



ANNUAL INFORMATION FORM
For the year ended January 31, 2012

April 30, 2012

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EXPLANATORY NOTES

Unless otherwise noted, all information is given as at January 31, 2012. Financial information is based on the audited consolidated financial statements of Discovery Air Inc. ("**Discovery Air**", the "**Corporation**", "**us**" or "**we**") for the fiscal year ended January 31, 2012, 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 the objectives, operations and targeted financial results of Discovery Air. 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 effects of changes in interest rates; the effects 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 effects of changing technology; the weather and weather patterns; and the impacts of changes in laws. Other risk factors can be found in this Annual Information Form and in the Management's Discussion and Analysis of the Corporation for the year ended January 31, 2012, 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.

NAME, ADDRESS AND INCORPORATION

Discovery Air 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* (the "**CTA**") that holders of licences to operate domestic Canadian air services be "Canadian". As a result, the Corporation has two classes of common shares: Class A common voting shares (the "**Class A Shares**") and Class B common variable voting shares (the "**Class B Shares**"). See "Description of Capital Structure" for further details concerning the Corporation's share structure.

In April 2006, Discovery Air completed an initial public offering of Class A Shares and listed the Class A Shares on the TSX Venture Exchange. In June 2006, the Class A Shares were listed on the Toronto Stock Exchange (the “**TSX**”) (symbol: DA.A). The Class B Shares are not listed on any exchange.

On September 23, 2011, all of the issued and outstanding Class A Shares and Class B Shares were consolidated on the basis of one post-consolidation Class A Share or Class B Share of the Corporation, as applicable, for every ten pre-consolidation Class A Shares or Class B Shares, as applicable. The Class A Shares commenced trading on a post-consolidation basis on September 29, 2011.

In May 2011, the Corporation issued \$34.5 million principal amount (inclusive of a \$4.5 million over-allotment option) of 8.375% convertible unsecured subordinated debentures (the “**Unsecured Debentures**”), which are listed on the TSX (symbol: DA.DB.A).

In September 2011, the Corporation issued \$70,000,005 of senior secured convertible debentures (the “**Secured Debentures**”) pursuant to a private placement. The Secured Debentures are not listed on any exchange.

The head office of the Corporation is P.O. Box 1530, 126 Bristol Avenue, Yellowknife, Northwest Territories, X1A 2P2. The registered office of the Corporation is 200, 4915 – 48th Street, YK Centre East, Yellowknife, Northwest Territories, X1A 2N6.

INTERCORPORATE RELATIONSHIPS

Discovery Air is the parent company to seven material subsidiaries that are engaged in the delivery of specialty aviation services including airborne training; airborne fire services; helicopter operations; fixed - wing air charter services; exploration and logistics support; and a range of maintenance, repair, overhaul, modification, engineering and certification services.

Five of the subsidiaries were acquired by the Corporation over the course of a four year period beginning in December 2004 and ending in January 2008; the sixth subsidiary was incorporated in 2010 and the seventh subsidiary was incorporated in 2011.

The following chart sets out the material subsidiaries of Discovery Air, all of which are wholly-owned by the Corporation, along with their dates of acquisition or incorporation, as applicable, and jurisdictions of incorporation.

NAME OF SUBSIDIARY	DATE OF ACQUISITION OR INCORPORATION BY DISCOVERY AIR	JURISDICTION OF INCORPORATION
Discovery Air Fire Services Inc. (formerly, 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
Discovery Air Technical Services Inc.	April 2010	Canada
Discovery Air Innovations Inc.	January 2011	Canada

GENERAL DEVELOPMENT OF THE BUSINESS

Discovery Air is a specialty aviation services company which, through its subsidiaries, operates across Canada and in select locations internationally. The Corporation and its subsidiaries have over 150 aircraft, employ more than 850 flight crew, maintenance personnel and support staff and deliver a variety of air transport, maintenance and logistics solutions to their government, airline and business customers. In the last three years, there have been various events that contributed to the general development of the business, which are described below.

In April 2010, a new wholly owned subsidiary, Discovery Air Technical Services Inc. (“**DATS**”), was established to pursue opportunities in the maintenance, repair and overhaul (“**MRO**”) business as a means to potentially diversify Discovery Air’s business activities into areas that are less seasonal and less dependent on flight hours. DATS is an Approved Maintenance Organization approved by Transport Canada and provides maintenance and engineering services to Discovery Air subsidiaries and third party customers.

Further, in December 2011, DATS announced the creation of a new subsidiary, Aero Vision Technologies International Inc., whose mandate is to develop leading edge software solutions for the aviation market. DATS is the majority shareholder of AVTi.

Discovery Air has also been expanding its presence internationally in recent years. In May 2010, Great Slave Helicopters Ltd. (“**GSH**”), which has one of the largest helicopter operations in Canada, expanded into South America, providing helicopter services in support of oil and gas seismic exploration activity in Peru. In February 2012, GSH also completed the purchase of Servicios Aéreos Helicopters.cl Ltda (“**SAL**”) in Chile. Founded in 2002, SAL provides helicopter services to domestic and multinational customers in the mining, power construction and forestry sectors of the Chilean economy. With two main operating bases in north central and southern Chile, as well as operations in Argentina and Colombia, SAL operates a fleet of up to 10 intermediate and medium helicopters.

In addition to expanding its existing operations, in early 2011, the Corporation incorporated a new subsidiary, Discovery Air Innovations Inc. (“**DAI**”), to identify and capture large, new growth market opportunities for Discovery Air and its subsidiaries. Further, in 2011, DAI announced the creation of Discovery Air International Inc. as a platform to support new aircraft operations and to capture new business opportunities for the Corporation internationally.

A more detailed description of each of Discovery Air’s subsidiaries and the products and services offered by such businesses can be found in “Description of the Business” below.

DESCRIPTION OF THE BUSINESS

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

The Northern Services segment is comprised of GSH, Air Tindi Ltd. (“**Air Tindi**”) and Discovery Mining Services Ltd. (“**DMS**”), including their respective subsidiaries, and provides specialized rotary and fixed

wing specialized aviation services, 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 and gas exploration, forest fire suppression, aerial survey operations, air ambulance operations, power line construction and maintenance, scheduled charters and tourism.

The Government Services segment is comprised of Top Aces Inc. (“**Top Aces**”), Discovery Air Fire Services Inc. (“**DA Fire Services**”) and DATS. Top Aces provides primarily airborne training services to the Canadian Department of National Defense; DA Fire Services provides primarily forest fire management and court-related air transport services to the Government of Ontario and DATS provides MRO and engineering services.

All activities that are not allocated to either the Northern Services or Government Services segments are reported under Corporate Support, including DAI.

Discovery Air provides management services to its operating subsidiaries, including legal, human resources, strategy, information technology, corporate finance and accounting services in return for a fee. Ordinary course of business operating decisions are made by management of the Corporation’s operating subsidiaries.

Northern Services Segment

During the fiscal years ended January 31, 2012 and January 31, 2011, the Northern Service’s revenues by business segment were as follows:

NORTHERN SERVICES SEGMENT (AS A PERCENTAGE (%) OF TOTAL REVENUE)		
INDUSTRY CATEGORY	FISCAL YEAR ENDED JANUARY 31, 2012	FISCAL YEAR ENDED JANUARY 31, 2011
Mining (Producing)	14.3	13.3
Mining (Exploration)	30.9	25.6
Oil and Gas	13.1	5.2
Utilities	1.1	2.0
Government	26.8	30.8
Charter and Scheduled	5.3	5.3
Other	8.6	17.8

The Northern Services segment’s consolidated revenues for the fiscal year ended January 31, 2012 were approximately \$115.5 million. The 12 largest customers represented approximately 54.3% of the segment’s consolidated revenue.

GSH

GSH is one of the largest helicopter operators in Canada. On their own and in partnership with Aboriginal groups, GSH and its group of companies are able to provide helicopter services on traditional lands covered by land claim settlement agreements. GSH conducts business throughout Canada and internationally with operational bases throughout the Canadian North as well as in Alberta, Manitoba,

Ontario and South America. GSH 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.

GSH owns and operates an 18,000 square foot maintenance and administration facility at the Yellowknife Airport. Pilots, engineers and support staff work from there, along with spare parts inventory and an aircraft overhaul and maintenance facility. Technicians and engineers have maintenance, avionics and full diagnostic equipment to complete component breakdown and overhaul work, avionics work and structural repairs. The facility is also made available to GSH's customers to prepare their equipment prior to departure to job sites.

GSH's other bases also provide hangar and office space. GSH's 12,500 square foot facility located at the Springbank Airport in Calgary, Alberta serves as GSH's headquarters for flight operations south of the 60th parallel and for heavy maintenance for mid-sized helicopters in the fleet.

GSH 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, geological and scientific support; and
- other services, including environmental surveying, utilities/pipeline patrol, power line construction, telecommunications support, and operations of a flight training school.

GSH'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 until the company was acquired by Discovery Air on June 20, 2006. Notwithstanding the change of ownership, the two former owners remain actively involved with GSH's operations and both have ownership interests in Discovery Air.

GSH employs over 205 personnel and its fleet is comprised of seven different aircraft types including: the Hughes 500 series, Bell 205 and 206 series, the Bell 212 series and the Eurocopter AS350 series.

Services for the oil and gas exploration sector augment GSH's non-peak months from October to April, while services for the mineral and diamond exploration sector support normal peaks in May and continue until September. GSH is a service provider for several large mineral exploration companies that utilize helicopter services for their exploration programs. GSH's network of bases and diverse fleet provide timely back-up equipment for added safety and reliability. Several of GSH's mining and exploration customers have long-term contracts with GSH ranging from one to five years in length, while others have recurring seasonal contracts.

GSH has also formed a number of joint venture 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 secure the role of primary supplier of helicopter

support in and around these Aboriginal communities within various land claim settlement areas. Flight operations are completed by GSH crews.

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

In 2010, GSH was awarded a contract to provide helicopters and crew in support of exploration programs in Peru. This contract and the recent acquisition of SAL in Chile offer GSH the opportunity to diversify its revenue and address seasonality challenges by tapping into the South American market.

GSH faces competition from other large and medium-sized companies that operate in the same geographic and commercial markets; however, GSH has a competitive advantage in many of these markets as a function of its experienced workforce, fleet diversity, Aboriginal joint venture partnerships, safety record and quality assurance programs. Further, in early 2012, GSH received its Instrument Flight Rules (IFR) operating certificate from Transport Canada, allowing operations in all weather conditions.

For more information on the business of GSH, 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

Air Tindi is a commercial fixed wing charter company based in Yellowknife, Northwest Territories. The company operates a diversified fleet of fixed wing aircraft and provides scheduled and charter 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 agencies.

Through its joint venture partnerships in northern Canada, Air Tindi is able to provide charter services to customers operating on or above 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 possible only with the assistance of aircraft. These services include the transportation of people, supplies and equipment.

Air Tindi derives revenue from the following core business sectors:

- exploration and mining;
- tourism (outfitters, lodges, hunting and 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 northern Canada. The company commenced operations in November of 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. Facilities at the Yellowknife 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. A float base location (a three-story, 11,000 sq. foot building) is home to float aircraft in the summer and ski-equipped aircraft in the winter. The float base is also home to the dispatch, flight operations and finance department.

Air Tindi operates a diversified fleet of fixed wing aircraft based in the Northwest Territories. The fleet is comprised of 10 different types of aircraft, including the Dash 7 Combi Airliner, Twin Otter 200 Series, Twin Otter 300 Series, King Air 350, King Air 200, Lear 35A, Cessna Caravan, Cessna 185, Beechcraft 1900D and Challenger 601. This fleet of aircraft supports a variety of air transport services, enabling Air Tindi to provide its customers with maximum flexibility. Air Tindi employs approximately 200 people.

On March 6, 2008, Air Tindi, in partnership with Aklak Air, was awarded a five year contract to provide dedicated air ambulance services on behalf of the Northwest Territories Government through the Stanton Hospital in Yellowknife.

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 workforce, a diverse aircraft fleet, 24 years’ experience operating in extreme environmental conditions and its Aboriginal joint venture partnerships.

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

DMS

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, Yukon, 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, 2012, DMS arranged the transportation of over 16 million pounds of freight and goods via flights.

DMS’ competitive advantage is derived from its understanding of mineral, base and precious metal mining exploration operations, the experience of its employees, the company’s ability to support a spectrum of services including freight forwarding, purchasing and expediting on behalf of customers and

providing turn-key remote camp construction and management in harsh climates. During its peak season, from April to August each year, DMS employs over 70 people. Due to the seasonal nature of DMS' business, the average number of employees over the year is approximately 30.

Government Services Segment

During the fiscal years ended January 31, 2012 and January 31, 2011, the Government Service's revenues by business segment were as follows:

GOVERNMENT SERVICES SEGMENT (AS A PERCENTAGE (%) OF TOTAL REVENUE)		
INDUSTRY CATEGORY	FISCAL YEAR ENDED JANUARY 31, 2012	FISCAL YEAR ENDED JANUARY 31, 2011
Government	81.5	96.9
Other	18.5	3.1

The Government Services segment's consolidated revenues for the fiscal year ended January 31, 2012 were approximately \$80.2 million. The 12 largest customers represented approximately 97.9% of the segment's consolidated revenue.

Top Aces

Top Aces is the prime supplier of airborne training services to the Canadian Forces. These training services are provided by Top Aces under a program known as Interim Contracted Airborne Training Services ("ICATS"). 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, 2012, Top Aces operated 16 AlphaJet aircraft, two Westwind special mission aircraft, and one Challenger 601 aircraft in support of the ICATS program. Top Aces' fleet provides adversary support, forward air controller training and electronic warfare mission support to Canada's air, land, naval and special forces. Top Aces supports Canadian military training at various locations in Canada and the United States. Top Aces has approximately 135 employees.

Top Aces has derived its revenue from standing offer agreements with the Government of Canada ("**Standing Offers**"). In February 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 three years, with two option years exercisable by the Government of Canada. In 2006, the Government of Canada awarded two additional 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 exercisable by the Government of Canada.

All option years were exercised by the Government of Canada and the Standing Offers have been extended subsequent to their initial award. In February 2010, the Government of Canada granted Top Aces an extension of the Standing Offers to 2011. In January 2011, the Standing Offers were again extended for a 16 month period, taking the Standing Offers to June 2012 with an option in favour of the

Government of Canada to extend the Standing Offers for a further 12 months to June 2013. In November 2011, the Government of Canada exercised its option to extend the Standing Offers to June 2013.

In October 2010, Top Aces submitted a proposal in response to a request for proposals (the “**2010 RFP**”) for contracted airborne training services (“**CATS**”) issued by Public Works Government Services Canada (“**PWGSC**”). The 2010 RFP was cancelled in early calendar 2011 (fiscal 2012), with PWGSC indicating its intention to issue a new request for proposals for a long term CATS program.

PWGSC reissued a request for proposals in August 2011 (the “**2011 RFP**”) with substantially the same requirements as the 2010 RFP. Top Aces submitted a proposal in November 2011; however, the 2011 RFP was cancelled in November 2011. PWGSC has recently initiated a consultation process in anticipation of the issuance of a further solicitation for CATS.

Top Aces’ competitive advantages are derived from three primary sources:

- a low-cost and safe fighter aircraft platform which possesses many of the sub-sonic performance capabilities of the Canadian Forces CF-18 Hornet fighter platform;
- experienced ex-Canadian Forces CF-18 pilots who have an understanding of the Canadian Forces training environment; and
- a business model and flying operation optimized to deliver 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.

DA Fire Services

DA Fire Services changed its name from Hicks & Lawrence Limited to Discovery Air Fire Services Inc. in February 2012. DA Fire Services is an aviation company based in northern Ontario that has been providing aerial fire surveillance (“**Detection**”), airspace and aircraft management (“**Birddog**”) and air transport services in support of the Ontario Government’s forest fire management program for over two decades. In addition, through DA Fire Services’ charter division, Walsten Air (whose wheel division assets were acquired by DA Fire Services in March 2007), DA Fire Services provides court-related air transport services to a variety of provincial government agencies which operate in northwestern Ontario. Although Walsten Air operates year round, the majority of DA Fire Services’ revenues are generated during the forest fire season, which in northern Ontario typically begins in late April and ends in late September.

DA Fire Services owns and operates a fleet of aircraft comprised of Cessnas, Aero Commander 500s, King Air 200s and King Air 90s. The Cessna 337s, the Aero Commander 500s, the Cessna 208 and (on a seasonal basis) the King Air 90s are dedicated to the provision of Detection, Birddog and air transport services to the Ontario Ministry of Natural Resources (“**OMNR**”) 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. Air transport services include the carriage of fire personnel into remote northern locations in support of fire suppression activities.

The King Air 200 fleet is operated by the company's charter division and provides air transport services to various corporate and government agencies, including the OMNR. In addition, DA Fire Services is the preferred supplier of air transport services to court parties in northwestern Ontario. DA Fire Services, and previously Walsten Air has been the preferred provider of this service for the last three decades.

DA Fire Services' primary flight operations base is located in Dryden, Ontario. Additionally, DA Fire Services operates satellite operations bases located in Geraldton, Chapleau, Sudbury and Kenora, Ontario. DA Fire Services has established heavy and line maintenance bases in Dryden, Kenora and Sudbury, Ontario. Over the course of the forest fire season, DA Fire Services also supports satellite maintenance bases in Chapleau and Geraldton, Ontario. DA Fire Services' primary maintenance base is co-located with its primary flight operations base in Dryden, Ontario. The Dryden facility is owned by DA Fire Services 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 2010, DA Fire Services was the successful proponent in a competitive process to provide 20 aircraft in support of Detection, Birddog and/or air transport services for a period of five years to the Ontario Government's forest fire management program.

In 2011, DA Fire Services acquired the assets of Hawkeye Infrared Services ("**Hawkeye**") and assumed Hawkeye's contract with the OMNR. Hawkeye is a low level altitude aerial infrared services company that had been operating under a contract with the OMNR for the past 10 years, providing over 3,000 hours of infrared services on numerous wildfires across northern Ontario. Technicians operate infrared cameras at treetop level from helicopters to locate hidden hotspots. GPS locations of these hot spots are passed along to wildfire Incident Commanders for assignment to ground fire crews. Hawkeye's contract with the OMNR expired after the 2011 fire season and a request for public tenders was issued in January 2012. DA Fire Services submitted its bid in response to the request for tenders in February 2012 but no award has been made to date.

In 2011, DA Fire Services opened a fixed-wing pilot flight training school that operates under the name Discovery Aviation Academy. Discovery Aviation Academy's main base is located at the Greater Sudbury Airport, which provides office and classroom space along with a 13,000 square foot hangar floor. DA Fire Services subsequently executed a memorandum of understanding with Cambrian College, based in Sudbury, Ontario, to provide commercial pilot training to students enrolled in Cambrian College's business fundamentals program.

During its peak season from May to September each year, DA Fire Services employs over 70 people. Due to the seasonal nature of DA Fire Services' business, the average number of employees over the year is approximately 45.

For more information on the business of DA Fire Services, refer to pages 5 through 11, inclusive, of the Corporation's Prospectus dated March 30, 2006. The Prospectus is available on SEDAR at www.sedar.com.

DATS

DATS is an Approved Maintenance Organization (AMO 23-10) approved by Transport Canada. DATS is also authorized to perform maintenance and modifications on select U.S. registered aircraft as listed in the Bilateral Aviation Safety Agreement between Canada and the United States, and holds approvals from the European Aviation Safety Agency. DATS employs approximately 180 people.

DATS provides maintenance and engineering services to other Discovery Air subsidiaries, as well as to third party customers. DATS is authorized to work on aircraft typically found in the fleet of a regional air carrier, such as the Dash-8, SAAB 340, ERJ-135/145 and Boeing 737-800. DATS has one main facility at the Jean Lesage Airport in Quebec City with the capacity to work on up to six airplanes at the same time.

DATS operates an engineering office in Toronto, Ontario which is primarily focused on providing new revenue streams related to aircraft modifications, conversions and upgrades. The DATS engineering team has experience to work on most fixed-wing and rotary-wing type aircraft, for the civilian and military markets. DATS Engineering is complementary to DATS' MRO operations.

DATS is also the majority shareholder of AVTi, a company focused on developing solutions (both software and specialized hardware) for the aviation market. AVTi is located at the Bagotville Airport in Saguenay, Quebec.

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 under the CTA. The Canada 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 (Canada)*, 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, an 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 person responsible for maintenance. Transport Canada must also approve an applicant's operations manual, standard operating procedures, minimum equipment lists and other required documents.

An air operator certificate designates the operator to which the certificate is issued as adequately equipped and capable of conducting a safe operation. Air Tindi, GSH, DA Fire Services and Top Aces have been issued 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 prescribe requirements relating to aircraft identification and registration, personnel licensing, general operating and flight rules, commercial air services and air navigation services.

Many of the flight operations and maintenance procedures, policies and controls of Air Tindi, GSH, DA Fire Services and Top Aces are subject to approval by Transport Canada. 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

The discussion below summarizes some of the risks that the Corporation currently views as having the potential to significantly impact its business, financial condition, liquidity or results of operations. The significance of these risks may change over time. Furthermore, certain risks that the Corporation has not yet identified, or that it currently considers to be immaterial, may be or may become significant risks.

Business and Operational Risks

Dependence on Key Customers: Top Aces’ revenue is derived from Standing Offers to provide CATS to the Government of Canada. Top Aces is currently the only supplier with approved airworthiness clearances under these Standing Offers and the only supplier to have operated under the Memorandum of Understanding between Transport Canada and the Department of National Defence and the Canadian Forces (“DND”) for the provision of airborne training services. DND is not obligated to use any minimum amount of Top Aces’ services under the current Standing Offers. Due to the essential nature of this military training, the Corporation does not believe it likely that there will be any substantial reduction in service required by DND over the balance of fiscal 2013, or that the Standing Offers will be terminated. The current Standing Offers extend to June 2013 but may be cancelled by the Government of Canada at any time.

In 2011, PWGSC cancelled two separate solicitations that had been issued for the purpose of retendering the CATS project. In early 2012, PWGSC initiated a consultation process in anticipation of the issuance of a further solicitation for CATS and in connection therewith indicated that funding for CATS services has been approved until March 31, 2031. Should the CATS project be re-tendered, there is a risk that Top Aces may not be the successful bidder in the re-tender.

DA Fire Services’ revenue from airborne fire management services is based on a contract with the OMNR. This contract expires at the end of the fire season in 2014, with funding under the contract contingent upon an annual appropriation of funds by the Government of Ontario. Given the nature of the services provided under the contract, the Corporation believes that it is unlikely that the funding will be substantially reduced or cancelled. The contract may be immediately terminated by the OMNR upon 30 days’ prior written notice or immediately upon the occurrence of certain events of default, including a breach of specified material terms of the contract, or an event of insolvency of DA Fire Services.

Political and Economic Risks in Foreign Jurisdictions: Through its subsidiaries, the Corporation began providing helicopter services in Peru in May 2010 and in Chile in February 2012, and is actively seeking additional opportunities to expand its business into jurisdictions where there is a demand for its services, where appropriate risk-adjusted returns can be earned and where the Corporation is able to maintain the equivalent flight safety standards to those employed in its Canadian operations. It is possible that political and economic conditions in foreign jurisdictions in which the Corporation's subsidiaries operate could change in a manner unfavourable to the Corporation. Such changes could include, among other things, changes in laws affecting ownership of assets, taxation, rates of exchange, safety standards, environmental protection, labour relations, repatriation of income or return of capital, all or any of which could adversely affect the ability of the Corporation's subsidiaries to continue carrying on business in such jurisdictions.

Importance of Safe Operations: Safety and reliability are primary considerations of the Corporation's customers. If the safety record of the Corporation's subsidiaries materially deteriorated, the ability of those subsidiaries to retain and attract customers could be adversely affected.

The operations of the Corporation's aviation subsidiaries are subject to risks inherent in the air service industry in which they operate, including risks arising from accidents or incidents involving aircraft operated by these subsidiaries. The involvement of a subsidiary in an accident or incident could result in a negative effect on the Corporation's reputation for safety, in liability resulting from personal injury to its customers or personnel, in repair or replacement costs for damaged aircraft and in a disruption in service and revenue levels.

Liabilities Arising from Accidents: Hazards are inherent in the operation of aircraft, particularly in the challenging environments in which the Corporation's aviation subsidiaries operate. Certain subsidiaries have been involved in aviation accidents in the past, some of which have resulted in personal injury (including fatalities) and damage to property. Although the Corporation and its subsidiaries maintain insurance against the principal risks arising from such accidents, the coverage provided by that insurance is subject to limits, including exclusions and coverage limits, which could cause the Corporation to incur direct financial exposure for claims arising from accidents.

Reliance on Key Management Personnel and Skilled Labour: The success of the Corporation is dependent on its key management personnel. The ability of the Corporation to successfully implement its strategic plan is highly dependent on the skills, talents and efforts of certain management personnel, and the loss of a key individual, without being able to attract an equally qualified individual in a timely manner, could delay or impede the execution of one or more of the Corporation's strategic initiatives.

In addition, there is significant competition in the market for qualified pilots, mechanics and other highly-trained personnel possessing the skills required by the Corporation's subsidiaries. Certain customers stipulate high minimum levels of flight hour experience for air crew deployed in support of their operations. Qualified personnel are in significant demand and are likely to remain a scarce resource for the foreseeable future. The scarcity of skilled personnel could adversely affect the ability of the Corporation's subsidiaries to retain existing customers and to expand their operations.

Furthermore, the risk of losing qualified personnel may require certain of the Corporation's subsidiaries to maintain staffing at peak season levels during the off-season to ensure that such subsidiaries can retain such personnel for operations during the peak season. Also, sourcing and retaining qualified personnel in remote locations is difficult.

Importance of Aboriginal Relationships: The Aboriginal joint venture partnerships maintained by the Corporation's Northern Services subsidiaries are important to the success of those subsidiaries. An inability to maintain such relationships and comply with local requirements could adversely affect the Corporation's business in northern Canada.

Competitive Conditions: Specialty aviation services are typically purchased through competitive bid processes in which proponents compete on the basis of their reputation for safety, dispatch reliability, service quality, aircraft specifications and availability, operational experience, reputation and pricing.

For example, the Corporation believes GSH's large fleet and record for safety provide a competitive advantage in the helicopter services industry; however, the industry has a large number of operators whose fleet ranges from one or two aircraft to more than 20, and so the environment for helicopter services remains competitive.

Further, while the Corporation believes that Top Aces is the only Canadian-based aviation services company currently qualified to supply airborne training services to DND, there is no assurance that competitors for this service will not emerge in the future.

The Corporation also believes that DA Fire Services is the only Ontario-based company currently equipped and qualified to provide primary airborne fire management services to the Ontario government; however, future Ontario-based or current or future out-of-province operators may elect to compete against DA Fire Services to provide these services.

Finally, with respect to DATS, the Corporation believes that its competitive advantages include DATS' ability to provide competitive pricing and to maximize the range of MRO services it provides, both in terms of the types of aircraft it can service and in terms of its ability to differentiate itself and enhance its revenues and margins by offering specialized services in addition to traditional MRO work, including aircraft modifications, engineering and certification services. However, the MRO industry is highly competitive in Canada and internationally.

Financial Risks

Liquidity: The Corporation has a secured, demand operating loan facility to finance its working capital requirements, with a borrowing limit of \$15.0 million and increased availability of up to \$25.0 million during the Corporation's peak operating period of March through November. The operating loan terminates on October 31, 2012. If the Corporation were unable to maintain the availability of this demand facility on acceptable terms, its ability to fund its working capital requirements would be adversely affected. Assuming the demand facility remains available on comparable terms or is replaced by an alternate facility on comparable terms, the Corporation expects that its cash from operations, together with its existing or replacement operating loan, will be sufficient to meet its anticipated working capital requirements.

In addition, the Corporation issued the Secured Debentures in September 2011, with a maturity date of March 22, 2017. If the Corporation is unable to achieve certain key milestones set out in the terms of the Secured Debentures, the holders of the Secured Debentures may elect to accelerate the maturity date to a date that could be as early as April 23, 2015. Upon the maturity of the Secured Debentures, the Corporation is required to repay the principal amount of such Secured Debentures together with all

accrued and unpaid interest and any other amounts owing pursuant to the terms of such Secured Debentures. See "Description of Capital Structure – Secured Debentures" below for further information concerning the Secured Debentures.

Compliance with Debt Covenants: Certain of the Corporation's debt agreements include affirmative and negative covenants which restrict the Corporation's ability to deal with its assets or operations in the normal course of business, including with respect to:

- issuing equity securities;
- borrowing money or issuing guarantees;
- incurring liens to secure indebtedness;
- undertaking investments or disposing of assets;
- paying dividends, redeeming capital stock or making other restricted payments; and
- merging with another person or selling substantially all of its assets.

Certain of the Corporation's debt agreements also require that the Corporation maintain specified financial ratios and satisfy specified financial tests. These covenants may have the effect of limiting the Corporation's ability to respond to changes in business and economic conditions or to undertake transactions relating to the assets or operations of the Corporation that it views as desirable. A failure to observe the stipulated covenants or to meet the required financial tests could result in a default under one or more of the Corporation's debt agreements, and upon such default, the Corporation's lenders could elect to declare all principal and interest owing under such debt agreements to be immediately due and payable. The Corporation's debt agreements typically contain cross-default provisions whereby a default under one agreement would lead to a default under the other agreements.

Debt Leverage and Access to Capital: The Corporation is engaged in competitive and capital intensive businesses which are subject to seasonal and cyclical influences. There is a risk that, from time to time, such seasonal and cyclical influences may limit the Corporation's ability to fund its operations from operating cash flows. Additionally, implementation of the Corporation's existing strategic plan is based on existing operations generating strong organic growth and on developing new and high-return lines of business, including business start-ups and acquisitions. Moreover, the Corporation has substantial debt and debt service obligations. The Corporation actively monitors its current and expected cash flows to maintain reasonable assurance that the Corporation is at all times positioned to meet its obligations under its debt obligations; however, there remains a risk that to the extent the Corporation is unable to generate sufficient cash flow to fund operations or to service its debt, it may be required to refinance all or a portion of its existing debt or to obtain additional financing on less favorable terms.

These factors require the Corporation to maintain ongoing access to capital markets, including equity markets, to fund existing operations and to fund the implementation of its strategic plan. Changes in capital market conditions, including significant changes in market interest rates or lending practices and/or the condition of equity markets, may have an adverse effect on the Corporation's ability to raise or refinance short-term or long-term debt, on its ability to dedicate cash flow to purposes other than payments on its indebtedness and fixed cost obligations, on its vulnerability to economic downturns, or on its flexibility to plan for and respond to competitive pressures or changes in its business environment, and thus on its financial position and ability to operate.

Foreign Currency Fluctuations: The Corporation's revenues and expenses are primarily in Canadian dollars; however, the Corporation's growing foreign operations (whose expenses and revenues are primarily in US Dollars) and revenues from DATS (partially received in US Dollars) increase its

exposure to foreign currency risk. Changes in exchange rates will result in fluctuations in the Corporation's operating results; however, they did not have a significant impact on the Corporation's earnings in fiscal 2012.

Changes in Interest Rates: As of January 31, 2012, a substantial portion of the Corporation's debt bears a fixed rate of interest. However, subsequent to the completion of fiscal 2012, the Corporation re-financed \$34 million of its previous debt obligations with new facilities having a variable interest rate. As a result, the Corporation may be exposed to future financial risk from fluctuations in interest rates and the resulting interest expense associated with its short-term and long-term debt. A 25 basis point increase or decrease in interest rates on such new debt obligations will increase or decrease the Corporation's annual interest expense by \$75,000.

Industry Risks

Industry Regulation: The air transport industry is subject to a number of aviation, environmental, employment, competition and other laws relating to various aspects of the business. These laws generally require aircraft operators and maintenance facilities to maintain and comply with the terms of a variety of certificates, permits, licences or approvals. As a commercial air operator, Top Aces is subject to the same regulatory provisions as the Corporation's other subsidiaries; however, the military nature of its operations and equipment subject Top Aces to regulatory approval under the DND's airworthiness rules and to additional government regulations, including Canadian Controlled Goods Regulations, U.S. International Traffic in Arms Regulations and similar foreign regulations.

Furthermore and with respect to aviation laws, the ability of GSH, Air Tindi, Top Aces and DA Fire Services to conduct business depends on their ability to comply with applicable regulatory requirements. Although the Corporation and its subsidiaries are committed to complying with all applicable laws, there is no assurance that it will be in full compliance with all requirements at all times.

In addition, the Corporation's aviation subsidiaries are subject to routine audit by Transport Canada to ensure compliance with all applicable flight operation and aircraft maintenance requirements. Top Aces also undergoes regular audits by DND Operational and Technical Airworthiness authorities. Failure to pass such audits could result in fines or the grounding of aircraft.

High Fixed Cost Structure: The aviation industry in general is characterized by significant investment in specialized fixed assets, a high fixed cost structure, cyclically volatile profit margins and limited barriers to entry. As a result, a relatively small change in revenues, traffic mix or direct or indirect costs may have a significant impact on the Corporation's profitability. In the short term, fixed costs will not fluctuate in any meaningful way with revenues. Should the Corporation be required to reduce capacity or the number of aircraft it operates, margins may be compressed and/or potentially significant restructuring or termination costs may be incurred.

Environmental Conditions: The demand for certain services which the Corporation's subsidiaries offer are subject to environmental conditions, which in turn affect the number of flight hours booked in a given reporting period. For example, a significant portion of DA Fire Services' revenues is dependent on the level of forest fire activity in Ontario, and weather conditions which decrease the likelihood of such activity during the forest fire peak season (May through to September) would decrease the revenues DA Fire Services may be able to earn in a fiscal year. Similarly, air operations are affected across all subsidiaries by weather. Unusually harsh conditions may affect the ability to complete operations.

Fluctuations in Commodity Prices: The demand for certain services offered by the Corporation's subsidiaries is subject to variations in commodity prices, especially the demand for services offered by the Northern Services segment, whose customers include companies within the mining sector. During periods of low commodity pricing, certain of the Corporation's customers may experience diminished cash flows and reduced access to capital, resulting in less demand and heightened price competition for flight and related services. However, during periods of higher commodity pricing, the Corporation's customers are more likely to have improved cash flows and greater access to capital, resulting in a possible increase in the demand for flight and related services.

Additional risks may be found under the heading "Risk Factors" in Management's Discussion and Analysis for the year ended January 31, 2012, which is incorporated herein by reference and may be found on SEDAR at www.sedar.com.

DESCRIPTION OF CAPITAL STRUCTURE

Share Structure

The Corporation is authorized to issue an unlimited number of Class A Shares and an unlimited number of Class B Shares (the Class A Shares and the Class B Shares are collectively referred to 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 March 31, 2012, there were 14,510,851 Class A Shares and 44,760 Class B Shares issued and outstanding, which reflects the consolidation that occurred on September 23, 2011 (see "Name, Address and Incorporation" above.).

The holders of the 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 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 Voting Shares.

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.

Unsecured Debentures

The Corporation issued the Unsecured Debentures in May 2011 pursuant to a short form prospectus dated May 5, 2011. The Unsecured Debentures have a maturity date of June 30, 2016 and accrue interest at the rate of 8.375% per annum payable on a semi-annual basis. The Unsecured Debentures are direct, unsecured obligations of the Corporation, subordinated to other indebtedness of the Corporation for borrowed money and rank equally with all other unsecured subordinated indebtedness. Holders of the Unsecured Debentures may elect, upon complying with certain procedures described in the Convertible Debenture Indenture concerning such Unsecured Debentures, to convert their respective holdings into Voting Shares at any time prior to the maturity date at a conversion price of \$7.30 for each Voting Share, subject to adjustment in certain circumstances.

The Unsecured Debentures are not redeemable before June 30, 2014. From June 30, 2014 to the maturity date, the Corporation may, at its option, redeem the Unsecured Debentures, in whole or in part, at par plus accrued and unpaid interest, provided that the weighted average trading price of the Class A Shares on the TSX during a specified period prior to redemption is not less than 125% of the applicable conversion price.

Subject to certain conditions, the Corporation has the right to repay the outstanding principal amount of the Unsecured Debentures, on maturity or redemption, through the issuance of Voting Shares. The Corporation also has the option to satisfy its obligation to pay interest through the issuance and sale of additional Voting Shares. Additionally, the Corporation has the option, subject to prior agreement of the holders of the Unsecured Debentures, to settle its obligations on conversion by way of a cash payment of equal value.

The Unsecured Debentures are governed by a Convertible Debenture Indenture between the Corporation and Computershare Trust Company of Canada dated May 12, 2012, which sets out details regarding conversion, redemption, interest payments, meetings of debenture holders and other matters. A copy of the Convertible Debenture Indenture is available on SEDAR at www.sedar.com.

Secured Debentures

The Corporation issued the Secured Debentures pursuant to a private placement on September 23, 2011 to Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV Co-Investment Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet. The terms of the Secured Debentures were subsequently amended on March 26, 2012. The description below reflects those amendments.

The Secured Debentures have a maturity date of March 22, 2017, subject to adjustment by the holders of the Secured Debentures in the event that certain milestones are not achieved by the Corporation. The Secured Debentures accrue interest at the rate of 10.00% per annum, which is compounded annually and added to the adjusted principal amount of the Secured Debentures. The Secured Debentures are also convertible into 9,333,334 Voting Shares for an effective issue price of \$7.50 per Voting Share, subject to certain adjustment provisions. The effective conversion price of the Secured Debentures increases at 10.00% per annum, and as a result, the original face amount of the Secured Debentures plus all accrued interest will continue to be convertible into 9,333,334 Voting Shares (subject to customary anti-dilution adjustments). Upon maturity or redemption, the holders of the Secured Debentures may elect to either

receive a lump-sum payment equal to the par value of the Secured Debentures, plus any accrued and unpaid interest thereon, or convert their Secured Debentures into Voting Shares at the applicable conversion price.

The Secured Debentures have a first-lien security interest in all assets of the Corporation and its subsidiaries, except with respect to accounts receivable, certain inventory and certain equipment. The Corporation has the right to require full subordination of the Secured Debentures' security interest in respect of new indebtedness upon the achievement of certain milestone events by the Corporation. Prior to any of the milestone events being achieved, the Corporation can require subordination of the Secured Debentures' security interest in assets or entities acquired by the Corporation or its subsidiaries after September 23, 2011 in an amount up to \$50 million and in certain assets of the Corporation and certain of its subsidiaries that had been held as security for indebtedness owed to the Northwest Territories Opportunities Fund prior to March 26, 2012.

The Corporation may redeem the Secured Debentures on or after September 23, 2014, provided, among other things, that the Corporation has previously redeemed the Unsecured Debentures and the weighted average trading price of the Class A Shares exceeds 116% of the then-applicable conversion price of the Secured Debentures over a specified trading period prior to the issuance of the redemption notice. The Corporation may redeem the Secured Debentures before September 23, 2014 if, upon the occurrence or failure to occur of certain milestone events and the giving of a prescribed amount of notice by the Corporation, the security agent of the holders for the Secured Debentures fails to subordinate the Secured Debentures holders' security interest in the assets of the Corporation.

In connection with the Secured Debentures, the Corporation entered into certain agreements, including: (i) an investor liquidity agreement which provides the holders of the Secured Debentures with certain "demand" and "piggy back" registration rights should they wish to sell their Voting Shares by way of prospectus, and (ii) a shareholders agreement (the "**Shareholders Agreement**") among the holders of the Secured Debentures and certain management shareholders of the Corporation. Among other things, the Shareholders Agreement provides the holders of the Secured Debentures with the right to have up to three nominees appointed to the Corporation's Board of Directors and the benefit of certain negative covenants for so long as the holders of the Secured Debentures hold Voting Shares representing at least 10% of the outstanding Voting Shares (calculated on a fully-diluted basis, and assuming the conversion of the Secured Debentures). In addition, the parties to the Shareholders Agreement have certain "rights of first offer" and "rights of first refusal" in the event that the other parties to the Shareholders Agreement propose to transfer any of their Voting Shares. The Shareholders Agreement also provides "pre-emptive" rights and "liquidity rights" commencing after the fifth anniversary of the Shareholders Agreement.

Copies of the Secured Debentures and the Shareholders Agreement are 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, the term “Canadian” is defined in Subsection 55(1) of the CTA substantially 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 converted into one Class A Share, automatically and 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.

In the event that an offer is made to purchase Class A Shares (the “**Offer**”), and the Offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class A Shares are then listed, to be made to all or substantially all of the holders of Class A Shares in a province of Canada to which the requirement applies, each Class B Share will become convertible at the option of the holder into one Class A Share at any time while the Offer is in effect until one day after the time prescribed or permitted by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the Offer. Such conversion may only be exercised for the purpose of depositing the resulting Class A Shares pursuant to the Offer and the voting rights attached thereto are deemed to remain subject to the restrictions applicable to the Class B Shares, notwithstanding their conversion. In the event that any Class B Shares converted into Class A Shares are not taken up and paid for pursuant to the Offer, the Class A Shares resulting from such conversion will be re-converted into Class B Shares. The above conversion rights apply, *mutatis mutandis*, if an offer is made to purchase Class B Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class B Shares are then listed, to be made to substantially all of the holders of Class B Shares. Further details are contained in the Corporation’s Articles of Continuance.

The Corporation’s Articles of Continuance also grant to the Corporation’s Board of Directors (the “**Board**”) all powers necessary to give effect to the ownership restrictions. The Corporation may 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 voting of Class B shares is complied with. In addition, the Corporation may 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.

The Corporation's Articles of Continuance are available on SEDAR at www.sedar.com.

DIVIDENDS AND DISTRIBUTIONS

To date, the Corporation has not paid any dividends on its Class A Shares or its Class B Shares.

The Corporation is currently restricted by terms contained in the Secured Debentures and the Shareholders Agreement from paying dividends or making certain other distributions to shareholders. These restrictions will remain effective so long as the holders of the Secured Debentures hold Voting Shares representing at least 10% of the outstanding Voting Shares (calculated on a fully-diluted basis and assuming the conversion of the Secured Debentures) or the aggregate principal amount of the Secured Debentures plus accrued and unpaid interest thereon is not less than \$35 million.

Apart from the forgoing, 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 relevant in the circumstances. It is unlikely that dividends will be paid in the foreseeable future.

The Corporation has paid interest on the Unsecured Debentures and accrued interest on the Secured Debentures, each in accordance with the terms and conditions governing those debentures. See "Description of Capital Structure – Unsecured Debentures" and "Description of Capital Structure – Secured Debentures" above.

MARKET FOR SECURITIES

Trading Price and Volume

Class A Shares:

The 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, 2011 to January 31, 2012.

CLASS A SHARES			
MONTH	HIGH (\$)	LOW (\$)	AVERAGE MONTHLY TRADING VOLUME
<i>Pre-Consolidation</i>			
February 2011	.425	.375	206,623
March 2011	.44	.375	164,669
April 2011	.53	.405	184,987
May 2011	.45	.41	139,335
June 2011	.43	.385	41,030
July 2011	.495	.405	85,918
August 2011	.47	.41	45,175
September 1-28, 2011	.485	.40	42,641

CLASS A SHARES			
MONTH	HIGH (\$)	LOW (\$)	AVERAGE MONTHLY TRADING VOLUME
<i>Post-Consolidation</i>			
September 29 & 30, 2011	4.45	4.00	6,772
October 2011	4.44	3.78	2,178
November 2011	4.34	3.75	1,783
December 2011	4.13	3.50	5,190
January 2012	4.03	3.51	3,483

Class B Shares:

The Corporation's Class B Shares are not listed or posted for trading on any exchange or market. As of March 31, 2012, there were 44,760 Class B Shares outstanding. Of that number, 38,935 Class B Shares (on a post-consolidated basis) were issued on August 24, 2007 in connection with the Corporation's acquisition of Top Aces Inc. Each Class B Share was valued at \$1.587 (on a post-consolidated basis) by the Corporation. The remaining 5,825 Class B Shares resulted from a conversion of Class A Shares into Class B Shares when Class A Shares were transferred from a Canadian to a non-Canadian. See "Description of Capital Structure - Constraints" above 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 the best of 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, 2012.

DESIGNATION OF CLASS	NUMBER OF SECURITIES WITH TRANSFER RESTRICTIONS	PERCENTAGE OF CLASS
Class A Shares	68,546 ^{Note 1}	.47%
Class A Shares	7,389,186 ^{Note 2}	50.9%

NOTE 1:

68,546 Class A Shares are restricted until January 4, 2013 as a result of certain terms and conditions associated with the acquisition of DMS.

NOTE 2:

7,389,186 Class A Shares are subject to restrictions contained in the Shareholders Agreement, which can be found on SEDAR at www.sedar.com. Also see "Description of Capital Structure – Secured Debentures" above.

Specifically Dave Jennings may not, among other things, sell, exchange, gift, bequest or otherwise transfer (except for tax or estate planning purposes) any of the Voting Shares he owns or controls for a period of five years from September 23, 2011. Furthermore, certain other Voting Shares owned or controlled by certain management shareholders of the Corporation are subject to rights of first offer and rights of first refusal.

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, 2012. The term of office of each director expires at the next annual meeting of shareholders. In accordance with the terms of the Shareholders Agreement referred to above under "Description of Capital Structure - Secured Debentures", the holders of the Secured Debentures are entitled to nominate up to three persons for election as directors of the Corporation.

DIRECTORS		
NAME	OFFICE HELD, DATE BECAME A DIRECTOR AND COMMITTEE MEMBERSHIP	PRINCIPAL OCCUPATION LAST 5 YEARS
GILBERT S. 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 the Governance Committee	Managing Director RBC Capital Markets and Partner, Blair Franklin Capital Partners ⁽³⁾
G. JOHN KREDIET London, England	Director since October 14, 2011	Director of Clairvest Group Inc.; Chairman of C.F. Capital Management LLC; Chairman of DS Waters; Chairman of Can-Eng Partners Ltd. & Can-Eng Furnaces International ⁽⁴⁾
JOSEPH RANDELL Wellington, Nova Scotia, Canada	Director since August 7, 2008 Chair of the Human Resources Committee and Member of the Governance Committee	President & Chief Executive Officer of Chorus Aviation Inc. ⁽⁵⁾
KENNETH B. ROTMAN Toronto, Ontario, Canada	Director since October 14, 2011 Member of the Human Resources Committee and Member of the Governance Committee	Co-Chief Executive Officer, Managing Director and a Director of Clairvest Group Inc., Director of Light Tower Rentals, Wellington Financial and Peer 1 Networks ⁽⁶⁾
WAYNE SALES Jupiter, Florida, United States of America	Director since August 7, 2008 Chair of the Governance Committee and Member of the Human Resources Committee	Business Consultant ⁽⁷⁾

DIRECTORS		
NAME	OFFICE HELD, DATE BECAME A DIRECTOR AND COMMITTEE MEMBERSHIP	PRINCIPAL OCCUPATION LAST 5 YEARS
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. ⁽⁸⁾

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. Mr. Bennett was a director and Chair of the Board of Bracknell Corporation, a company which, within the last 10 years and within one year of his ceasing to act in such capacities, had a receiver appointed to hold its assets.
- (2) Since June 2008, Mr. Goodfellow has been a business consultant and is also a director of Canadian Tire Corporation, Limited. 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. From 2007 to March 2011, Mr. Hibben was a Partner with Blair Franklin Capital Partners. Since March 2011, Mr. Hibben has been Managing Director of RBC Capital Markets.
- (4) Mr. Krediet has been the Chairman of C.F. Capital Management LLC. since 1987. He is also the Chairman of DS Waters and Can-Eng Partners Ltd. & Can-Eng Furnaces International Ltd., Mr. Krediet currently sits on the board of Clairvest Group Inc. and is the past Chairman of TB Wood's Incorporated, past Chairman and CEO of Sparkling Spring Water Holdings Ltd., Maritime Beverages & EastCan Beverages. Prior to 1986, Mr. Krediet worked in roles in Europe and the United States at GE Credit Corp., Citibank and Amro Bank.
- (5) Mr. Randell was a director of Air Canada Jazz when it made an application pursuant to the *Companies' Creditors Arrangement Act* ("CCAA").
- (6) Mr. Rotman has been the Co-Chief Executive Officer, Managing Director and a Director of Clairvest Group Inc. since June 2000. Prior to joining Clairvest, Mr. Rotman was employed by E. M. Warburg, Pincus & Co. He is the Chairman of Wellington Financial and currently sits on the board of directors of Clairvest Group Inc., Light Tower Rentals, Inc. and Peer 1 Networks. He previously served on the boards of Allied International Credit, Consoltex, Hudson Valley Waste Holding, Shepell-fgi, Signature Security, Sparkling Spring Water, Van-Rob, Voxcom, Western Co-Axial and Winters Bros. Waste Systems, all of which are former Clairvest Group portfolio companies. Mr. Rotman is also a board member of the University Health Network and Honest Reporting Canada, non-profit organizations.
In addition, Mr. Rotman served as a director of NRI Industries Inc. when, on September 6, 2006, it and two of its subsidiaries (collectively, "NRI") filed for protection under CCAA. On April 26, 2007, NRI exited from CCAA protection and had a receiver appointed to hold and distribute its assets. On April 27, 2007, NRI filed assignments into bankruptcy.
Further, Mr. Rotman served as directors of Integral Orthopedics Inc. ("IOI") until July 18, 2008 when a receiver was appointed under the *Bankruptcy and Insolvency Act* to sell the assets of IOI.
Finally, Mr. Rotman served as director of Nexient Learning Inc. ("Nexient") until June 5, 2009. On June 26, 2009, Nexient applied for creditor protection under the CCAA.
- (7) 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.
- (8) Mr. Semkowski is a director and the past Chair of the Board of London Economic Development Corporation, the President of Itinerant Software Inc., Pro-Tips Sports Corp. and London City Chrysler Inc. He is a director of Fowler Kennedy Sports Medicine advisory board and a director of Scalar Decisions Inc.

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, 2012.

OFFICERS		
NAME	OFFICE HELD & CURRENT PRINCIPAL OCCUPATION	PRINCIPAL OCCUPATION LAST 5 YEARS
DAVE 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 (ANDY) 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 of the Corporation
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: 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 Vice President of Business Development Prior to December 11, 2009: Co-CEO of Top Aces Inc., a wholly-owned subsidiary of the Corporation
CHARLES PARKER Yellowknife, Northwest Territories, Canada	Executive Vice President, Northern Operations	October 22, 2007: appointed Executive Vice President of the Corporation Prior to October 22, 2007: Deputy Minister for the Government of the Northwest Territories
JEAN GENEST Hampstead, Quebec, Canada	Executive Vice President, Chief Technical Officer and President of Discovery Air Technical Services Inc.	December 11, 2009: appointed Executive Vice President and Chief Technical Officer Prior to December 11, 2009: Chief Technical Officer of Top Aces Inc., a wholly-owned subsidiary of the Corporation
SHEILA VENMAN Ottawa, Ontario, Canada	Vice President, Human Resources and Communications	April 11, 2011: appointed Vice President, Human Resources and Communications Prior to April 11, 2011: employed as the Vice President Human Resources and Administration at Top Aces Inc., a wholly-owned subsidiary of the Corporation

OFFICERS		
NAME	OFFICE HELD & CURRENT PRINCIPAL OCCUPATION	PRINCIPAL OCCUPATION LAST 5 YEARS
DENNIS LOPES Mississauga, Ontario, Canada	Vice President, General Counsel and Corporate Secretary	March 1, 2012: appointed Vice-President, General Counsel and Corporate Secretary of the Corporation Prior to March 1, 2012: employed by Purolator Inc. in executive capacities, principally in the roles of General Counsel and Corporate Secretary

Note:

The Corporation has a number of employees who hold the title of “Vice President” but are not appointed as officers of the Corporation by the Board. Those employees are not listed above as they are not recognized as executive officers of Discovery Air.

As of March 31, 2012, there were 14,510,851 Class A Shares and 44,760 Class B Shares issued and outstanding. At that date, the directors and executive officers of the Corporation listed above, as a group, beneficially owned, or controlled or directed, directly or indirectly, 3,912,555 Class A Shares of the Corporation, representing approximately 27.0% of the total number of Class A Shares outstanding. The group did not own any Class B Shares on such date.

CONFLICTS OF INTEREST

Kenneth B. Rotman is a director, the Co-Chief Executive Officer and Managing Director of Clairvest Group Inc. (“Clairvest”). Mr. Rotman, together with certain of his family members, controls approximately 50% of Clairvest’s voting shares. Clairvest’s affiliates and investors in certain of Clairvest’s funds (the “Clairvest Parties”) own or exercise control or direction over approximately \$55 million principal amount of Secured Debentures. Clairvest also exercises control or direction over a further \$13 million principal amount of Secured Debentures as general partner for a limited partnership.

G. John Krediet is also a director of Clairvest and holds approximately \$2 million principal amount of Secured Debentures.

As a result, Mr. Rotman and Mr. Krediet are considered to have an interest in material contracts with the Corporation, namely, the Secured Debentures.

Due to these interests, it is possible that, from time to time, Mr. Rotman or Mr. Krediet, or both, may be considered to have a potential or actual conflict of interest in relation to one or more matters to be voted upon by the Board. In such circumstances, Mr. Rotman or Mr. Krediet, or both, may choose or be required to abstain from participating in the Board’s decision.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Each of Kenneth B. Rotman and G. John Krediet are directors of the Corporation and directors of Clairvest. The Clairvest Parties hold approximately \$55 million principal amount of Secured Debentures. Clairvest also exercises control or direction over a further \$13 million principal amount of Secured Debentures as general partner for a limited partnership.

See “Conflicts of Interest” for further details in respect of the interests of Mr. Rotman and Mr. Krediet in Clairvest and “Description of Capital Structure – Secured Debentures” for details regarding the terms and conditions of the Secured Debentures.

The Voting Shares currently held by affiliates of the Clairvest Parties, together with the Voting Shares issuable on conversion of the Secured Debentures held by the Clairvest Parties, would on an “as converted basis” represent approximately 26% of the Corporation’s issued and outstanding Voting Shares.

In addition, the Corporation has entered into a certain Letter Agreement dated September 23, 2011 with Clairvest whereby the Corporation has retained Clairvest for the purpose of providing certain advisory services (the “**Letter Agreement**”). The annual retainer payable to Clairvest for such services is equal to \$250,000. The Letter Agreement contemplates a term of up to 10 years, subject to earlier termination if (i) Clairvest and its affiliates, including investment funds managed by Clairvest and its affiliates, collectively hold less than 10% of the Voting Shares (on a fully-diluted and converted basis), or (ii) after September 23, 2013, the Corporation elects to terminate the Letter Agreement upon meeting certain conditions.

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 *National Instrument 52-110 - Audit Committees*.

James Goodfellow is the Chair of the Audit Committee. He has over 40 years of 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. He is a director of Canadian Tire Corporation, Limited.

Alan Hibben is a member of the Audit Committee. From 2009 to March 2011, he was a Partner with Blair Franklin Capital Partners, a financial advisory and investment management firm. As of March 2011, Mr.

Hibben became Managing Director, RBC Capital Markets. 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 a director and past Chair of the Board of London Economic Development Corp., a director of Fowler Kennedy Sports Medicine advisory board and a director of Scalar Decisions Inc. Mr. Semkowski holds an Honours Degree in Business Administration from the Ivey Business School at the University of Western Ontario.

The Board has approved an Audit Services Policy which provides that the Audit Committee shall pre-approve, on a case-by-case basis, (i) non-audit services (and related fees) to be provided by the external auditor, and (ii) audit-related fees charged by the external auditor.

Audit Fees

Fees paid to KPMG LLP for audit services in the 12 month period ended January 31, 2012 were \$519,875 (2011 - \$298,750)⁽¹⁾. These fees relate to audit services provided in connection with certain acquisition and financing related matters as well as transition by the Corporation to International Financial Standards Reporting.

Audit-Related Fees

Fees paid to KPMG LLP for audit-related services in the 12 month period ended January 31, 2012 were \$34,900 (2011 - \$11,500)⁽¹⁾. These services included the review of interim financial statements of the Corporation and the review and audit engagements of subsidiary financial statements.

Tax Fees

Fees billed by KPMG LLP for tax services in the 12 month period ended January 31, 2012 were \$77,220 (2011 - \$75,230)⁽¹⁾. These services included preparation of corporate tax returns and tax advisory services.

All Other Fees

KPMG did not bill the Corporation for any other services in the 12 month period ended January 31, 2012 (2011 - \$0)⁽¹⁾.

Note:

- (1) In fiscal 2012, the Corporation began reporting fees due to the Company's auditor using the accrual method instead of on a cash basis, as was done previously. As a result, fees figures for services provided by the Corporation's auditor for fiscal 2011 vary from those described in the Corporation's 2011 Annual Information Form, which is available on SEDAR at www.sedar.com.

The Corporation has also re-classified "All Other Fees" provided by KPMG LLP to the Corporation in fiscal year 2011 to "Audit Fees" as such services had primarily an audit component.

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 end of the fiscal period ended January 31, 2011 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. Letter Agreement re Secured Loan Agreement, as amended, dated April 1, 2011 between the Corporation, Great Slave Helicopters Ltd. and the Adam Bembridge RCA Trust (the "**Bembridge Trust**") with respect to the repayment of a loan made to Great Slave Helicopters Ltd. and the Bembridge Trust; the Letter Agreement is available on SEDAR at www.sedar.com;
2. Letter Agreement re Secured Loan Agreement, as amended, dated April 1, 2011 between the Corporation, Great Slave Helicopters Ltd. and the Ian Campbell RCA Trust (the "**Campbell Trust**") with respect to the repayment of a loan made to Great Slave Helicopters Ltd. and the Ian Campbell Trust; the Letter Agreement is available on SEDAR at www.sedar.com;
3. Underwriting Agreement dated April 28, 2011 among the Corporation, GMP Securities LP, Canaccord Genuity Corp., National Bank Financial Inc., Cormark Securities Inc. and PI Financial Corp. Inc. with respect to the issuance of the Unsecured Debentures; the Underwriting Agreement is available on SEDAR at www.sedar.com;
4. the Convertible Debenture Indenture dated May 12, 2011 between Computershare Trust Company of Canada and the Corporation in respect of the Unsecured Debentures; see "Description of Capital Structure – Unsecured Debentures" for a description of the Unsecured Debentures; the Convertible Debenture Indenture is available on SEDAR at www.sedar.com;
5. the Secured Debentures issued by the Corporation on September 23, 2011 to Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV Co-Investment Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet (including the amendment to such Secured Debentures dated March 26, 2012); see "Description of Capital Structure – Secured Debentures"; the Secured Debentures and the amendment thereto are available on SEDAR at www.sedar.com; and
6. the Shareholders' Agreement entered into on September 23, 2011; see "Description of Capital Structure – Secured Debentures"; the Shareholders' Agreement is available on SEDAR at www.sedar.com.

TRANSFER AGENT

The Corporation's registrar and transfer agent is Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

INTERESTS OF EXPERTS

The Corporation's auditors are KPMG LLP, Commerce Place, 10125 – 102 Street, Edmonton, Alberta, 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 the related Management's Discussion and Analysis for the year ended January 31, 2012 filed on SEDAR at www.sedar.com.

Exhibit “A”

AUDIT COMMITTEE CHARTER DISCOVERY AIR INC.

Board Approved: April 20, 2012

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 International Financial Reporting Standards (“**IFRS**”),
- (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, coordinated 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 IFRS,

- (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 IFRS 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 IFRS,

- (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 IFRS; 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 IFRS 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.