Interim Consolidated Financial Statements
April 30, 2010
(Unaudited)

DISCOVERY AIR INC.

Interim Consolidated Balance Sheets
Unaudited
(thousands of dollars)

	April 30 2010	January 31 2010
Assets		
Current assets:		
Cash	$ 4,215	$ 9,237
Restricted cash (note 9)	884	1,330
Accounts receivable	20,143	9,501
Income taxes recoverable	524	-
Inventory	15,053	13,902
Prepaid expenses and other	6,180	2,935
	46,999	36,905
Land, buildings and equipment	156,378	157,944
Goodwill	37,862	37,862
Intangible assets	22,482	23,599
	$ 263,721	$ 256,310
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating line of credit (note 4)	$ 7,818	$ -
Accounts payable and accrued liabilities	15,461	10,444
Income taxes payable	-	817
Current portion of long-term debt (note 3)	10,054	10,330
	33,333	21,591
Long-term debt (note 3)	135,237	135,777
Future income taxes	24,578	24,531
Non-controlling interest	2,217	2,136
Shareholders' equity (note 5):		
Share capital	184,535	184,535
Contributed surplus	7,146	7,141
Deficit	(123,325)	(119,401)
	68,356	72,275
	$ 263,721	$ 256,310

Commitments and Contingencies (note 9)

Subsequent events (note 14)

See accompanying notes to the interim consolidated financial statements.

DISCOVERY AIR INC.

Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited

(thousands of dollars, except per share amounts)

	for the three months ended			
		April 30 2010		**April 30 2009**
Revenue	$	25,914	$	25,566
Operating expenses		24,401		23,728
Earnings before undernoted items		1,513		1,838
Interest expense		3,658		3,499
Amortization of buildings and equipment		2,251		2,282
Amortization of intangible assets		1,117		1,116
Corporate office relocation charge (note 11)		51		1,173
Financing transaction charges (note 12)		-		830
		7,077		8,900
Loss before income taxes and non-controlling interest		(5,564)		(7,062)
Income taxes recovery		(1,721)		(1,838)
Loss before non-controlling interest		(3,843)		(5,224)
Non-controlling interest		81		(103)
Loss and comprehensive loss	**$**	**(3,924)**	**$**	**(5,121)**
Basic and diluted loss per share (note 6)	$	(0.03)	$	(0.04)

See accompanying notes to the interim consolidated financial statements.

DISCOVERY AIR INC.

Interim Consolidated Statements of Shareholders' Equity

Unaudited

(thousands of dollars)

	for the three months ended	
	April 30 2010	**April 30 2009**
Share capital (note 5):		
Balance, beginning of period	$ 184,535	$ 184,535
Balance, end of period	$ 184,535	$ 184,535
Contributed surplus:		
Balance, beginning of period	$ 7,141	$ 7,012
Fair value of options granted	5	72
Balance, end of period	$ 7,146	$ 7,084
Deficit:		
Balance, beginning of year	$ (119,401)	$ (119,115)
Loss and comprehensive loss	(3,924)	(5,121)
Balance, end of period	$ (123,325)	$ (124,236)

See accompanying notes to the interim consolidated financial statements.

DISCOVERY AIR INC.

Interim Consolidated Statements of Cash Flows
Unaudited
(thousands of dollars)

	for the three months ended April 30 2010	April 30 2009
Cash provided by (used in):		
Operating activities:		
Loss and comprehensive loss	$ (3,924)	$ (5,121)
Items not involving cash:		
Future income taxes expense (recovery)	47	(1,838)
Stock-based compensation (note 5)	5	72
Amortization of buildings and equipment and intangible assets	3,368	3,398
Amortization of rotable and overhauled components	1,092	1,436
Accretion of discount on long-term debt	444	328
Loss (gain) on sale of equipment	(12)	111
Non-controlling interest	81	(103)
Change in non-cash operating working capital (note 7)	(10,916)	(10,202)
	$ (9,815)	$ (11,919)
Investing activities:		
Purchases of land, buildings and equipment	$ (1,966)	$ (4,547)
Proceeds on disposal of equipment	201	76
	$ (1,765)	$ (4,471)
Financing activities:		
Proceeds from operating line of credit	$ 7,818	$ 14,484
Proceeds from long-term debt	49	36,261
Financing costs	-	(1,121)
Repayment of long-term debt	(1,309)	(37,057)
	$ 6,558	$ 12,567
Decrease in cash	(5,022)	(3,823)
Cash, beginning of period	9,237	6,865
Cash, end of period	$ 4,215	$ 3,042
Supplementary cash flow information:		
Interest paid during the period	$ 2,488	$ 2,145
Income taxes paid (recovered) during the period	(427)	52

See accompanying notes to the interim consolidated financial statements.

DISCOVERY AIR INC.
Notes to the interim consolidated financial statements (unaudited)
For the three months ended April 30, 2010 and 2009

Discovery Air Inc. (the "Corporation") was incorporated on November 12, 2004 under the *Ontario Business Corporations Act* and on March 27, 2006 was continued under the *Canada Business Corporations Act*. Its primary business activities are carried out by its wholly-owned subsidiaries Great Slave Helicopters Ltd. ("Great Slave"), Air Tindi Ltd. ("Air Tindi"), Top Aces Inc. ("Top Aces"), Hicks & Lawrence Limited ("Hicks") and Discovery Mining Services Ltd. ("Discovery Mining").

The Corporation's business is divided into two segments: the Northern Services segment, which consists of Great Slave, Air Tindi and Discovery Mining; and the Government Services segment, consisting of Top Aces and Hicks.

Great Slave is a helicopter company that directly and in partnership with northern Aboriginal groups, operates a fleet of 57 helicopters and provides services throughout northern Canada, several of the Canadian provinces and select international locations to private sector companies and governments in areas such as resource and base mineral exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys, tourism and flight training. Great Slave's principal operations are carried out in Yellowknife, Northwest Territories and Calgary, Alberta. It has additional facilities in Fort Simpson, Fort Liard, Norman Wells and Inuvik in the Northwest Territories, Rankin Inlet in Nunavut, Churchill in Manitoba and Dryden in Ontario.

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. Air Tindi, both directly and in partnership with northern Aboriginal groups, provides services to a diversified customer base that includes major diamond and mineral exploration and mining companies and the Governments of Canada and the Northwest Territories.

Discovery Mining is a provider of remote exploration camps, expediting, logistics and staking to diamond and mineral exploration companies. Based in the Northwest Territories, Discovery Mining conducts operations in the Northwest Territories, Nunavut, northern Alberta and northern Saskatchewan.

Top Aces is an approved supplier of airborne training services to the Department of National Defence. Top Aces provides a variety of military training ranging from simulated combat to target tow with a fleet of 22 aircraft, operating primarily throughout Canada as well as in parts of the United States.

Hicks is an Ontario-based aviation company that operates 32 aircraft focused on providing air services to niche markets in the Province of Ontario. Hicks provides aerial forest fire services to the Province of Ontario employing 29 aircraft and flight operation and aircraft maintenance bases throughout northern Ontario. Hicks also provides air charter services using 3 aircraft to the provincial government and various other corporate entities which conduct business in northern Ontario.

The Corporation's businesses are, to varying degrees, seasonal in nature. Seasonality and other factors such as weather conditions can impact the comparability of results from one period to another, particularly from quarter to quarter. Some of the seasonal factors that impact quarterly results are as follows: there is increased demand for the services provided by Great Slave, Hicks, Air Tindi and Discovery Mining normally commencing in the late 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; though Top Aces' revenues are relatively predictable over a twelve month period, they can vary substantially from month to month depending on weather conditions and its customer's priorities; weather conditions can have an impact on flight activity from one period to another, especially with respect to the Corporation's fire suppression activities; the Corporation attempts to perform most major repairs and refurbishment during the slower periods of revenue-generating potential; and repair and maintenance on aircraft do not occur evenly throughout the year and the timing of related expenses within a year may vary from one period to another.

1. Nature of operations

The Corporation recorded a loss of $3.9 million for the three months ended April 30, 2010, which is consistent with the Corporation's historical seasonal results. While first quarter results would indicate positive signs of recovery in the resource sector in the north, there still remains a degree of uncertainty as to the strength of the recovery in the upcoming peak season. The Corporation also faces uncertainty on revenues from forest fire related activities as the amount of such revenues is contingent on weather conditions. The Corporation manages the uncertainties related to the seasonality of its business and uncertainty on the strength of the resource sector recovery in the north by actively managing working capital, reducing non-essential operating expenses and limiting non-critical capital expenditures. While these tactics have served the Corporation well in recent years, there can be no assurance that they will continue to be successful in managing the uncertainties the Corporation may continue to face. The Corporation recognizes that should factors that are beyond its control continue to adversely affect its level of business activity as seen in recent years in the current markets in which it operates, continued weakness in future earnings and cash flow generated by operations could result, reducing the Corporation's available working capital and liquidity.

2. Significant accounting policies:

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The disclosures in these interim financial statements do not meet all disclosure requirements of GAAP for annual financial statements and should be read in conjunction with the Corporation's most recent audited annual consolidated financial statements for the year ended January 31, 2010.

These interim financial statements follow the same accounting policies as the most recent annual consolidated financial statements.

3. Long-term debt:

(thousands of dollars)

	April 30 2010	January 31 2010
8.75% unsecured convertible debentures, maturing December 31, 2011 (see note 3(a))	$ 27,533	$ 27,349
Revolving long-term secured debt bearing a floating interest rate of 90 day BA yield (with a minimum base of 0.25%) plus 8.25%, maturing January 21, 2013 (see note 3(b))	48,048	48,027
Long-term secured debt bearing a fixed rate of 10.00%, maturing February 1, 2013 (see note 3(c))	33,216	33,156
Long-term secured debt incurred by a subsidiary bearing an interest rate of floating base bank rate plus 5.00%, maturing January 15, 2015 (see note 3(d))	14,428	15,188
Long-term secured debt incurred by subsidiary companies bearing fixed interest rates at a weighted average of 7.16%, maturing fiscal 2012 through fiscal 2014	1,281	1,359
Long-term secured debt incurred by subsidiary companies bearing floating interest rates at a weighted average of 4.85%, maturing fiscal 2013 through fiscal 2017	1,190	1,244
Secured subordinated notes payable to officers and directors of the Corporation and its subsidiaries bearing interest at prime plus 1.25%, maturing fiscal 2015 through fiscal 2016 (note 8)	14,070	14,277
Unsecured notes payable to former officers and directors of the Corporation and its subsidiaries bearing interest at prime, maturing fiscal 2010 (note 9)	752	752
Conditional sales contracts with varying terms and maturities	140	122
Secured demand loan bearing an interest rate of 18.00% per annum, maturing June 9, 2010 (see note 3(e))	4,633	4,633
Total long-term debt	145,291	146,107
Less current portion of long-term debt	10,054	10,330
	$ 135,237	$ 135,777

3. **Long-term debt (continued):**

a) The 8.75% convertible debentures are convertible at any time into common shares at $2.05 per share. The convertible debentures were not redeemable before December 31, 2009. Between December 31, 2009 and December 31, 2010, the convertible debentures are redeemable by the Corporation at the principal amount outstanding plus accrued and unpaid interest, provided that the weighted average trading price of the Class A Shares of the Corporation's shares is greater than 125% of the conversion price. On or after December 31, 2010, the convertible debentures are redeemable by the Corporation at their principal amount plus accrued interest. The debentures were issued in December, 2006, at which time the fair value of the Corporation's obligation to make future payments of principal and interest was $27.6 million and the fair value of the holders' conversion option was determined to be $1.1 million. Financing costs of $1.9 million related to the issue of the convertible debentures were netted against the carrying value of the liability component. As interest expense and financing costs are recognized, they increase the recorded carrying value of the liability component until such time as the liability component is accreted to the debentures' face value of $28.75 million, calculated based on the Corporation's effective interest rate of 11.70%. As at April 30, 2010, the Corporation was in compliance with all covenants related to this debt.

b) In January 2008, the Corporation entered into a five year revolving long-term debt agreement to finance certain of its fleet assets. As at April 30, 2010, the Corporation had approximately $48.9 million available to it and drawn on this facility. The loan bears an interest rate equal to the greater of the applicable 90 days Bankers Acceptance yield and 0.25%, plus 8.25%. The debt currently requires a principal payment of US$ 83,000 per month up to and including June 2010 after which time it reverts to an interest-only debt. On July 24th of each year the lender has the option to convert the revolving term facility to an amortizing debt with the principal balance at the time amortized over a 102 month period on a blended repayment basis, at which time the revolving feature of the debt would be terminated. The maximum borrowing limit is reset by the lender annually in July based on the lesser of (1) $50.0 million and (2) the borrowing base, which is determined by applying an agreed upon lending margin to the annual updated appraised value of the aircraft included in the lender's borrowing base.

The loan is secured by (i) a general security agreement over the assets of the Corporation and its wholly-owned subsidiaries Great Slave, Air Tindi, Discovery Mining and Hicks, (ii) an unsecured guarantee of the indebtedness by Top Aces, and (iii) a mortgage over certain real estate owned by the Corporation which is subordinated to the interest of other term lenders. The security structure provides a first charge over specific aircraft owned by the above-named subsidiaries and a secondary floating charge over all their other assets, subject to permitted encumbrances in favour of other term debt lenders and the Corporation's operating lender. Related financing costs of $1.8 million were netted against the carrying value of the long-term debt and are being expensed over the related term of the loan on an effective interest basis. The loan has an effective interest rate of 9.36%. The Corporation has covenants related to this debt that require the Corporation to maintain specified financial ratios related to balance sheet leverage, cash flow leverage and fixed charge coverage as well as a minimum level of tangible net worth. As at April 30, 2010, the Corporation was in compliance with all covenants related to this debt.

c) In February 2009, the Corporation entered into a $34.0 million term loan agreement to refinance a maturing term loan. The new term loan has an effective interest rate of 10.98% per annum and the principal balance is due on February 1, 2013. The loan is secured by a general security agreement over the assets of the Corporation and its wholly-owned subsidiaries Great Slave, Air Tindi, Discovery Mining and Hicks, a pledge of the shares of Top Aces, an unsecured guarantee of the indebtedness by Top Aces and a second mortgage over certain real estate assets owned by the Corporation. The security structure provides a first charge over specific aircraft and a secondary floating charge over all other assets of the above-named subsidiaries, subject to permitted encumbrances in favour of other term lenders and the operating lender. The Corporation incurred $1.1 million in transaction costs related to the new term loan, which are netted against the debt and are being expensed over the term of the loan on an effective interest basis. As at April 30, 2010, the Corporation was in compliance with all covenants related to this debt.

d) In February 2008, the Corporation entered into a $21.5 million term loan agreement to refinance its existing term debt and to fund the purchase of additional aircraft, spare engines and aircraft parts. The principal amount of the loan is repayable in monthly instalments of $256,000 commencing in February 2008 and ending on January 15, 2015. The debt bears an interest rate of the lender's floating base rate plus 5.00% per annum and has an effective interest rate of 6.36% per annum. The loan is secured by a charge on all the assets of Top Aces, subject to a priority interest provided to an operating lender over Top Aces' accounts receivable. As at April 30, 2010, $14.6 million was outstanding under this term facility. Related financing costs of $226,000 were netted against the loan and will be amortized over the term of the loan on an effective interest basis. The Corporation has covenants related to this debt that require the Corporation to maintain specified financial ratios related to cash flow leverage and fixed charge coverage as well as a minimum level of tangible net worth. As at April 30, 2010, the Corporation was in compliance with all covenants related to this debt.

e) In December 2009, the Corporation entered into a $6.2 million demand loan agreement with its operating lender (see note 4) to provide interim financing for the purchase of additional aircraft and supporting equipment for one of its subsidiaries. The principal amount of the loan is repayable in monthly instalments of $100,000 commencing in May 2010 and ending on June 9, 2010, at which time the principal balance is due in full. The demand loan bears an interest rate of 18.00% per annum payable monthly and is secured by a specific charge on the purchased aircraft. As at April 30, 2010, $4.6 million was outstanding under

3. Long-term debt (continued):

this demand credit facility. Additional advances up to $1.1 million are available for the purchase of spare components and support equipment. Financing costs of $112,000 were incurred in obtaining the loan and were expensed in the prior year as financing transaction charges. This demand facility is provided by the lender in conjunction with the operating line of credit and shares the same general terms including covenant requirements.

Principal repayments for each of the next five years and thereafter are as follows:

(thousands of dollars)	Due within 1 year	Due between 1 & 2 years	Due between 2 & 3 years	Due between 3 & 4 years	Due between 4 & 5 years	Due after 5 years	Total
Long-term debt	$ 10,054	$ 32,157	$ 85,335	$ 12,138	$ 5,493	$ 114	**$ 145,291**

Interest on long-term debt for the quarter ended April 30, 2010 was $3.2 million (2009 - $3.3 million).

4. Operating line of credit:

The Corporation has a secured demand credit facility to finance its working capital requirements. The credit facility has a maximum borrowing limit of $15.0 million with increased availability of up to $25.0 million during the Corporation's peak operating period of April through November. As at April 30, 2010, the Corporation had available a borrowing capacity of $14.4 million and $7.8 million drawn. The maximum borrowing limit availability is subject to a lending margin which is applied to eligible accounts receivable and inventory and is subject to an allowance for specific reserves. The credit facility bears an interest rate of 18.00% per annum based on the amount drawn and matures on June 9, 2010. The credit facility is secured by a first charge over the accounts receivable for all the Corporation's operating entities and over inventories for all the Corporation's operating entities except Top Aces, as well as a second floating charge over all other assets of the Corporation and its subsidiaries, except real estate, subject to specific permitted encumbrances. As at April 30, 2010, the Corporation was in compliance with all covenants related to this facility. The Corporation renewed this facility on June 9, 2010 (see note 14 – subsequent events).

5. Share capital and stock based compensation:

(a) Authorized and outstanding:

The Corporation is authorized to issue an unlimited number of Class A common voting shares and an unlimited number of Class B common variable voting shares. As at April 30, 2010, there were 134,461,555 (January 31, 2010 – 134,461,555) Class A common voting shares issued and outstanding, and 742,604 (January 31, 2010 – 742,604) Class B common variable voting shares issued and outstanding.

(b) Stock-based compensation:

	for the three months ended	
	April 30 2010	**April 30 2009**
	Number of options	Number of options
Outstanding, beginning of period	3,129,900	7,447,450
Granted	-	-
Exercised	-	-
Forfeited	-	-
Expired	(50,250)	(825,000)
Outstanding, end of period	3,079,650	6,622,450

The Corporation terminated the existing stock option plan in June 2008. As at April 30, 2010, there were 3,062,985 (January 31, 2010 – 3,041,359) outstanding stock options exercisable with a weighted-average exercise price of $1.56 (January 31, 2010 - $1.57). The Corporation had compensation expense of $5,000 for the first quarter (April 30, 2009 - $72,000) related to the estimated fair value of vesting stock options.

5. **Share capital and stock based compensation (continued):**

(c) Deferred share units

At April 30, 2010, there were 1,500,270 (January 31, 2010 – 1,308,779) deferred share units ("DSUs") held by the directors of the Corporation. Each DSU entitles a retiring director to a cash payment equal to the closing market price of the Corporation's common shares on a date selected by the retiring director, which date may not be later than December 31 of the year following the year of the director's retirement. The Corporation granted 191,491 (April 30, 2009 – 375,986) DSUs during the quarter. The Corporation recognized $50,000 (April 30, 2009 - $112,000) of compensation expense related to DSUs during the current quarter. No payment was made in the current or comparative quarters ended April 30 to retire DSUs.

6. **Per share amounts:**

(thousands except per share amounts)	*for the three months ended* April 30 2010	April 30 2009
Basic loss per share:		
Loss	$ (3,924)	$ (5,121)
Weighted average number of common shares outstanding	135,204	135,204
Basic loss per share	$ (0.03)	$ (0.04)
Diluted loss per share:		
Loss	$ (3,924)	$ (5,121)
Weighted average number of common shares outstanding	135,204	135,204
Dilutive adjustments	-	-
Weighted average number of common shares outstanding assuming dilution	135,204	135,204
Diluted loss per share	$ (0.03)	$ (0.04)

As at April 30, 2010 and 2009, all employee stock options and the conversion feature on the convertible debentures were anti-dilutive.

7. **Change in non-cash operating working capital:**

(thousands of dollars)	*for the three months ended* April 30 2010	April 30 2009
Restricted cash	$ 446	$ (2,861)
Accounts receivable	(10,642)	(6,297)
Income taxes recoverable	(1,341)	(52)
Inventory	(1,151)	40
Prepaid expenses and other	(3,245)	(3,434)
Accounts payable and accrued liabilities	5,017	2,402
	$ (10,916)	$ (10,202)

8. **Related party transactions:**

At April 30, 2010, the Corporation had long-term debt including accrued interest totalling $14.1 million (January 31, 2010 - $15.0 million) owing to current and former officers and directors of the Corporation or its subsidiaries and who were former owners of the subsidiaries. Interest expense on this debt for the quarter ended April 30, 2010 was $84,000 (April 30, 2009 - $129,000).

During the year ended January 31, 2009, the Corporation was made aware of potential liabilities that related to periods prior to the acquisition of one of its subsidiaries. The Corporation believes the amount of these potential liabilities could exceed the amount owing to the former owners of that subsidiary. The Corporation is of the opinion that the original purchase agreement provides it with the right of set-off for these potential liabilities. The face value of the amount owing is $1.1 million and a

8. **Related party transactions (continued):**

quantified claim in the amount of $378,000 has been offset against the face value of the amount owing as at April 30, 2010. Since the settlement date of these liabilities has not been established, the Corporation has classified the net principal balance of this debt as a current liability. Further disclosure is provided in note 9 below.

9. **Restricted cash, contingencies and commitments:**

As at April 30, 2010, the Corporation had $884,000 in restricted cash (January 31, 2010 - $1.3 million) which is required to collateralize contingent exposures. The requirement to cash collateralize contingent exposures has arisen as the Corporation's operating lender is in a position to provide only direct loan advances. $458,000 of this restricted cash is used as collateral for letters of credit the Corporation has obtained through other lenders and $426,000 relates to other contingent exposures. The letters of credit serve as collateral for customer contracts and certain contractual obligations of the Corporation's subsidiaries.

As an alternative to letters of credit, the Corporation may place deposits with its customers to secure contractual obligations and at April 30, 2010 these deposits totalled $265,000 (January 31, 2010 - $265,000).

The Corporation is subject to legal proceedings that arise in the ordinary course of business. While the final outcome with respect to actions outstanding or pending as at April 30, 2010 cannot be predicted with certainty, it is management's opinion that their resolution will not have a material adverse effect on the consolidated financial position, results of operation or cash flows of the Corporation. Legal costs are expensed as incurred on these matters.

During the current quarter, the Corporation was served with a Statement of Claim by two former officers of one of the Corporation's subsidiaries whose employment was terminated in February 2009. The Statement of Claim alleges wrongful dismissal and makes a claim for damages totalling $1.8 million plus costs and pre-judgment interest. Additionally, the claim alleges that the balance outstanding on the promissory notes payable by the Corporation's subsidiary to the claimants is due in its entirety. The face value of these notes as at April 30, 2010 was $1.1 million. Although it is not possible as at the date of these financial statements to determine with a reasonable degree of certainty the outcome of this legal proceeding, management believes the claims are without merit and intends to defend its position.

The Corporation has annual lease obligations for aircraft and premises. Minimum lease payments under these leases for each of the five succeeding years and thereafter are as follows:

(thousands of dollars)	**Due within 1 year**	**Due between 1 & 2 years**	**Due between 2 & 3 years**	**Due between 3 & 4 years**	**Due between 4 & 5 years**	**Due after 5 years**	**Total**
Operating leases	$ 7,044	$ 1,855	$ 1,378	$ 492	$ 233	$ 368	**$ 11,370**

10. **Segmented information:**

The Corporation has two reportable business segments: Northern Services and Government Services. These segments are differentiated by the markets in which the Corporation's aviation and related services operate. The Northern Services segment is comprised of Great Slave, Air Tindi and Discovery Mining and the Government Services segment is comprised of Top Aces and Hicks.

The Northern Services segment's primary market is northern Canada. The segment has a wide customer base, servicing companies and government entities in the business of mineral, base and precious metal exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys, seismic, air ambulance, scheduled charters and tourism.

The Government Services segment provides specialty services primarily to government entities.

All other operating activities that are not allocated to these two business segments are reported under Corporate Support.

10. Segmented information (continued):

(thousands of dollars)	*for the three months ended April 30, 2010*				*for the three months ended April 30, 2009*			
	Northern Services	**Government Services**	**Corporate Support**	**Total**	**Northern Services**	**Government Services**	**Corporate Support**	**Total**
Revenue	**$ 15,481**	**$ 10,433**	**$ -**	**$ 25,914**	**$ 11,667**	**$ 13,897**	**$ 2**	**$ 25,566**
Operating expenses	15,447	7,359	1,595	24,401	13,949	8,414	1,365	23,728
Relocation of corporate office	-	-	51	51	-	-	1,173	1,173
Amortization	2,112	1,244	12	3,368	2,272	1,113	13	3,398
Earnings (loss) from operations before undernoted items	(2,078)	1,830	(1,658)	(1,906)	(4,554)	4,370	(2,549)	(2,733)
Interest expense				3,658				3,499
Financing transaction costs				-				830
Income taxes				(1,721)				(1,838)
Minority interest				81				(103)
Loss and comprehensive loss				**$ (3,924)**				**$ (5,121)**
Capital expenditures	**$ 1,393**	**$ 543**	**$ 30**	**$ 1,966**	**$ 2,536**	**$ 2,011**	**$ -**	**$ 4,547**

	As at April 30, 2010				*As at January 31, 2010*			
Total assets	**$ 145,859**	**$ 115,611**	**$ 2,251**	**$ 263,721**	**$ 135,272**	**$ 113,401**	**$ 7,637**	**$ 256,310**
Goodwill	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**	**$ -**	**$ 37,862**
Intangible assets	**$ 9,540**	**$ 12,942**	**$ -**	**$ 22,482**	**$ 10,077**	**$ 13,522**	**$ -**	**$ 23,599**

Each of the business entities in the Government Services segment is economically reliant upon a single customer.

Top Aces' revenue is primarily derived from Standing Offer Agreements to provide airborne training services to the Department of National Defence ("DND"). These Standing Offer Agreements were scheduled to expire in March 2010 but have been extended for a further one year period. DND is not obligated to call up any Top Aces services under these Standing Offer Agreements and may cancel them at its convenience. Due to the essential nature of the military training services provided by Top Aces, management does not believe it likely that these Standing Offer Agreements will be terminated or that there will be any substantial reduction in service required by DND. In addition, Top Aces is currently the only supplier with approved airworthiness clearances under these Standing Offer Agreements. It is anticipated that these services will be put out for tender via a Request for Proposal to ensure continuation of the airborne training services beyond March 2011.

Substantially all of Hicks' revenue from aerial forest fire services is derived from two 5 year contracts with the Ontario Government. The continuation of each contract for each new fiscal year is 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. Also, either contract may be immediately terminated by the Ontario Government by giving notice to Hicks upon occurrence of certain events of default, including Hicks' insolvency or breaches of certain specified material terms or conditions of the contract, and may be terminated without cause on 30 days prior written notice to Hicks.

11. Relocation of corporate office:

Under the $34.0 million term loan agreement (note 3 (c)), the Corporation was obligated to re-locate its corporate office to Yellowknife, NT. The Corporation opened its new corporate head office in Yellowknife on March 2, 2010. The Corporation incurred $1.7 million in fiscal 2010 related to relocation of its corporate office. For the quarter ended April 30, 2010, the Corporation has recorded an expense of $51,000 related to the relocation of its corporate office. While the Corporation expects to incur additional staff recruiting costs, it does not anticipate these or other relocation related costs to be significant.

12. Financing transaction charges:

In the comparative period last year, the Corporation incurred financing transaction charges totalling $830,000. These non-recurring financing costs were incurred to arrange a demand operating line of credit and to amend an existing long term debt arrangement related to covenant levels.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the current period's financial statement presentation.

14. Subsequent events:

On June 9, 2010, the Corporation successfully renewed its operating line of credit for a twelve month term with conditions substantially consistent with those previously applicable, except for:

1. an amendment to include a stand-by fee of 75 basis points per annum on amounts authorized but not drawn; and
2. an amendment to include a prepayment fee of $156,000 payable if the facility is paid in full on or before December 9, 2010.