



**ANNUAL INFORMATION FORM
For the year ended January 31, 2010**

April 28, 2010

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EXPLANATORY NOTES

Unless otherwise noted, all information is given as at January 31, 2010. 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, 2010 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

This Annual Information Form contains forward-looking statements about our objectives, operations and targeted financial results. Forward looking information is based on assumptions, estimates, analysis and opinions of management made in light of management's experience and perception of trends, current conditions and expected developments, as well as other facts that management believes to be relevant and reasonable at the date that such statements are made. Although management believes that the assumptions underlying the 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. Other risk factors can be found in this Annual Information Form and in the Corporation's Management's Discussion and Analysis for the year ended January 31, 2010, which is available on SEDAR at www.sedar.com. 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 made from time to time, whether written or oral.

NAME, ADDRESS AND INCORPORATION

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 Canadian air service be Canadian. See "Description of Capital Structure - Constraints". In April of 2006, Discovery Air completed an initial public offering of Class A common shares and listed the Class A common shares on the TSX Venture Exchange. In June of 2006, the Class A common shares were listed on the Toronto Stock Exchange (the "TSX").

The head office of the Corporation is currently located at 1979 Otter Place, London, Ontario, N5V 0A3. The head office functions were effectively relocated to P.O. Box 1530, 126 Bristol Avenue, Yellowknife,

Northwest Territories X1A 2P2 prior to March 1, 2010. The registered office of the Corporation is P.O. Box 818, 200, 4915 – 48th Street, Yellowknife, Northwest Territories, X1A 2N6. Our Class A common shares are publicly traded on the TSX (symbol: DA.A). Our debentures are publicly traded on the TSX (symbol: DA.DB).

INTERCORPORATE RELATIONSHIPS

Discovery Air is the parent company to five wholly owned subsidiaries that are engaged exclusively in the provision of specialized aerial application services and air transport services, as well as logistics and remote operations management services. All of the subsidiary businesses were acquired by the Corporation over the course of a four year period beginning in December 2004 and ending in January 2008. The following chart sets out the material subsidiaries of Discovery Air, all of which are owned 100% by Discovery Air, along with their dates of acquisition and jurisdictions of incorporation.

NAME OF SUBSIDIARY	DATE OF ACQUISITION BY DISCOVERY AIR	JURISDICTION OF INCORPORATION
Hicks & Lawrence Limited	2004 and 2005	Ontario
Great Slave Helicopters Ltd.	June 2006	Canada
Air Tindi Ltd.	December 2006	Canada
Top Aces Inc.	August 2007	Canada
Discovery Mining Services Ltd.	January 2008	Canada

GENERAL DEVELOPMENT OF THE BUSINESS

Ordinary course of business 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, human resources, strategy, corporate finance and accounting services in return for a fee.

The Corporation's operations have been segregated into two operating segments: Northern Services and Government Services. These segments are differentiated by the geographic markets in which the various subsidiaries participate and the type of services offered.

The Northern Services segment is comprised of Great Slave Helicopters Ltd. ("Great Slave"), Air Tindi Ltd. ("Air Tindi") and Discovery Mining Services Ltd. ("DMS") and provides specialized air transport, logistics and remote operations management services to corporate customers as well as a variety of provincial and federal government agencies in support of mineral, base metal and precious metal exploration and production, natural resource management, oil & gas exploration, forest fire suppression, aerial survey operations, air ambulance operations, power line construction and maintenance, scheduled charter and tourism.

The government services segment is comprised of Top Aces Inc. ("Top Aces") and Hicks & Lawrence Limited ("Hicks & Lawrence") and provides specialized aerial application as well as air transport services primarily to provincial and federal government agencies. These services include the provision of airborne training services to the Department of National Defense ("DND") and forest fire management and court related air transport services to the Government of Ontario.

Northern Services Segment

For the twelve month period ended January 31, 2010, the Northern Services segment's consolidated revenues were approximately \$70.8 million. These revenues were derived from the following sectors:

NORTHERN SERVICES SEGMENT FISCAL YEAR ENDED JANUARY 31, 2010		
INDUSTRY CATEGORY	REVENUE (\$)	PERCENTAGE OF TOTAL REVENUE (%)
Mining (Producing)	15,891,000	22.5
Mining (Exploration)	11,857,000	16.8
Oil & Gas	1,270,000	1.8
Utilities	1,602,000	2.3
Government	27,073,000	38.3
Charter & Schedule	4,509,000	6.4
Other	8,559,000	12.1

The Northern Services segment's twelve largest customers represented approximately 53.7% of the segment's total revenues for the year ended January 31, 2010.

For the twelve month period ended January 31, 2009, the Northern Services segment's consolidated revenues were approximately \$104.4 million. These revenues were derived from the following sectors:

NORTHERN SERVICES SEGMENT FISCAL YEAR ENDED JANUARY 31, 2009		
INDUSTRY CATEGORY	REVENUE (\$)	PERCENTAGE OF TOTAL REVENUE (%)
Mining (Producing)	14,188,000	13.6
Mining (Exploration)	42,554,000	40.6
Oil & Gas	3,587,000	3.4
Utilities	3,063,000	2.9
Government	26,780,000	25.6
Charter & Schedule	3,516,000	3.4
Other	10,889,000	10.4

The Northern Services segment's twelve largest customers represented approximately 40.1% of the segment's total revenues for the year ended January 31, 2009.

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 throughout the Canadian Arctic as well as in Alberta, Saskatchewan, Manitoba, Ontario and internationally. Great Slave has operational bases throughout the Canadian North as well as Alberta, 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 are possible only with the assistance of aircraft. This limitation includes the movement of 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; and
- 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 Group President, Northern Services and Vice-President, respectively, and both have a significant ownership interest in Discovery Air.

Great Slave employs over 185 personnel and operates a fleet of over 55 helicopters, the second largest VFR helicopter fleet in Canada. The fleet is comprised of seven different aircraft types including; the Hughes 500 series, Bell 205 and 206 series, the Bell 212 and the Eurocopter AS350 series. This diverse fleet of helicopters allows Great Slave to provide a broad spectrum of services to a variety of customers in various market segments.

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 provide 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 bases located 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 with access to specialized career training in the areas of flight operations, aircraft maintenance engineering and administration. These partnerships also allow Great Slave to secure the role as the primary supplier of helicopter support in and around these communities within 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 owns and operates an 18,000 square foot maintenance and administration facility at the Yellowknife Airport. Pilots, engineers and support staff are situated there, along with a large spare parts inventory and a complete aircraft overhaul and maintenance facility. Technicians and engineers have up-to-date maintenance and avionics equipment and 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, serves as the company's heavy maintenance facility for the medium helicopters in the fleet. This facility also houses the company's flight school which provides Great Slave with access to new pilots and serves as a key component of the company's recruitment strategy. Great Slave's flight school is scheduled to be relocated to Yellowknife, Northwest Territories in the first half of 2010.

Great Slave faces competition from other large and medium sized companies that operate in the same geographic and commercial markets; however, Great Slave enjoys a strong competitive advantage in the majority of these markets as a function of its experienced and committed workforce, fleet diversity, Aboriginal joint venture partnerships, excellent safety record, and impeccable quality assurance programs. 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.

Air Tindi Ltd.

Air Tindi is a commercial fixed wing charter company based in Yellowknife, Northwest Territories. The company operates a diversified fleet of 23 fixed wing aircraft and provides scheduled and chartered passenger and cargo services, as well as air ambulance services primarily in northern Canada. Its customers include, among others, major diamond and base metal exploration and mining companies as well as government entities.

Through its partnership with Tli Cho Air, Air Tindi is able to provide charter services to customers operating on or above traditional lands covered by land claim settlement agreements. Air Tindi's charter services are essential to its customers as access to, and movement at, the majority of its customers' locations are only possible with the assistance of aircraft. These services include the transport 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; and
- other services, including private environmental surveying, utilities-pipeline patrol, power line construction, telecommunications support, and general miscellaneous charters.

Air Tindi was founded by members of the Arychuk family, who were all born and raised in the North. The company commenced 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 operates from two locations in Yellowknife. The facilities at the international airport include three hangars (being a 16,000 square foot hangar that houses the maintenance and sheet metal departments, a dedicated medevac hangar and an 18,000 square 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 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. The fleet is comprised of eight different types of aircraft, including the Dash 7 Combi Airliner, Twin Otter 300, King Air 200, Cessna 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 150 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 years 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.

Discovery Mining Services Ltd.

DMS is a provider of remote exploration camps and 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 Canada and as a result DMS is a high volume user of both fixed-wing and helicopter air transportation services. Over the course of the fiscal year ended January 31, 2010, DMS moved over 15 million pounds of freight and goods via 1371 flights. Great Slave provided 99% of DMS’ required helicopter support, while Air Tindi provided approximately 51% of DMS’ required fixed-wing support.

DMS’ competitive advantage is derived from its comprehensive understanding of mineral, base and precious metal mining exploration operations, the experience of its employees, and the company’s ability to support a broad spectrum of services including freight forwarding, purchasing and expediting equipment on behalf of a customer and 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 35 people. Due to the cyclical nature of DMS’ business, the average number of employees over the year is approximately 30.

Government Services Segment

For the twelve month period ended January 31, 2010, the Government Services segment's consolidated revenues were approximately \$52.4 million. These revenues were derived from the following sectors:

GOVERNMENT SERVICES SEGMENT FISCAL YEAR ENDED JANUARY 31, 2010		
INDUSTRY CATEGORY	REVENUE (\$)	PERCENTAGE OF TOTAL REVENUE (%)
Government	50,309,000	96.0
Charter & Schedule	-	-
Other	2,069,000	4.0

The Government Services segment's twelve largest customers represented approximately 99.9% of the segment's total revenues for the year ended January 31, 2010.

For the twelve month period ended January 31, 2009, the Government Services segment's consolidated revenues were approximately \$47.6 million. These revenues were derived from the following sectors:

GOVERNMENT SERVICES SEGMENT FISCAL YEAR ENDED JANUARY 31, 2009		
INDUSTRY CATEGORY	REVENUE (\$)	PERCENTAGE OF TOTAL REVENUE (%)
Government	46,871,000	98.7
Charter & Schedule	319,000	0.7
Other	278,000	0.6

The Government Services segment's twelve largest customers represented approximately 99.4% of the segment's total revenues for the year ended January 31, 2009.

Top Aces Inc.

Top Aces, a wholly owned subsidiary of Discovery Air, is the prime supplier of Airborne Training services to the Canadian Army, Navy and Air Force. Top Aces' revenue-generating opportunities are significantly higher in the time periods ranging from February to June and September to November.

Over the course of the fiscal year ended January 31, 2010, Top Aces added five additional Alpha Jet aircraft to its fleet, which increased Top Aces' Alpha Jet fleet from eleven to sixteen aircraft. Top Aces also operates a fleet of 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 Canadian military training at various locations in Canada and the United States. Top Aces has approximately 100 employees.

Top Aces derives its revenue through standing offer agreements with the Canadian Federal Government for the delivery of contracted airborne training services. On February 23rd, 2005, the Government of Canada awarded three national standing offers to Top Aces to provide "fast jet" (known as Type 1) airborne training services to the Canadian Forces. The standing offers were initially for a period of five years.

In 2006, the Government of Canada awarded two national standing offers to Top Aces to provide “business jet” (known as Type 2) airborne training services to the Canadian Forces. These standing offers were for a three year period, with two option years.

By January 31st, 2010, Top Aces was completing negotiations for the further extension of the standing offers to 2011. In February 2010, the Canadian Federal Government issued both the Type 1 and Type 2 extensions to Top Aces to February 2011.

Top Aces is also currently reviewing the Government of Canada's procurement plan for continued airborne training services, including the existing Type 1 and 2 services, beyond 2011 under a proposed new twenty year long term contract (10 years with two 5 year government extension options). Top Aces expects competitive bids to be submitted when a request for proposal is issued; however, neither Top Aces nor Discovery Air is aware of a current 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 three primary sources:

- a low-cost, safe, fighter aircraft platform which possesses many of the sub-sonic performance capabilities of the Canadian Forces CF-18 Hornet fighter platform at a fraction of the operating cost;
- a complement of very experienced ex-Canadian Forces CF-18 pilots who have an intimate understanding of the Canadian forces training environment; and
- a proven business model and flying operation optimized to deliver high quality, cost effective tactical airborne services to the Canadian forces.

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.

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, through the company’s charter division, Hicks & Lawrence provides court-related air transport services to a variety of provincial government agencies which operate in Northwestern Ontario. Although the charter division operates year round, the majority of Hicks & Lawrence’s revenues are generated during the forest fire season, which in Northern Ontario typically begins in late April and ends in late September.

As at January 31, 2010, Hicks & Lawrence owned and operated a fleet of thirty aircraft comprised of nineteen Cessna 337’s, seven Aero Commander 500’s and four Beechcraft King Air’s. The Cessna 337 and Aero Commander aircraft are dedicated to the provision of Detection and Birddog services to the Ontario Ministry of Natural Resources in support of the Ontario Government’s forest fire management program. Detection services include, among other things, forest fire surveillance activities and the transmission of information about forest fires to fire management centers. Birddog services include, among other things, controlling and managing 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.

The King Air fleet is operated by the company's charter division and provides air transport services to various corporate and government agencies including the Ontario Ministry of Natural Resources. In addition, Hicks & Lawrence, through its charter division, is the exclusive supplier of air transport services to court parties in the Northwestern region of Northern Ontario. Hicks & Lawrence, and previously Walsten Air, (acquired by Hicks & Lawrence in March of 2007), has been the exclusive provider of this service for the last three decades.

Hicks & Lawrence's primary flight operations base is located in Dryden, Ontario. Additionally, the company operates satellite operations bases located in Geraldton, Chapleau, Sudbury and Kenora, Ontario. Hicks & Lawrence has established heavy and line maintenance bases in Dryden, Kenora and Sudbury, Ontario. Over the course of the forest fire season, the company also supports satellite maintenance bases in Chapleau and Geraldton, Ontario. Hicks & Lawrence's primary maintenance base is co-located with its primary flight operations base in Dryden, Ontario. The Dryden facility is owned by Hicks & Lawrence and is comprised of two aircraft 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.

In 2009, Hicks & Lawrence responded to a competitive process to provide Detection and/or Birdog services for a period of five years to the Ontario Government's forest fire management program. Hicks & Lawrence faced competition from other fixed-wing operators which provide corporate charter services in Northwestern Ontario; however, to the knowledge of the Corporation, no other Ontario based aviation company possesses the necessary resources to offer the Detection and/or the Birdog services currently provided by Hicks & Lawrence. The results of this competitive process are expected in the early part of FY 2011.

During its peak season, from May to September each year, Hicks & Lawrence employs over 50 people. Due to the cyclical nature of the Hicks & Lawrence 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.

REGULATORY ENVIRONMENT

The aviation industry in Canada operates in 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

There are a number of risk factors which, if they materialize, could materially affect the business, financial condition, liquidity or results of operations of the Corporation. These risks may be found under the heading "Risk Factors" in the Corporation's Management's Discussion and Analysis for the year ended January 31, 2010, which is incorporated herein by reference and may be found on SEDAR at www.sedar.com. These risks and uncertainties are not the only ones facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial may also impair the operations of the Corporation.

DESCRIPTION OF CAPITAL STRUCTURE

General

The Corporation is authorized to issue an unlimited number of Class A Shares (the "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, 2010, there were 134,461,555 Class A Shares and 742,604 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 are 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 are 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 issued \$28,750,000 principal amount 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 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 or 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 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 TSX. 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, 2009 to January 31, 2010.

CLASS A SHARES			
MONTH	HIGH	LOW	TRADING VOLUME
February 2009	.240	.205	124,278
March 2009	.172	.156	181,611
April 2009	.192	.161	149,667
May 2009	.180	.166	344,778

CLASS A SHARES			
MONTH	HIGH	LOW	TRADING VOLUME
June 2009	.185	.163	503,158
July 2009	.236	.212	513,947
August 2009	.298	.274	49,515
September 2009	.285	.273	76,785
October 2009	.267	.257	448,905
November 2009	.220	.209	273,952
December 2009	.193	.177	594,490
January 2010	.210	.200	506,684

Discovery Air's Debentures are listed and posted for trading on the TSX 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 February 1, 2009 to January 31, 2010.

DEBENTURES (\$100 PRINCIPAL AMOUNT)			
MONTH	HIGH	LOW	TRADING VOLUME
February 2009	\$ 53.000	\$ 52.750	10,000
March 2009	\$ 66.500	\$ 65.000	15,200
April 2009	\$ 58.763	\$ 58.263	12,250
May 2009	\$ 59.500	\$ 57.767	229,500
June 2009	\$ 58.307	\$ 58.287	12,857
July 2009	\$ 57.500	\$ 56.373	19,750
August 2009	\$ 59.018	\$ 59.008	32,000
September 2009	\$ 56.381	\$ 55.888	44,663
October 2009	\$ 57.025	\$ 55.500	305,000
November 2009	\$ 55.583	\$ 54.306	68,667
December 2009	\$ 63.782	\$ 61.850	70,167
January 2010	\$ 70.121	\$ 69.214	756,467

Prior Sales

The Corporation's Class B Shares are not listed or posted for trading on any exchange or market. As of January 31, 2010, there were 742,604 Class B Shares outstanding. Of that amount, 684,354 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. The remaining 58,250 Class B Shares resulted from a conversion from Class A Shares when Class A Shares were transferred from a Canadian to a non-Canadian. See above under "Description of Capital Structure - Constraints" for an explanation of this conversion feature.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The following table sets forth the number of securities of the Corporation which, to its knowledge, 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, 2010.

DESIGNATION OF CLASS	NUMBER OF SECURITIES WITH TRANSFER RESTRICTIONS	PERCENTAGE OF CLASS
Class A Shares	2,741,850 ⁽¹⁾	2%

NOTES:

- (1) Of this amount, 685,462 shares were restricted until January 4, 2010; 685,462 shares are restricted until January 4, 2011; 685,462 shares are restricted until January 4, 2012; and 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 Discovery Air's directors as at January 31, 2010. The term of office of each director expires at the next annual shareholders meeting.

DIRECTORS		
NAME	OFFICE HELD, DATE BECAME A DIRECTOR AND COMMITTEE MEMBERSHIP	PRINCIPAL OCCUPATION
GILBERT BENNETT Guelph, Ontario, Canada	Director since July 24, 2008 Chair of the Board	Business Consultant, and director of Samuel, Son & Co., Ltd. ⁽¹⁾
JAMES GOODFELLOW Oakville, Ontario, Canada	Director since October 24, 2008 Chair of the Audit Committee	Business Consultant ⁽²⁾
ALAN HIBBEN Toronto, Ontario, Canada	Director since August 7, 2008 Member of the Audit Committee and Governance Committee	Partner, Blair Franklin Capital Partners ⁽³⁾
JOSEPH RANDELL Wellington, Nova Scotia, Canada	Director since August 7, 2008 Chair of the Human Resources Committee and Member of the Governance Committee	President and Chief Executive Officer, Jazz Air LP
WAYNE SALES Jupiter, Florida, United States	Director since August 7, 2008 Chair of the Governance Committee and member of the Human Resources Committee	Business Consultant ⁽⁴⁾
BRIAN SEMKOWSKI London, Ontario, Canada	Director since June 17, 2008 Member of the Audit Committee and the Human Resources Committee	President, Southwest Sun Group Inc.

NOTES:

- (1) From 2003 to February 2009 Mr. Bennett was the Chair of the Board of Fortis Ontario Inc. From August 1996 to March, 2007, Mr. Bennett was Chair of the Board of Canadian Tire Corporation, Limited.
- (2) Since June 2008 Mr. Goodfellow is a business consultant who acts as a corporate director and senior advisor to Deloitte & Touche LLP. Before that time, Mr. Goodfellow was a partner and Vice-Chairman of Deloitte & Touche LLP.

- (3) From 2007 to 2009 Mr. Hibben was a Principal of Shakerhill Partners Ltd. From 2005 to 2007, he was Head, Strategy & Development at RBC Financial Group. From 2000 to 2007, Mr. Hibben was Chief Executive Officer of RBC Capital Partners.
- (4) From March 2006 to June 2007, Mr. Sales was Vice Chairman, Canadian Tire Corporation, Limited. From August, 2000 to March, 2006, he was President and Chief Executive Officer of Canadian Tire Corporation, Limited.

The following table sets out the names, municipalities of residence, positions and principal occupations over the last five years of the officers of Discovery Air, as at January 31, 2010.

OFFICERS		
NAME	OFFICE HELD & CURRENT PRINCIPAL OCCUPATION	PRINCIPAL OCCUPATION LAST 5 YEARS
DAVID JENNINGS Pointe Claire, Quebec, Canada	President & Chief Executive Officer	September 12, 2008: appointed Interim President & CEO of the Corporation Prior to September 12, 2008: Co-Chief Executive Officer of Top Aces Inc., a wholly owned subsidiary of Discovery Air Inc.
ANDRIEN MIN London, Ontario, Canada	Chief Financial Officer	November 4, 2009: appointed Vice President and Chief Financial Officer of the Corporation Prior to November 4, 2009: Assistant Vice-President, Financial Reporting & Accounting the Corporation
ROLF DAWSON Yellowknife, Northwest Territories, Canada	Vice President Corporate Finance & Administration	November 4, 2009: appointed Vice President Corporate Finance & Administration of the Corporation Prior to November 4, 2009: Vice President, Market Development, Honeywell Global Finance from September 2006 to January 2009; Treasury Consultant, Royal Group Technologies, from August 2005 to September 2006; Treasurer, Husky Injection Molding Systems, from January 2000 to December 2004
ADAM BEMBRIDGE Yellowknife, Northwest Territories, Canada	Group President, Northern Services	June 10, 2009: appointed Group President, Northern Services Prior to June 10, 2009: President of Great Slave Helicopters Ltd., a wholly owned subsidiary of the Corporation
DIDIER TOUSSAINT Ile Bizard, Quebec, Canada	Group President, Government Services	December 11, 2009: appointed Group President, Government Services Prior to December 11, 2009 and to present: President of Top Aces Inc., a wholly owned subsidiary of the Corporation
PAUL BOUCHARD Pointe Claire, Quebec, Canada	Executive Vice President of Business Development	December 11, 2009: appointed Executive President of Business Development Prior to December 11, 2009 and to present: Co-CEO of Top Aces Inc., a wholly owned subsidiary of the Corporation
CHARLES PARKER Yellowknife, Northwest Territories, Canada	Executive Vice President	October 22, 2007: appointed Executive Vice President of the Corporation Prior to October 22, 2007: Deputy Minister for the Government of the Northwest Territories

OFFICERS		
NAME	OFFICE HELD & CURRENT PRINCIPAL OCCUPATION	PRINCIPAL OCCUPATION LAST 5 YEARS
JEAN GENEST Hampstead, Quebec, Canada	Vice President, Chief Technical Officer	December 11, 2009: appointed Vice President, Chief Technical Officer Prior to December 11, 2009 and to present: Chief Technical Officer of Top Aces Inc., a wholly owned subsidiary of the Corporation Air Inc.
GEOFFREY P. WIEST Yellowknife, Northwest Territories, Canada	Vice President and Corporate Secretary	July 2, 2009: appointed Vice-President and Corporate Secretary of the Corporation Prior to July 1, 2009: lawyer at Lawson Lundell LLP.

At January 31, 2010, there were 134,461,555 Class A Shares and 742,604 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, 27,738,760 Class A Shares of the Corporation, representing approximately 21% of the total number of Class A Shares outstanding. The group did not own any Class B Shares on such date.

AUDIT COMMITTEE INFORMATION

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

The members of the Audit Committee are: James Goodfellow (Chair), Alan Hibben and Brian Semkowski. Each member of the Audit Committee is both independent and financially literate, as such terms are defined in Canadian securities legislation.

James Goodfellow is the Chair of the Audit Committee. He has over 40 years experience in public accounting and providing assurance and advisory services, primarily to large public companies. Mr. Goodfellow was a Vice-Chairman of Deloitte & Touche LLP prior to his retirement in May 2008 and was a member of that firm's Board of Directors. He is a frequent speaker on issues related to financial reporting, corporate governance, securities regulation and audit committees. Mr. Goodfellow is a past chairman of the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board and is a co-author of several publications relating to audit committees and CEO/CFO certification. Mr. Goodfellow is a Chartered Accountant and was made a Fellow of the Ontario Institute of Chartered Accountants in 1986 for distinguished service to the profession.

Alan Hibben is a member of the Audit Committee. He is a Partner with Blair Franklin Capital Partners, a financial advisory and investment management firm. He has had a wide-ranging career in financial services with significant experience in merger and acquisition advisory services. Mr. Hibben previously held the position of Head, Strategy & Development at RBC Financial Group. In this role, he was responsible for corporate strategy as well as merger, acquisition and development activities for the corporation. He was also Chief Executive Officer, RBC Capital Partners, the private equity investment arm of RBC Financial Group. He has held several positions with RBC Capital Markets in the past, including responsibility for senior client M&A coverage in the financial services and telecommunications sectors. He was previously a member of the Executive Committee of RBC Capital Markets. Mr. Hibben

holds a Bachelor of Commerce degree from the University of Toronto and is a Chartered Accountant and a Chartered Financial Analyst. He is a certified director (ICD.D) of the Institute of Corporate Directors.

Brian Semkowski is a member of the Audit Committee. He is the President of Southwest Sun Group Inc. In addition, Mr. Semkowski is the President of Itinerant Software Inc., Pro-Tips Sports Corp. and London City Chrysler Inc. He is Chairman of the Board of London Economic Development Corp., a director of London Health Sciences Corporation and a former director of Clublink Corporation. Mr. Semkowski holds an Honours Degree in Business Administration from the Ivey Business School at the University of Western Ontario.

The Corporation's Board 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 in the 12 month period ended January 31, 2010 were \$204,000 (2009 - \$220,000).

Audit-Related Fees

Fees paid to KPMG LLP for audit-related services in the 12 month period ended January 31, 2010 were \$102,500 (2009 - \$88,500). These services included the review of interim financial statements and the review of accounting issues.

Tax Fees

Fees billed by KPMG LLP for tax services in the 12 month period ended January 31, 2010 were \$73,833 (2009 - \$75,000). These services included preparation of corporate tax returns and tax advisory services.

All Other Fees

Fees billed by KPMG LLP for all other services in the 12 month period ended January 31, 2010 were \$17,300 (2009 - \$18,984). These services related to acquisition issues.

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 and since the fiscal period ended January 31, 2009 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, which Agreements are available on SEDAR at www.sedar.com. The Corporation's President and Chief Executive Officer was a party to one of those Share Purchase Agreements as he was a significant shareholder of Top Aces Inc. before it was acquired by Discovery Air.

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, Commerce Place, 10125 – 102 Street, Edmonton, AB T5J 3V8. 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, principal holders of the Corporation's securities, and securities authorized for issuance under equity compensation plans are contained in the Corporation's Management Proxy Circular, available on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's financial statements and Management's Discussion and Analysis for the year ended January 31, 2010 filed on SEDAR at www.sedar.com.

EXHIBIT "A"

CHARTER OF THE AUDIT COMMITTEE OF DISCOVERY AIR INC.

1. PURPOSE

The Board of Directors (the "Board") is responsible for the stewardship of Discovery Air Inc. (the "Corporation"). That stewardship consists primarily of the duty to supervise the management of the business and affairs of the Corporation. To discharge that duty, the Board must supervise all significant aspects of the management of the business and affairs of the Corporation and its subsidiaries.

A. Corporate Obligations to Be Supervised. The following obligations of the senior officers of the Corporation ("Management"), the Board and the Corporation (the "Financial Obligations") are, amongst others, significant aspects of the management of the business and affairs of the Corporation:

- (a) financial reporting and disclosure in compliance with applicable law;
- (b) the appointment by the shareholders of the Corporation of a firm of chartered accountants as the external auditor of the Corporation (the "External Auditor");
- (c) monitoring the work of the External Auditor;
- (d) maintenance by Management of effective controls over the Corporation's financial reporting and disclosure;
- (e) maintenance by Management of effective policies and guidelines related to the management of the risks (the "Financial Risks") associated with Management, the Board and the Corporation meeting the Financial Obligations; and
- (f) effective management of the Corporation's financial resources, assets and obligations.

B. Authority. The fundamental duty of the Board in supervising efforts to meet the Financial Obligations is to gain and maintain reasonable assurance that the Financial Obligations are being met. The Board believes its duty in this regard will be most effectively discharged if the Board is assisted by a committee of the Board which is empowered and required:

- (a) to take all actions (the "Diligent Actions") which, in the opinion of the Board or the committee, are necessary or desirable for the committee to gain and maintain reasonable assurance that the Financial Obligations are being met, and
- (b) to report to the Board the conclusions reached by the committee as a result of taking the Diligent Actions.

2. ESTABLISHMENT/CONTINUATION OF AUDIT COMMITTEE

The Board has established and hereby continues the existence of a committee of the Board known as the Audit Committee (the "Committee"). The Committee is hereby empowered and required

to take the Diligent Actions and to report to the Board the conclusions reached by the Committee as a result of taking the Diligent Actions.

3. COMPOSITION

A. Composition. The Committee shall consist of at least three directors of the Corporation (collectively, the “Members”), one of whom shall serve as the Chair of the Committee (the “Committee Chair”). All members shall be Independent (as that term is defined herein) and Financially Literate (as that term is defined herein).

B. Appointment and Removal. The Board shall appoint, and may remove, any of the Members and the Committee Chair at any time and from time to time.

C. Definitions. For the purpose of this Charter

(a) a member is “Independent” if

- i. the Member has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Member’s independent judgment; and
- ii. the Member is not an individual who is considered to have a material relationship with the Corporation under the terms of section 1.4 of the Canadian Securities Administrators’ Multilateral Instrument 52-110 - Audit Committees (“Instrument 52-110”), and

(b) the term “Financially Literate” means having 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 the issues that can reasonably be expected to be presented by the financial statements of the Corporation.

4. RELIANCE ON EXPERTS

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation, or any other report of the Corporation represented to him or her by an officer of the Corporation or in a written report of the External Auditor to present fairly the financial position of the Corporation in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) and International Financial Reporting Standards as such are adopted by the Corporation,
- (b) a report or advice of an officer or employee of the Corporation, where it is reasonable in the circumstances to rely on the report or advice, and
- (c) a report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by such a person.

5. STANDARD OF CARE

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be obliged to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of a Member’s

duties is supervising and taking Diligent Actions to gain and maintain reasonable assurance that the Financial Obligations are being met by the Corporation and to enable the Committee to report thereon to the Board.

6. OPERATING PROCEDURES

- A. Frequency of Meetings.** The Committee shall meet four times annually or more frequently as circumstances dictate. Regular meetings of the Committee shall be held in accordance with a schedule prepared by the Corporate Secretary in consultation with the Chair of the Board of Directors of the Corporation (the “Board Chair”) and the Committee Chair. Additional meetings of the Committee may be called at any time by the Board Chair or by the Committee Chair, upon the request of any Member or at the request of the External Auditor.
- B. Notice of Meetings.** Notice of the time and place of each meeting of the Committee shall be given to each Member not less than 48 hours before the time when the meeting is to be held. Notwithstanding the foregoing, in the event that the Board or the Committee fixes by resolution the time and place of one or more meetings of the Committee and a copy of such resolution is sent to each Member, no notice shall be required to be given to the Members for the meeting(s) whose times and places are so fixed.
- C. Meeting Agendas.** Committee meeting agendas shall be prepared by the Corporate Secretary in consultation with the Board Chair, the Committee Chair, the Corporation’s President and Chief Executive Officer (the “CEO”), the Corporation’s Chief Financial Officer (the “CFO”) and the External Auditor, in all cases having regard to the matters required to be considered by the Committee under this Charter and/or pursuant to a request of the Board, the Committee or the External Auditor.
- D. Transaction of Business.** The powers of the Committee may be exercised at a meeting of the Committee at which a quorum is present or by resolution in writing signed by all of the Members who would have been entitled to vote on that resolution at a meeting of the Committee.
- E. Meetings by Telephone or Electronic Means.** If all of the Members present at or participating in a meeting consent, then any Member may participate in such meeting by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate simultaneously and instantaneously.
- F. Quorum.** A majority of the Members shall constitute a quorum for the transaction of business at all meetings of the Committee.
- G. Votes to Govern.** At all meetings of the Committee, any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote. Any question at a meeting of the Committee shall be decided by a show of hands unless a ballot is required or demanded.
- H. Attendance by Other Directors.** Any director of the Corporation (a “Director”), whether or not he or she is a Member, shall be entitled to be present at and to participate in all meetings of the Committee as a non-voting participant.
- I. Secretary of Meetings.** Unless the Committee otherwise specifies, the Corporate Secretary or Assistant Corporate Secretary shall act as secretary of all meetings of the Committee.

- J. Chair of Meetings.** The Committee Chair shall act as chair of all meetings of the Committee at which the Committee Chair is present. In the absence of the Committee Chair at any meeting of the Committee, the Members shall appoint a Member to serve as acting chair at the meeting.
- K. In Camera Sessions.** At each meeting of the Committee, the Committee shall meet in separate in camera sessions with each of the External Auditor, the CEO and the CFO. The Committee shall also be entitled to meet in private session or, at the option of the Committee, with one or more other officers or employees of the Corporation or its subsidiaries.
- L. Circulation of Minutes.** A copy of the minutes of each meeting of the Committee shall be provided to the Members in a timely fashion and shall be provided to any Director upon request.
- M. Reports to the Board.** The chair of each meeting of the Committee shall report on the matters considered at that meeting to the next-following regularly-scheduled meeting of the Board.
- N. Retention of External Advisors.** To assist the Committee in discharging its responsibilities, the Committee is authorized to:
- (a) engage any advisors (including independent counsel) as it determines necessary to carry out its duties,
 - (b) set and pay, at the expense of the Corporation, the compensation for any advisors engaged by the Committee, and
 - (c) communicate directly and privately with the External Auditor and any other advisor engaged by the Committee.

7. DILIGENT ACTIONS

Without limiting the nature or scope of the Diligent Actions, the Committee shall, as part of the Diligent Actions:

- A. General.** for the purpose of gaining and maintaining reasonable assurance that Management, the Board and the Corporation meet the Financial Obligations,
- (a) require Management (with the assistance of the Corporation's general legal counsel and the External Auditor) to provide to the Committee
 - (i) a written report listing the Financial Obligations,
 - (ii) prompt written updates to the report referred to in paragraph (i) above describing any proposed or actual change to the Obligations, and
 - (iii) at each meeting of the Committee, written assurance that Management and the Corporation have, since the last preceding meeting of the Committee, complied fully with the Financial Obligations;
 - (b) make regular assessments of the integrity, comprehensiveness and effectiveness of internal controls which support Management, the Board and the Corporation in meeting the Financial Obligations ("Internal Financial Controls"), including (1) the Corporation's disclosure controls and procedures ("Disclosure Controls"), and (2) the Corporation's internal controls over financial reporting ("Reporting Controls"), as those terms are defined in the Canadian Securities Administrators' Multilateral Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings ("Instrument 52-109");

in making each such assessment, the Committee shall obtain from the CEO and the CFO a report setting out:

- (i) the overall approach taken by the CEO and the CFO to the process by which they provide certification as required by Instrument 52-109,
 - (ii) the issues that were raised by such overall approach,
 - (iii) the approach taken by the CEO and the CFO to the evaluation of the Disclosure Controls and the Reporting Controls,
 - (iv) the results of the evaluation of the Disclosure Controls and the Reporting Controls made by the CEO and the CFO, and
 - (v) the conclusions reached by the CEO and the CFO as to the effectiveness of the Disclosure Controls and the Reporting Controls;
- (c) annually assess the quality and sufficiency of the Corporation's accounting and financial personnel;
 - (d) review the effectiveness of the Corporation's policies that require significant new actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
 - (e) review reports to Management by the External Auditor with respect to weaknesses or deficiencies in Internal Financial Controls, and review the adequacy and appropriateness of Management's responses to recommendations relating to such weaknesses or deficiencies made by the External Auditor, including the implementation thereof;
 - (f) oversee and regularly assess the quality of the work of the External Auditor in preparing or issuing an audit or other report in respect of the Corporation's financial statements and performing other audit, review or attest services for the Corporation;
 - (g) use its best efforts to resolve disagreements between Management and the External Auditor regarding financial reporting;
 - (h) receive at least annually reports from each of Management and the External Auditor with respect to the effectiveness of the records and procedures established by Management to initiate, record, process and report the Corporation's transactions;
 - (i) review the plans of Management and the External Auditor to gain reasonable assurance that the combined evaluation and testing of Internal Financial Controls is comprehensive, co-ordinated and effective;
 - (j) receive timely reports from Management, the External Auditor and the Corporation's legal department on any indication or detection of fraud and the corrective activity undertaken in respect thereto;
 - (k) before the Committee recommends a proposed External Auditor for nomination by the Board, be reasonably assured that any such proposed External Auditor of the Corporation possesses and will make available to the Corporation the personnel required to efficiently, cost-effectively and expertly prepare or issue an audit or other report in respect of the Corporation's financial statements or perform other audit, review or attest services for the Corporation;

- (l) in advance of the External Auditor's commencement of each audit of the Corporation's financial statements, review with the External Auditor the proposed scope of the audit, the proposed areas of special emphasis to be addressed in the audit and the materiality levels which the External Auditor proposes to employ;
- (m) satisfy itself that Management has placed no restrictions on the scope or extent of the External Auditor's audit examinations or reviews or the External Auditor's reporting of its findings to the Board or the Committee;
- (n) review and approve in advance any proposed appointment of a member of Management whose duties relate significantly to Financial Obligations;
- (o) review quarterly a progress report by the External Auditor on the status of its annual audit of the Corporation's annual financial statements, including the External Auditor's findings and the implications of those findings; and
- (p) discuss with the External Auditor (i) whether its reports to Management on errors detected by the External Auditor in the course of an audit or other audit findings suggest weaknesses or deficiencies in Internal Financial Controls, and (ii) whether, in the opinion of the External Auditor, Management has appropriately addressed any such errors or other audit findings;

B. Audited Financial Statements. for the purpose of gaining reasonable assurance as to whether each audited financial statement of the Corporation presents fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with Canadian GAAP,

- (a) review with Management and the External Auditor the comparative financial statements of the Corporation relating separately to each financial year of the Corporation (the "Current Year") and the financial year of the Corporation next preceding the Current Year (the "Preceding Year");
- (b) assess the reasonableness, and the effect upon the Corporation's financial position and the results of the Corporation's operations, of
 - (i) each significant estimate, accrual, reserve and provision employed by Management in preparing the comparative financial statements of the Corporation for the Current Year (the "Current Annual Statement"), as well as all changes to each significant estimate, accrual, reserve and provision made since the end of the third quarter of the Current Year, and
 - (ii) the aggregate amount of all estimates, accruals, reserves and provisions employed by Management in preparing the Current Annual Statement, as well as the change (if any) in such aggregate amount made since the end of the third quarter of the Current Year;
- (c) review all unresolved items identified by the External Auditor in conducting its audit of the Current Annual Statement;
- (d) obtain the written opinion of the External Auditor as to whether:
 - (i) any of the accounting principles, policies, practices or methods employed by Management in preparing the Corporation's financial statements for the Preceding

Year were significantly changed or augmented in preparing the Current Annual Statement,

- (ii) the Current Annual Statement is materially different from that which the External Auditor would have expected from reviewing the Corporation's quarterly financial statements for the Current Year,
 - (iii) the accounting principles, policies and disclosure practices employed in preparing the Current Annual Statement are materially different from the accounting principles, policies and disclosure practices generally employed by others engaged in the industries or businesses in which the Corporation is engaged,
 - (iv) any of the accounting policies, practices, estimates, judgments or disclosure practices employed in preparing the Current Annual Statement could be described as "aggressive", "inadequate" or "not the most appropriate",
 - (v) in the Current Annual Statement, any immaterial items are treated in a manner which would have to be changed if such items became material in future years, or
 - (vi) there is any accounting principle, policy, practice, estimate, judgment or disclosure practice employed in preparing the Current Annual Statement which is not in accordance with Canadian GAAP but the use of which is justified on the basis of immateriality;
- (e) obtain a written report from the External Auditor comparing (i) the extent of the External Auditor's reliance on Internal Financial Controls in auditing the Current Annual Statement to (ii) the extent of the External Auditor's reliance on Internal Financial Controls in auditing the Preceding Year's financial statements;
 - (f) review at least annually with Management, the External Auditor and the Corporation's legal counsel all legal claims or other contingencies affecting the Corporation to gain reasonable assurance that all such claims and contingencies which could have a material effect on the financial position or results of operations of the Corporation have been disclosed (if appropriate) in the Current Annual Statement;
 - (g) review with Management and the External Auditor the annual financial statements of the Corporation's significant subsidiaries; and
 - (h) obtain from Management a representation letter addressed to the Committee relating to the Current Annual Statement comparable in content to the representation letter provided by Management to the External Auditor relating to the Current Annual Statement;

C. Interim Financial Statements. for the purpose for gaining reasonable assurance as to whether each interim financial statement of the Corporation presents fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with Canadian GAAP,

- (a) review with Management and the External Auditor the comparative interim financial statement of the Corporation relating separately to each of the three-month, six-month and nine-month periods of the Current Year and the Preceding Year;
- (b) assess the reasonableness, and the effect upon the Corporation's financial position and the results of the Corporation's operations, of

- (i) each significant estimate, accrual, reserve and provision employed by Management in preparing each comparative interim financial statement specified in subparagraph (a) above (the “Current Quarterly Statement”), as well as all changes to each significant estimate, accrual, reserve and provision made at or since the beginning of the period to which the Current Quarterly Statement relates (the “Current Quarter”), and
- (ii) the aggregate amount of all estimates, accruals, reserves and provisions employed by Management in preparing the Current Quarterly Statement, as well as the change (if any) in such aggregate amount made at or since the beginning of the Current Quarter;
- (c) review all unresolved items identified by the External Auditor in preparing its report on the Current Quarterly Statement;
- (d) obtain a written report from the External Auditor as to whether it is aware of any material modification that needs to be made for the Current Quarterly Statement to be in accordance with Canadian GAAP; and
- (e) obtain a written report of the External Auditor as to whether the External Auditor, in the course of reviewing the Current Quarterly Statement, became aware that
 - (i) any of the accounting principles, policies, practices or methods employed by Management in preparing the Corporation’s financial statements for the financial accounting period ended immediately prior to the beginning of the Current Quarter were significantly changed or augmented in preparing the Current Quarterly Statement,
 - (ii) the Current Quarterly Statement is materially different from that which the External Auditor would have expected from reviewing the Corporations’ financial statements for the earlier financial quarters (if any) falling within the financial year of the Corporation encompassing the Current Quarter,
 - (iii) the accounting principles, policies, and disclosure practices employed in preparing the Current Quarterly Statement are materially different from the accounting principles, policies and disclosure practices generally employed by others engaged in the industries or businesses in which the Corporation is engaged,
 - iv) any of the accounting principles, policies, practices, estimates, judgments or disclosure practices employed in preparing the Current Quarterly Statement could be described as “aggressive”, “inadequate” or “not the most appropriate”,
 - v) in the Current Quarterly Statement, any immaterial items are treated in a manner which would have to be changed if such items became material in a future financial accounting period, or
 - vi) there is any accounting principle, policy, practice, estimate, judgment or disclosure practice employed in preparing the Current Quarterly Statement which is not in accordance with Canadian GAAP but the use of which is justified on the basis of immateriality;

D. Financial Statements and MD&A. for the purpose of gaining reasonable assurance that each Current Annual Statement and each Current Quarterly Statement (a “Current Financial Statement”), the related Management’s Discussion & Analysis (as defined in the Canadian Securities Administrators’ National Instrument 51-102 – Continuous Disclosure Obligations) (“MD&A”) and any related press releases have been made up and certified as required by the

laws, regulations, rules, policies and other requirements relating to financial reporting and disclosure (collectively the “Financial Reporting Rules”) promulgated by governments, securities commissions, stock exchanges and other agencies and instrumentalities having jurisdiction over the Corporation (collectively the “Regulators”),

- (a) require Management (with the assistance of the Corporation’s general legal counsel and the External Auditor) to provide to the Committee (1) a written report setting out the applicable Financial Reporting Rules, and (2) prompt written updates to that report describing any proposed or actual change to the applicable Financial Reporting Rules;
- (b) before the Corporation publicly discloses such information, review each Current Financial Statement, the related MD&A and any related press releases with Management and the External Auditor in light of the written report (as updated from time to time) referred to in subsection (a) above;
- (c) review each MD&A to gain reasonable assurance that the statements and disclosures made therein are consistent with the Committee’s knowledge of the Corporation’s operations, financial condition and performance;
- (d) obtain from the External Auditor a report on (i) whether the financial information included in each MD&A is consistent with the related Current Financial Statement, and (ii) whether the selection or presentation of that financial information in such MD&A could reasonably be expected to cause a reader to misinterpret the Corporation’s financial condition or performance;
- (e) obtain from Management at least annually a list of the most important performance measures or indicators that Management uses to manage the Corporation’s business and assess the Corporation’s performance; and
- (f) gain reasonable assurance that such performance measures and indicators are presented fairly in each MD&A;

E. External Auditor’s Report. for the purpose of gaining reasonable assurance that each Current Annual Statement is accompanied by a report thereon prepared by the External Auditor in accordance with the Financial Reporting Rules (the “Required Report”),

- (a) require Management (with the assistance of the Corporation’s general legal counsel and the External Auditor) to provide to the Committee (1) a written report specifying all of the contents and characteristics of a Required Report, and (2) prompt written updates to that report describing any proposed or actual changes to the content or characteristics of a Required Report; and
- (b) review each Required Report with Management and the External Auditor in light of the written report (as updated from time to time) referred to in subsection (a) above;

F. Independence of External Auditor. for the purpose of gaining and maintaining reasonable assurance that an existing or proposed External Auditor (an “Auditor”) is objective and independent,

- (a) obtain annually from the Auditor a written opinion of the Auditor that it is objective within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario;

- (b) obtain annually from the Auditor a written report of the Auditor listing in detail
 - (i) all fees paid by the Corporation or any affiliate of the Corporation to the Auditor or any affiliate of the Auditor in the last financial year of the Corporation ended prior to the date of such report, and
 - (ii) all relationships of any kind which existed between the Auditor or any affiliate of the Auditor and the Corporation or any affiliate of the Corporation at any time in the last financial year of the Corporation ended prior to the date of such report; and
- (c) obtain annually from the External Auditor an acknowledgement in writing that the Board and the Committee, and not Management, are the External Auditor's clients;

G. Filing and Sending Financial Statement and MD&A. for the purpose of gaining reasonable assurance that each Current Financial Statement and the related MD&A are filed with all Regulators and sent to holders of the Corporation's securities (including each shareholder of the Corporation) in compliance with the Financial Reporting Rules, prior to the date specified by the Financial Reporting Rules by which the Current Financial Statement and the related MD&A must be so filed and sent, obtain from Management written assurance that the Current Financial Statement and the related MD&A have been so filed and sent;

H. Dissemination of Financial Information. for the purpose of gaining reasonable assurance (1) that where a material change (as defined in the Financial Reporting Rules) occurs in the affairs of the Corporation, the Corporation (A) forthwith issues a news release authorized by a member of Management disclosing the nature and substance of the material change (a "Material Change News Release") and (B) files a report of such material change (a "Material Change Report") as soon as practicable (and in any event within ten days of the date on which the material change occurs), all in compliance with the Financial Reporting Rules, and (2) that all financial information concerning the Corporation which is disseminated to the public by or on behalf of the Corporation is accurate, complete and fairly presented,

- (a) prior to the date specified by the Financial Reporting Rules by which any such Material Change News Release and any such Material Change Report must be issued and filed, obtain from Management written assurance that such Material Change News Release and Material Change Report have been so issued and filed;
- (b) review with Management and, if the Committee so desires, with the External Auditor, all news releases and reports proposed to be issued or filed by the Corporation which contain significant financial information concerning the Corporation, including all news releases and reports concerning a Current Financial Statement; in circumstances where events render it impractical for the Committee to review such news releases or reports with Management prior to issuing or filing such news releases or reports, authority to review and approve such news releases or reports may be exercised by the Committee Chair and the Board Chair, acting together;
- (c) review with Management and, if the Committee so desires, with the External Auditor, all prospectuses, Material Change News Releases, Material Change Reports, MD&A, annual information forms and similar disclosure documents; and
- (d) periodically assess the adequacy of the Corporation's procedures, resources, systems and tasks for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements;

- I. Rules Applicable to the Committee.** for the purpose of gaining and maintaining reasonable assurance that the composition, authority and responsibilities of the Committee conform to and comply with the Financial Reporting Rules, require Management (with the assistance of the Corporations' general legal counsel and the External Auditor) to provide to the Committee.
- (a) a written report listing the applicable Financial Reporting Rules; and
 - (b) prompt written updates to the report referred to in subsection (a) above describing any proposed or actual changes to the applicable Financial Reporting Rules;
- J. Employment Obligations.** for the purpose of gaining and maintaining reasonable assurance that the Corporation is in compliance with its obligations under tax, employment and similar laws and regulations, obtain quarterly reports from Management as to such compliance;
- K. Non-Audit Services.** pre-approve all non-audit services proposed to be provided to the Corporation or to any of its subsidiaries by the External Auditor; prior to the Committee pre-approving any non-audit services proposed to be provided to the Corporation or to any of its subsidiaries by the External Auditor, gain reasonable assurance that the provision of such services by the External Auditor could not reasonably be expected to impair the objectivity or independence of the External Auditor; for purposes of this Charter,
- (a) "audit services" means the professional services rendered by the External Auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the External Auditor in connection with statutory and regulatory filings or engagements, and
 - (b) "non-audit services" means services other than audit services;
- L. Hiring from External Auditor.** review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the present and former External Auditor;
- M. Complaint Processes.** establish procedures for
- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, Internal Financial Controls, Disclosure Controls, Financial Reporting Rules or auditing matters,
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, and
 - (c) the reporting to the Committee of all such complaints and submissions;
- N. Recommendation of Auditor.** recommend to the Board
- (a) a proposed External Auditor to be nominated by the Board for appointment as the External Auditor by the holders of common shares of the Corporation, and
 - (b) the compensation of the External Auditor ;
- O. Oversight of Financial Risks.** for the purpose of gaining and maintaining reasonable assurance that Management is directly and effectively assessing, monitoring and managing Financial Risks,

- (a) prior to the Board's approval of each MD&A, obtain from Management a report containing Management's assessment of the principal risks to the Corporation's business and identifying which of such risks are principal Financial Risks;
- (b) at least semi-annually, obtain from Management a report specifying the process by which Management is assessing, monitoring and managing Financial Risks;
- (c) review all reports of the External Auditor with respect to any weaknesses or deficiencies in Internal Controls relating to Financial Risks, and review the adequacy and appropriateness of Management's responses to recommendations relating to any such weaknesses or deficiencies made by the External Auditor, including Management's implementation of such recommendations;
- (d) gain reasonable assurance that the principal Financial Risks are fairly presented in each MD&A and in the Corporation's Annual Information Form; and
- (e) prepare and present annually to the Board a report of the Committee setting out the Committee's conclusions resulting from the Committee's oversight of Management's assessment, monitoring and management of Financial Risks;

P. Financial Resources, Assets and Obligations. for the purpose of gaining and maintaining reasonable assurance that Management is effectively managing the financial resources, assets and obligations of the Corporation,

Q.

- (a) at least annually review the Corporation's financing strategy, capital structure, annual cash flow targets and operating plans;
- (b) obtain quarterly from Management reports on the Corporation's cash flow and working capital management, compliance with debt covenants and other matters that could impact the financial condition of the Corporation, and gain reasonable assurance that such matters are fairly and appropriately disclosed in the Current Financial Statements and/or the related MD&A; and
- (c) satisfy itself that the safeguarding of financial assets and the proper recording of financial assets and obligations are effectively addressed in the certification of Internal Financial Controls by the CEO and the CFO; and

R. Other Diligent Actions. perform such other Diligent Actions as the Board may reasonably specify from time to time.