ended January 31, 2007 were $nil.

Tax Fees

Non-audit services fees paid to KPMG LLP during the three month period ended January 31, 2007 were $nil.

No other fees were paid to KPMG LLP during the year ended January 31, 2007.

MATERIAL CONTRACTS

The following are contracts, other than contracts entered into in the ordinary course of business, material to the Corporation and entered into within the fiscal period ended January 31, 2007 or entered into prior to that period and still in effect. The wholly owned subsidiaries of the Corporation are parties to additional material contracts which have been determined by the Corporation to have been entered into in the ordinary course of business and which are therefore not listed below.

1. The share purchase agreement dated December 19, 2006 pursuant to which the Corporation acquired all of the outstanding shares in the capital of Air Tindi. See "General Development of the Business – Air Tindi Ltd.".

2. The trust indenture dated December 19, 2006 between Computershare Trust Company of Canada and the Corporation in relation to the Convertible Debentures offered by the Corporation. See “Description of Capital Structure”.

3. The underwriting agreement dated December 19, 2006 between GMP Securities L.P., CIBC World Markets Inc. and the Corporation in relation to the Convertible Debentures offered by the Corporation. See "Market for Securities".

4. The share purchase agreement dated June 20, 2006 pursuant to which the Corporation acquired all of the outstanding shares in the capital of GSHL. See "General Development of Business – Great Slave Helicopters Ltd.".

5. The management agreement made effective November 1, 2006 between the Corporation and PWC referred to under "Promoter".

6. The Business Advisory Agreement made effective November 1, 2006 between the Corporation and PWC referred to under "Promoter".

7. The agency agreement dated March 30, 2006 between GMP Securities L.P. and the Corporation. For more information on the agency agreement, see "Plan of Distribution" starting on page 30 in the Prospectus of the Corporation dated March 30, 2006, which section is incorporated herein by reference. The Prospectus is available on SEDAR at www.sedar.com.

8. The transfer agent agreement with Computershare Investor Services Inc. dated March 30, 2006. See "Transfer Agent and Registrar" on page 36 in the Prospectus of the Corporation dated March 30, 2006, which section is incorporated herein by reference. The Prospectus is available on SEDAR at www.sedar.com.

9. The escrow agreement dated March 28, 2006 between the Corporation, Computershare Investor Services Inc., PWB, NBCN Clearing ITF Duane Hicks Jr., John Drake and National Bank Financial, as Trustee for David Taylor RSP Account referred to under "Escrowed Securities" starting on page 22 in the Prospectus of the Corporation dated March 30, 2006, which section is incorporated herein by reference. The Prospectus is available on SEDAR at www.sedar.com.

10. The interim agreement dated January 29, 2007 to purchase all of the issued and outstanding shares of VIH Aviation Group Ltd. and YYJ FBO Services Ltd., which agreement was terminated March 7, 2007.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Annual Information Form, no director or executive officer of the Corporation or any shareholder holding, on record or beneficially, directly or indirectly, more than 10% of the issued and outstanding Common Shares, or any of their respective associates or affiliates, had any material interest, directly or indirectly, in any transaction with the Corporation within the three years immediately preceding the date of this Annual Information Form or during the current financial year which has materially affected or would materially affect the Corporation or any of its subsidiaries.

LEGAL PROCEEDINGS

Neither the Corporation nor Air Tindi, GSHL or H&L are a party to any legal proceedings, and no such proceedings are known to be contemplated, which involve a claim for damages in excess of 10% of the current assets of the Corporation or Air Tindi, GSHL or H&L, as the case may be.

PROMOTER

PWB is a promoter of the Corporation in that it took the initiative in founding and organizing the Corporation. As of January 31, 2007, PWB held 1,340,436 Common Shares in the capital of the Corporation and PWC, its parent company, held 7,400,000 Common Shares.

There is a Business Advisory Agreement in place between PWC, the parent company of PWB, and the Corporation made effective November 1, 2006. Pursuant to the Business Advisory Agreement PWC provides business advisory services to the Corporation, including the duties and responsibilities of the role of Chief Executive Officer which include business and financial advisory services of David Taylor, for a fee of $400,000 for services from November 1, 2006 to October 31, 2007. There is also a Management Agreement in place between PWC and the Corporation made effective November 1, 2006. Pursuant to that agreement, from November 1, 2006 to April 30, 2007 PWC provides financial advisory services, accounting services and human resource services to the Corporation and its subsidiaries in exchange for a fee of $165,000.00. PWC has the right to adjust the fees in both the Business Advisory Agreement and the Management Agreement to more accurately reflect the actual services provided by PWC. The agreements may be terminated at any time by either PWC or the Corporation.

TRANSFER AGENT

The Corporation's registrar and transfer agent is Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario M5J 2Y1.

INTERESTS OF EXPERTS

The Corporation's auditors are KPMG LLP, Suite 600, 128 4th Avenue South, Saskatoon, Saskatchewan S7K 1M8. The partners of KPMG LLP do not beneficially own, directly or indirectly, any securities issued by the Corporation.

ADDITIONAL INFORMATION

Additional information regarding the Corporation may be found on SEDAR at www.sedar.com.

Information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, and securities authorized for issuance under equity compensation plans are contained in the Management Proxy Circular for the Annual and Special Meeting of Shareholders held on April 13, 2007 which is available on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's comparative financial statements and MD&A for the year ended January 31, 2007 filed on SEDAR at www.sedar.com.

EXHIBIT "A"
MANDATE OF THE AUDIT COMMITTEE OF DISCOVERY AIR INC. ("DA")

1. The Audit Committee shall consist of not less than three directors, each of whom must be independent. [1 3]

2. Each member of the Audit Committee must be financially literate.[2 3]

3. The Audit Committee shall meet at least once a quarter, and otherwise as required.

4. The members of the Audit Committee are charged with the following duties, to:

   a) review such returns as needed to comply with regulatory requirements, and report to the Board of Directors where approval of the returns by the Board is required;

   b) require management to implement and maintain appropriate internal control procedures;

   c) review, evaluate and approve the internal control procedures;

   d) review such investments and transactions that could adversely affect the well being of DA as the auditor or auditors or any officer may bring to the attention of the Committee;

   e) review all arrangements involving an outsourcing of significant operations;

   f) concur with the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services before recommending them to the Board of Directors;

   g) meet with the external auditor to review the Audit Planning Memorandum;

   h) concur with the compensation of the external auditor before recommending it to the Board of Directors for approval;

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[1] Independence means having no direct or indirect material relationship with DA. A material relationship means a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the member's independent judgement. Notwithstanding the above, an individual is considered to have a material relationship with DA in a number of situations enumerated in MI52-110, including if the individual accepts directly or indirectly any consulting, advisory or other compensatory fee from DA or any subsidiary entity of DA other than as remuneration for acting in his or her capacity as a member of the Board or any Committee or as a part-time Chair or Vice-Chair of the Board or any Committee.

[2] Financially literate means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of accounting issues that can reasonably be expected to be raised by the financial statements.
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[3] If the death, disability or resignation of a member has resulted in a vacancy on the Committee that the Board is required to fill, a Committee member appointed to fill such vacancy is exempt from the requirement for a period ending on the later of the next annual meeting and the date that is six months from the day the vacancy was created, so long as the Board has determined that a reliance on this exemption will not materially adversely affect the ability of the Committee to act independently and to satisfy its other requirements.

i) pre-approve services and expenditures to the external auditor, in accordance with the Audit Services Policy;

j) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including the resolution of disagreements between management and the external auditor regarding financial reporting;

k) meet with the external auditor or auditors to discuss the annual financial statements and the returns and transactions referred to in this Mandate;

l) annually review all amounts paid to the external auditor and other accounting firms in the previous year;

m) identify, evaluate and, where appropriate, recommend to the shareholder(s), replacement of the external auditor;

n) concur with hiring policies regarding partners, employees and former partners and employees of the present and former external auditor before recommending them to the Board of Directors for approval;

o) concur with the hiring of a partner, employee or former partner or employee of the present or former external auditor before recommending it to the Board of Directors for approval;

p) review the Corporate Disclosure Policy and all amendments thereto before recommending it to the Board of Directors for approval;

q) concur with the Mandate of the Disclosure Committee before recommending it to the Board of Directors for approval;

r) review the Disclosure Controls and Procedures;

s) review new accounting policies and amendments to existing accounting policies before recommending them to the Board of Directors for approval;

t) establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters;

u) establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

v) approve the interim quarterly financial statements and MD&A of DA;

w) concur with the annual financial statements and the annual MD&A before recommending them to the Board of Directors for approval;

x) review the interim and annual earnings press releases before public disclosure; and

y) review the Annual Information Form, if any, before recommending it to the Board of Directors for approval.

5. The Audit Committee has the authority to:

   a) communicate directly with the external auditors;

   b) engage independent counsel and other advisors as determined necessary; and

   c) set and pay the compensation for any advisors employed by the Audit Committee, provided such compensation does not exceed $10,000 in any fiscal year. Should the compensation of outside counsel or other advisor exceed $10,000 in any fiscal year, the prior approval of the full Board of Directors will be required.