ANNUAL INFORMATION FORM
For the year ended January 31, 2008

April 25, 2008

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EXPLANATORY NOTES

Unless otherwise noted, all information is given as at January 31, 2008. Financial information is based on the audited consolidated financial statements of Discovery Air Inc. ("Discovery Air", the "Corporation", "us" or "we") for the year ended January 31, 2008 and information contained herein should be read in conjunction with such statements and their related notes. All monetary amounts are expressed in Canadian Dollars and references to "$" are to Canadian dollars.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

We occasionally make forward-looking statements about our 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. Although we believe that the assumptions underlying our forward-looking statements are reasonable, they could prove to be inaccurate and therefore there can be no assurance that expected results will be obtained. 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. Actual results may vary from predictions. 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 we operate; 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 we operate; 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. Forward looking information is provided for the purposes of meeting legal disclosure requirements, and also to assist the public in understanding our business. Because of the inherent risk of inaccuracy in forward-looking information, the reader is cautioned that it may not be appropriate for the stated or other purposes. 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 statements.

CORPORATE STRUCTURE & GENERAL DEVELOPMENT

Discovery Air Inc. was incorporated on November 12, 2004 pursuant to the Ontario *Business Corporations Act* and was continued under the *Canada Business Corporations Act* on March 27, 2006. The share structure of the Corporation was amended at the time of the continuance to restrict foreign voting control, 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 1979 Otter Place, London, Ontario, N5V 0A3. The registered office of the Corporation is 106 Dickens Street, Yellowknife, Northwest Territories, X1A 2R3. Our Class A common shares are publicly traded on the Toronto Stock Exchange (symbol: DA.A). Our debentures are publicly traded on the Toronto Stock Exchange (symbol: DA.DB). The Corporation and all of its operating subsidiaries changed their fiscal year ends from October 31 to January 31 effective for the year ended January 31, 2007.

Discovery Air is an investment company which owns subsidiaries that are engaged exclusively in the provision of aviation and aviation related services to customers in niche markets. 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 aviation services to clients in selected niche markets.

The Corporation acquired all of the issued and outstanding shares in the capital of Hicks & Lawrence Limited ("Hicks & Lawrence") in 2004 and 2005. In April of 2006, we completed an initial public offering of our Class A shares and listed our Class A Shares on the TSX Venture Exchange. In June of 2006, our Class A Shares became listed on the Toronto Stock Exchange and we acquired all of the issued and outstanding shares in the capital of Great Slave Helicopters Ltd. ("Great Slave"). In December 2006, we acquired all of the issued and outstanding shares in the capital of Air Tindi Ltd. ("Air Tindi"). In August 2007 we acquired all of the issued and outstanding shares in the capital of Top Aces Inc. ("Top Aces") and in January 2008 we acquired the business of Discovery Mining Services Ltd. ("DMS").

We intend to explore opportunities for acquiring additional aviation companies which demonstrate successful business models, are established niche market operators, and are positioned for growth.

Operating decisions for Discovery Air's businesses are made by management of the operating subsidiaries. Discovery Air provides management services to the operating subsidiaries including legal, strategic management, financial structuring, and finance and accounting services in return for a fee.

The following chart sets out the significant subsidiaries of Discovery Air, along with their jurisdictions of incorporation. All subsidiaries are owned 100% by Discovery Air and are engaged in niche aviation and aviation related business activities across Canada.

Name of Subsidiary	**Jurisdiction of Incorporation**
Hicks & Lawrence Limited	Ontario
Great Slave Helicopters Ltd.	Canada
Air Tindi Ltd.	Canada
Top Aces Inc.	Canada
Discovery Mining Services Ltd.	Canada

BUSINESS DESCRIPTION

The Corporation has two reportable business segments: rotary wing and fixed wing. These segments are differentiated by the nature of the aircraft used to provide aviation services. The rotary wing segment is represented by helicopter charter services as provided by Great Slave and the fixed wing segment is represented by airplane and other services as provided by Air Tindi, Top Aces, Hicks & Lawrence and DMS. While DMS contracts a considerable level of rotary and fixed wing aviation services in the conduct of its business, it contracts a much higher level of fixed wing services than rotary wing services and therefore its results have been included in the fixed wing segment. Customers serviced by both segments consist of governments and private sector companies in the resource and mineral exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys exploration, tourism and flight training

Rotary Wing Segment

For the twelve month period ended January 31, 2008, the rotary wing segment's consolidated revenues were approximately $67.4 million. These revenues were derived primarily from the following sectors: Mining (51%), Oil & Gas (17%), Forestry (20%) and Other, including environmental, non-forestry government and tourism (12%), with the segment's twelve largest customers representing approximately 52% of the segment’s total revenues.

For the three month period ended January 31, 2007, the rotary wing segment’s consolidated revenues were $4.4 million. The business in this segment 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.

As at January 31, 2008, the rotary wing segment had intangible asset balance of $17.8 million related to customer relations and tradenames. Customer relations are amortized on a straight-line basis over an eight year period, while tradenames are not amortized as they have an indefinite life. The Corporation is not aware any events or circumstances that would indicate impairment of this intangible asset.

Great Slave Helicopters Ltd.

Great Slave is a Northwest Territories headquartered helicopter company that provides helicopter services throughout Canada's north to private and public sector customers. Both alone and in partnership with northern Aboriginal groups, Great Slave is able to provide helicopter services on traditional lands covered by land claim settlement agreements. Great Slave conducts business and supports operational bases throughout the Canadian north, as well as Alberta, Saskatchewan, Manitoba and Ontario. Great Slave 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.

Great Slave 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.

Great Slave'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 Great Slave until its acquisition by the Corporation on June 20, 2006. Following the change of ownership, the two former owners remain actively involved with Great Slave's operations, as President and Chief Executive Officer and Vice-President, respectively, and both have a significant ownership interest in Discovery Air.

Great Slave now has over 200 employees and operates a fleet of over 70 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 Great Slave to provide its customers with maximum flexibility.

Oil and gas exploration support augments Great Slave's non-peak months, from October to April, while mineral and diamond exploration support normally peaks in May and continues until September. Great Slave is a service provider for several large mineral exploration companies that utilize helicopter services for their exploration programs. Great Slave'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 Great Slave's mining and exploration customers have long term contracts with Great Slave ranging from one to five years in length, while others have recurring seasonal contracts.

Great Slave 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, Great Slave provides local support for all of its customer's exploration needs.

Great Slave 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 Great Slave 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. Great Slave has become a leader in maintaining such relationships, particularly throughout the Mackenzie Valley.

Great Slave 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.

Great Slave 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. Great Slave's other bases also provide hangar and office space. Great Slave's 8,500 square foot facility in Calgary, Alberta, located at the Springbank Airport, is it's major maintenance facility for the medium helicopters in the fleet and also serves as a flight school allowing Great Slave to train pilots and potentially employ them as part of its recruitment and retention policy.

Great Slave 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, Great Slave's experience, locations and Aboriginal partnerships enable it to remain very competitive.

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

Fixed Wing Segment

For the twelve month period ended January 31, 2008, the fixed wing segment's consolidated revenues were approximately $53.4 million. These revenues were derived primarily from the following sectors: government (50%), mining (32%), scheduled and other chartered flights, including tourism (11%), with the segment's twelve largest customers representing approximately 67% of the segment’s total revenues.

For the three month period ended January 31, 2007, the fixed wing segment’s consolidated revenues were $2.7 million. The business in this segment 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.

As at January 31, 2008, the fixed wing segment had intangible asset balance of $26.8 million related to customer relations and tradenames. Customer relations are amortized on a straight-line basis over an eight year period, while tradenames are not amortized as they have an indefinite life. The Corporation is not aware any events or circumstances that would indicate impairment of this intangible asset.

Hicks & Lawrence Limited

Hicks & Lawrence 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 the Ontario government’s forest fire management program for over two decades. In addition, Hicks & Lawrence is a Transport Canada approved aircraft maintenance organization. Hicks & Lawrence’s revenues are generated primarily during the forest fire season, which in Northern Ontario typically begins in late April and ends in late September.

As at January 31, 2008, Hicks & Lawrence owned and operated a fleet of 26 piston aircraft and 4 turbine aircraft, the latter being used in its Walsten division, described below.

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. Hicks & Lawrence’s fleet of Cessna 337 aircraft have been retro-fitted with specialized high-frequency radio communication systems. Additionally, the majority of the fleet has specialized aircraft tracking systems and 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.

Hicks & Lawrence 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. Hicks & Lawrence provides initial and recurrent ground and flight crew training programs for all of its pilots including specialized forest fire detection and Birddog training. Hicks & Lawrence's primary flight operations base is located in Dryden, Ontario. Additionally, Hicks & Lawrence operates satellite flight operations bases located in Geraldton, Chapleau, Sudbury, Kenora and Timmins, Ontario.

Hicks & Lawrence is qualified to carry out the majority of the inspections tasks and procedures necessary to maintain its aircraft fleet. Hicks & Lawrence'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 Hicks & Lawrence 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. Hicks & Lawrence also supports satellite aircraft maintenance bases located in Kenora, Geraldton and Sudbury, Ontario.

Hicks & Lawrence's Walsten division operates a fleet of four Beech King Air aircraft. The Walsten division is the primary provider of air transport services to court parties in the Northwestern region of Northern Ontario. Additionally, it provides the Ontario Ministry of Natural Resources with air transport services in support of the Ontario government's Forest Fire Management program, as well as air charter services to various private sector companies. While the air transport services provided to court parties by the Walsten division are currently not provided pursuant to any contract, Hicks & Lawrence expects that early in the 2009 fiscal year the government will undertake to have those services provided under contract. Hicks & Lawrence, since it acquired the assets of Walsten in March 2007, and the predecessor owners of Walsten, have been the exclusive provider of these services in the applicable region since 1976. Hicks & Lawrence feels they are well positioned to be awarded the contract for these services.

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 Hicks & Lawrence. During its peak season, from May to September each year, Hicks & Lawrence employs over 60 people. Due to the cyclical nature of their business, the average number of employees over the year is approximately 40.

For more information on the business of Hicks & Lawrence, refer to pages 5 through 11 inclusive in the Prospectus of the Corporation dated March 30, 2006. The Prospectus is available on SEDAR at www.sedar.com.

Air Tindi Ltd.

Air Tindi operates a diversified fleet of 24 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 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. 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)
- Medevac 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.

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 an interest in the shareholdings of the Corporation . 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 hangars (being a 16,000 sq. foot hangar that houses the maintenance and sheet metal departments, a dedicated medevac hangar and an 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 can support a variety of air transport services, enabling Air Tindi to provide its customers with maximum flexibility. Air Tindi employs over 170 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. Air Tindi’s competitive advantage is a function of the company’s experienced and committed workforce, a diverse aircraft fleet, 20 yrs experience operating in extreme environmental conditions, and its aboriginal partnerships.

For more information on the business of Air Tindi, refer to Form 51-102F4 – Business Acquisition Report of the Corporation filed March 6, 2007. The Business Acquisition Report is available on SEDAR at www.sedar.com.

Top Aces Inc.

Top Aces was acquired in August 2007. Top Aces is an approved supplier to the Canadian federal government of combat airborne training services to the Department of National Defence. The revenues for Top Aces are relatively predictable over a twelve month period but can vary greatly from month to month depending on its customer's priorities. Top Aces' revenue generating opportunities are significantly higher in the February to June and September to November time periods.

Top Aces operates a fleet of 8 Alpha-Jet fighter class aircraft, and will expand this fleet to 16 aircraft over the course of the fiscal year ending January 31, 2009. Top Aces also operates a fleet of four 4 Westwind special mission aircraft. Top Aces' aggregate fleet provides adversary support, forward air controller training, and electronic warfare mission support to Canada's air, land, and naval forces. Top Aces supports operations out of various Canadian Forces military bases located across Canada. Top Aces has approximately 55 employees.

Top Aces derives its revenue through standing offer agreements with the Canadian Federal Government for the delivery of combat airborne training services. The original standing offer duration was a three year term with an option to extend for two years. The Government has executed this option and extended the existing agreement until March, 2010. Prior to March, 2010, it is expected that the Government will issue a request for proposal for the provision of the same combat airborne training services but over a much longer term. Top Aces expects competitive bids to be submitted for the new service contract, however neither Top Aces nor Discovery Air is aware of a competitor in the market which is capable of offering the same level of safety, cost-efficiency and customer service as Top Aces. Top Aces' competitive advantage in this unique market is derived from two primary sources:

- A low-cost, safe, fighter aircraft platform which demonstrates most of the sub-sonic performance characteristics of the Canadian Forces CF-18 Hornet fighter platform
- A complement of experienced ex-Canadian Forces CF-18 pilots who have an intimate understanding of the Canadian Forces training environment, and have, in some cases, 20 yrs of experience within the CF-18 operating environment

For more information on the business of Top Aces, refer to Form 51-102F4 – Business Acquisition Report of the Corporation dated November 5, 2007. The Business Acquisition Report is available on SEDAR at www.sedar.com.

Discovery Mining Services Ltd.

DMS was acquired in January 2008. DMS is a provider of remote exploration camps, expediting, logistics and staking services to a broad spectrum of gold, base metal, uranium and diamond exploration companies operating in the Northwest Territories, Nunavut, Northern Alberta, Northern Saskatchewan, and Northern Ontario.

DMS' customers typically operate in some of the most remote locations in the country and as a result DMS is a high volume user of both fixed-wing and helicopter air transportation services. Over the course of 2007 DMS moved over 21 million pounds of freight and goods via 1889 flights. Great Slave provided 99% of DMS' required helicopter support, while Air Tindi provided approximately 33% of DMS' required fixed-wing support.

DMS' competitive advantage is derived from their comprehensive understanding of mineral, base & precious metal mining exploration operations, the experience of their employees, and the company's ability to support a broad spectrum of services ranging from freight forwarding, to purchasing and expediting equipment on behalf of a customer, to providing turn-key remote camp construction and management in some of the harshest environmental conditions on the planet. During its peak season, from April to August each year, DMS employs over 40 people. Due to the cyclical nature of their business, the average number of employees over the year is approximately 30.

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 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 control system 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 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, Great Slave, Hicks & Lawrence and Top Aces 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.

The flight operations and maintenance procedures, policies and controls of Air Tindi, Great Slave, Hicks & Lawrence and Top Aces are Transport Canada approved. Top Aces is also subject to regulation by the Department of National Defence.

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.

<u>Industry Risk</u>

Seasonality of Business

There is increased demand for the aviation and complementary services of Great Slave, Air Tindi, Hicks & Lawrence and DMS normally commencing in the spring and continuing through to the end of the summer. Top Aces revenue generating opportunities are significantly higher in the February to June and September to November time periods. The revenues for Top Aces are relatively predictable over a twelve month period but can vary greatly from month to month depending on its customer's priorities. Furthermore, the Corporation attempts to perform most major repairs and refurbishment during the slower periods of revenue generating potential. As a result, the operations of the Corporation are subject to seasonal variations. Operating results therefore vary from quarter to quarter and results of one quarter may not be indicative of results that may be achieved for another quarter or the full year.

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, Great Slave, Hicks & Lawrence and Top Aces to conduct business is dependent on their ability to maintain these licences and certificates. None of Air Tindi, Great Slave, Hicks & Lawrence nor Top Aces 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, Great Slave, Hicks & Lawrence and Top Aces are routinely audited by Transport Canada to ensure compliance with all flight operations and aircraft maintenance requirements. As of the date hereof, all 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.

Each of Discovery Air's subsidiaries 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, any of our subsidiaries 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.

As a commercial air operator, Top Aces is subject to the same level of regulatory scrutiny as the Corporation's other subsidiaries. However, due to the military nature of Top Aces' operation, Top Aces is subject to additional government regulations, such as Canadian controlled goods regulations, United States International Traffic in Arms Regulations, and similar foreign regulations. To date, Top Aces has been in compliance with all such laws and regulations, and has received all necessary authorities, however, there can be no guarantee that Top Aces will receive all necessary authorities and be in compliance with all regulations in the future.

In addition, Top Aces is also subject to an additional level of regulatory approval under the Department of National Defence Airworthiness rules. Top Aces is regularly audited by Department of National Defense Operational and Technical Airworthiness authorities. To date, Top Aces is in compliance with all technical and operational airworthiness requirements, but there can be no guarantee that they will pass all audits in the future.

Competition

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

To the knowledge of the Corporation, no other Canadian-based aviation company other than Top Aces, currently possess the minimum operating requirements and security clearance in order to supply airborne training services to the Department of National Defence. However, there is no assurance that competitors for this service will not arise in the future.

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 Hicks & Lawrence, nor does any Canadian company currently possess the necessary resources to support the provision of the services provided by Top Aces. However, future operators may be more suitably equipped to compete against Hicks & Lawrence and Top Aces for the provision of these services.

There can be no assurance that Air Tindi, Great Slave, Top Aces, Hicks & Lawrence or DMS 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.

Reliance On A Single Customer

Top Aces' revenue is derived from Standing Offers to provide airborne training services to the Department of National Defence. These Standing Offers currently expire in March 2010. The government is not obligated to call up any Top Aces services under these Standing Offers and may cancel these Standing Offers at their convenience. Due to the essential nature of this military training, management does not believe it likely that the standing offers will be terminated or that there will be any substantial reduction in service required by the Department of National Defence. In addition, Top Aces is the only supplier with approved airworthiness clearances under these Standing Offers. The government has expressed its intent to put these services out for tender via a Request for Proposal to ensure continuation of the airborne training services beyond March 2010.

Hicks & Lawrence'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 2009, 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 Hicks & Lawrence upon occurrence of certain events of default, including if Hicks & Lawrence becomes insolvent or breaches certain specified material terms or conditions of the contract, and may be terminated without cause by giving Hicks & Lawrence thirty days prior written notice.

Insurance

The operations of Air Tindi, Great Slave, Hicks & Lawrence and Top Aces 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 any of them or their agents. The Corporation's subsidiaries may not be able to obtain insurance against all hazards associated with the air services that Air Tindi, Great Slave, Hicks & Lawrence and Top Aces 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's subsidiaries may become subject to liability for hazards against 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, Great Slave's, Hicks & Lawrence's or Top Aces' 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 and Canada/Euro exchange rates due to payment obligations associated with aircraft purchases, margin requirements related to its aircraft financing, and maintenance expenditures such as spare parts. As a result, a significant change in these exchange rates could have a material adverse effect on the Corporation's business, results of operations or financial condition.

Interest Rates

The Corporation is exposed to financial risk that arises from fluctuations in interest rates and the interest cost associated with its long term debt. The Corporation holds a mix of fixed debt, primarily to finance acquisitions, and variable rate debt on its long term revolving credit facility. Changes in interest rates could cause fluctuations in the Corporation's operating results.

Liquidity Risk

The Corporation requires working capital to fund its seasonal operating activities. Management expects that the Corporation's operating cash flow, along with existing working capital, will be sufficient to meet these requirements. The Corporation also has uncommitted operating lines of credit as disclosed in note 7 of the consolidated financial statements for the period ended January 31, 2008, to meet fluctuations in working capital requirements.

Business Risk

Dependence on Skilled Personnel

There is significant competition for employees with the skills required to perform the services that Air Tindi, Great Slave Top Aces and Hicks & Lawrence offer. Qualified, capable employees are in great demand and are likely to remain a scarce resource for the foreseeable future. There can be no assurance that companies 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.

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.

Need for Additional Financing

The Corporation has a $33 million debt obligation that matures on February 1, 2009. As well, 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 Great Slave, Air Tindi, Top Aces, Hicks & Lawrence and DMS. There can be no assurance that the Corporation will be successful in its efforts to arrange the refinancing of the maturing debt or 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.

Dependence on Key Personnel

The management teams responsible for the operations of Discovery Air’s subsidiaries 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.

Fixed Costs

The profitability of the Corporation is directly related to demand for its aviation services. Given that a substantial portion of its operating expenses are fixed, a decrease in the Corporation’s revenue could result in a disproportionately higher decrease in earnings as a substantial portion of its operating expenses would remain unchanged.

Dependence on Third party Suppliers

The majority of spare parts and aircraft system components of Air Tindi, Great Slave, Hicks & Lawrence and Top Aces are purchased from third party suppliers. These suppliers are located throughout Canada, the United States and Europe, and in many cases have established long standing relationships with Air Tindi, Great Slave, Hicks & Lawrence and Top Aces, 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, Great Slave, Hicks & Lawrence or Top Aces with the required parts and systems in a timely manner could result in any one or more of those companies being unable to maintain flight operations at full capacity.

Replacement and Maintenance of Aircraft

Air Tindi, Great Slave, Hicks & Lawrence and Top Aces need aircraft to continue to conduct business as air operators. None of those companies 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. Further, Air Tindi, Great Slave, Hicks & Lawrence and Top Aces cannot guarantee that they will be able to obtain equipment or replacement parts on satisfactory terms when required.

Fuel Supply and 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 the Corporation's subsidiaries' customers, 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.

Labour Relations

None of Discovery Air's subsidiaries' 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.

DESCRIPTION OF CAPITAL STRUCTURE

General

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

Class A Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are Canadians and Class B 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, 2008, there were 134,519,805 Class A Shares and 684,354 Class B Shares issued and outstanding.

The holders of the Corporation's Class A 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 Class A Share held.

The holders of the Corporation's Class B 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 Class B Share held, provided that the Class B Shares as a class are entitled to exercise no greater than 25% of all votes attached to the Class A Shares and the Class B Shares, collectively.

The holders of the Class A Shares and the holders of the Class B 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 Class A 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 Class A 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 Class A 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 licences 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, Class A Shares may be beneficially owned and controlled, directly or indirectly, only by persons who are Canadians and Class B 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 Class A Share will be converted into one Class B Share, automatically and without any further act of the Corporation or the holder, if such Class A Share is or becomes beneficially owned or controlled, directly or indirectly, by a person who is not a Canadian. Each issued and outstanding Class B Share will be automatically converted into one Class A Share without any further act on the part of the Corporation or of the holder, if such Class B Share is or becomes beneficially owned and controlled, directly or indirectly, by a Canadian.

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 AND DISTRIBUTIONS

To date, the Corporation has not paid any dividends on its Class A Shares nor its Class B 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.

The Corporation has paid interest on the Debentures in accordance with its obligations set out in the Trust Indenture relating to such Debentures. See "Description of Capital Structure – General" above.

MARKET FOR SECURITIES

Trading Price and Volume

The Corporation's Class A Shares are listed and posted for trading on the Toronto Stock Exchange. The trading symbol is DA.A.

The following table shows the range of high and low closing market prices and trading volume of the Class A Shares from February 1, 2007 to January 31, 2008..

CLASS A SHARES			
Month	**High**	**Low**	**Trading Volume**
February 2007	$1.99	$1.70	2,281,364
March 2007	$1.91	$1.51	711,177
April 2007	$1.85	$1.53	775,518
May 2007	$1.85	$1.53	1,870,645
June 2007	$1.80	$1.47	1,076,600
July 2007	$1.95	$1.50	1,336,595
August 2007	$1.65	$1.16	1,161,772
September 2007	$1.69	$1.40	1,934,205
October 2007	$1.56	$1.38	1,291,370
November 2007	$1.54	$1.17	1,059,659
December 2007	$1.49	$1.04	992,667
January 2008	$1.40	$0.86	1,641,288

Discovery Air'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 shows the range of high and low closing market prices and trading volume of the Debentures from April 20, 2007 to January 31, 2008.

DEBENTURES			
Month	**High**	**Low**	**Trading Volume**
April 20 – 30, 2007	$105.00	$100.00	8,260
May 2007	$130.50	$99.90	9,270
June 2007	$103.45	$100.05	3,430
July 2007	$103.00	$102.00	1,180
August 2007	$102.00	$96.00	3,370
September 2007	$102.00	$100.00	7,900
October 2007	$104.00	$100.50	5,940
November 2007	$102.74	$99.00	5,810
December 2007	$101.00	$95.00	2,510
January 2008	$101.00	$95.00	500

Prior Sales

The Corporation's Class B Shares are not listed or posted for trading on any exchange or market. As of January 31, 2008, there were 684,354 Class B Shares outstanding, all of which were issued on August 24, 2007 in relation to the acquisition of Top Aces Inc. Each Class B Share was valued at $1.587 by the Corporation.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The following table sets forth the number of securities of the Corporation, to its knowledge, that are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding securities of that class, as at January 31, 2008.

Designation of Class	Number of Securities With Transfer Restrictions	Percentage of Class
Class A Shares	7,362,707[(1)]	5.47%

(1) 3,935,395 shares are restricted until August 23, 2008; 685,462 shares are restricted until January 4, 2009; 685,462 shares are restricted January 4, 2010; 685,462 shares are restricted until January 4, 2011; 685,462 shares are restricted until January 4, 2012; 685,464 shares are restricted until January 4, 2013.

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 executive officers as at January 31, 2008.

Name	Position and Time as Director	Principal Occupation
DAVID R. TAYLOR Ilderton, Ontario	Chairman, President and Chief Executive Officer Director since December 22, 2004	President and Chief Executive Officer of Pacific &Western Bank of Canada and Pacific & Western Credit Corp., 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 Lead Director	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 Pacific & Western Bank of Canada and Pacific & Western Credit Corp., a Canadian Schedule I chartered bank and its parent company
IAN MCLEAN Caledon, Ontario	Director since April 23, 2007	President, Cardinal Couriers Ltd. (A)
ADAM BEMBRIDGE Yellowknife, Northwest Territories	Executive Vice President, Rotary Wing Division, and Director since October 18, 2006	President and Chief Executive Officer of Great Slave, a subsidiary of Discovery Air

ALEX ARYCHUK Yellowknife, Northwest Territories	Executive Vice President, Fixed Wing Division and Director since April 13, 2007	President of Air Tindi, a subsidiary of Discovery Air
DAVE JENNINGS Montreal, Quebec	Director since September 12, 2007	Co-Chief Executive Officer of Top Aces, a subsidiary of Discovery Air
RICHARD H.L. JANKURA London, Ontario	Chief Financial Officer	Chief Financial Officer of the Corporation (B)
R. SHAWN CLARKE London, Ontario	Chief Operating Officer	Chief Operating Officer of the Corporation (C)
T. CHARLES PARKER Yellowknife, Northwest Territories	Executive Vice President, Special Projects	Executive Vice President of the Corporation (D)
TAMMIE L. ASHTON London, Ontario	Vice-President and Corporate Secretary	Vice-President, General Counsel and Corporate Secretary of the Corporation (E)

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

(A) Prior to acting as the President of Cardinal Couriers Ltd., Mr. McLean retired from 25 years of service with the Canadian Forces.
(B) Mr. Jankura was appointed the CFO of the Corporation on November 28, 2006. He also held the office of Senior Vice President of the Corporation from May 31, 2006 to October 31, 2008. Before that date, Mr. Jankura was a Senior Vice-President of Pacific & Western Bank of Canada
(C) Mr. Clarke was appointed the COO of the Corporation on August 31, 2005. Before that date, Mr. Clarke was an Account Manager at Pacific & Western Bank of Canada. Prior to that, Mr. Clarke was Chief Pilot at Hicks & Lawrence Limited (now a subsidiary of Discovery Air) and First Officer for Voyageur Airways.
(D) Mr. Parker was appointed the Executive Vice President, Special Projects of the Corporation on October 22, 2007. Before that date, Mr. Parker was a Deputy Minister for the Government of the Northwest Territories.
(E) Ms. Ashton was appointed the Vice-President and Corporate Secretary of the Corporation on November 14, 2006. Before that date, Ms. Ashton was a lawyer at Harrison Pensa LLP and previously at Lockyer Spence LLP.

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, 2008, there were 134,519,805 Class A Shares and 684,354 Class B Shares issued and outstanding. As a group, at that date, the directors and executive officers of the Corporation listed above beneficially owned, or controlled or directed, directly or indirectly, 27,245,329 Class A Shares of the Corporation, representing approximately 20.2% of the total number of Class A Shares outstanding. The group did not own any Class B Shares on such date.

Management is not aware of any potential material conflicts involving any directors or officers of the Corporation other than those directors or officers who are also directors or officers of Pacific & Western Bank of Canada, in relation to any contracts between the Bank and the Corporation. In any such case, such directors and officers will follow the Corporation's conflict of interest policies set out in its Code of Conduct.

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 is a director of several public companies and is currently the Chair of the Audit Committee of Shore Gold Inc. 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. Fees paid to KPMG LLP for audit services during the 12 month period ended January 31, 2008 were $125,000.

Audit-Related Fees

Fees paid to KPMG LLP for audit-related services during the three month period ended January 31, 2007 were nil and during the 12 month period ended January 31, 2008 were $89,000, which included review of interim statements, review of subsidiary statements, due diligence services, and review of complex non-routine transactions.

Tax Fees

Non-audit services fees paid to KPMG LLP during the three month period ended January 31, 2007 were nil and during the 12 month period ended January 31, 2008 were $50,000 for tax services.

No other fees were paid to KPMG LLP during the years ended January 31, 2007 or January 31, 2008.

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, 2008 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 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”.

2. 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.

3. The Share Purchase Agreements between the Corporation and the vendors of the shares of Top Aces Inc. dated August 24, 2007 providing for a total purchase price as set out above under “Business Descriptions – Top Aces Inc.” and which Agreements are available on SEDAR at www.sedar.com.

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 Class A 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

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 KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan.

ADDITIONAL INFORMATION

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

Additional 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 Corporation's Proxy Circulars, 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, 2008 filed on SEDAR at www.sedar.com.

EXHIBIT "A"

MANDATE OF THE AUDIT COMMITTEE OF DISCOVERY AIR INC.

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 filings as needed to comply with regulatory requirements, and report to the Board of Directors where approval of the filings 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 Discovery Air as the auditor or auditors or any officer may bring to the attention of the Committee;

   e) 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;

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

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[1] Independence means having no direct or indirect material relationship with Discovery Air. 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 Discovery Air 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 Discovery Air or any subsidiary entity of Discovery Air 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.

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

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

i) 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;

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

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

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

m) 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;

n) 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;

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

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

q) review the Disclosure Controls and Procedures;

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

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

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

u) approve the interim quarterly financial statements and MD&A of Discovery Air;

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

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

x) 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.