

DISCOVERY AIR

**Interim Condensed Consolidated Financial Statements
July 31, 2016
(Unaudited)**

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

(thousands of Canadian dollars)	Note	July 31, 2016	January 31, 2016
Assets			
Current assets:			
Cash		\$ 466	\$ 358
Restricted cash		18	20
Trade and other receivables		44,933	28,883
Income taxes receivable		104	329
Inventory		26,980	29,232
Prepaid expenses and other		13,791	15,074
Assets held for sale	5	1,994	-
		88,286	73,896
Property and equipment		198,133	199,869
Long term receivables		974	1,149
Goodwill		37,861	37,861
Intangible assets		1,369	1,363
Investments in associates		6,217	5,683
		\$ 332,840	\$ 319,821
Liabilities and Shareholders' equity			
Current liabilities:			
Operating line of credit	7	\$ 38,417	\$ 22,610
Trade and other payables		29,456	32,207
Current portion of loans and borrowings	6	6,958	8,181
		74,831	62,998
Loans and borrowings	6	176,761	172,431
Deferred income taxes		12,729	12,339
		189,490	184,770
Shareholders equity:			
Share capital		93,713	93,713
Contributed surplus		12,287	12,120
Deficit		(39,761)	(37,838)
Accumulated other comprehensive income		2,280	4,058
Total equity		68,519	72,053
		\$ 332,840	\$ 319,821

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Income (Loss)

(Unaudited)

(thousands of Canadian dollars, except per share amounts)	Note	For the three months ended		For the six months ended	
		July 31, 2016	July 31, 2015	July 31, 2016	July 31, 2015
Revenue		\$ 53,938	\$ 58,883	\$ 96,183	\$ 97,672
Expenses		39,944	41,836	77,749	78,644
		13,994	17,047	18,434	19,028
Depreciation and amortization		5,608	5,776	10,501	10,747
Finance costs		5,376	5,697	9,617	9,636
Share of profit from associates (net of income tax)		(499)	(333)	(534)	(959)
Other (gains) and losses		153	4,505	153	3,415
		10,638	15,645	19,737	22,839
Income (loss) before income taxes		3,356	1,402	(1,303)	(3,811)
Income tax provision (recovery):					
Current		9	189	489	312
Deferred		1,344	481	174	(979)
		1,353	670	663	(667)
Income (loss) from continuing operations		\$ 2,003	\$ 732	\$ (1,966)	\$ (3,144)
Income (loss) from discontinued operations, net of tax	4	12	(1,319)	43	(1,897)
Income (loss)		\$ 2,015	\$ (587)	\$ (1,923)	\$ (5,041)
Basic and diluted income (loss) per share					
Continuing operations	8	\$ 0.02	\$ 0.01	\$ (0.02)	\$ (0.04)
Discontinued operations	8	\$ -	\$ (0.02)	\$ -	\$ (0.03)
Total Basic and diluted income (loss) per share	8	\$ 0.02	\$ (0.01)	\$ (0.02)	\$ (0.07)

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(thousands of Canadian dollars)	For the three months ended		For the six months ended	
	July 31, 2016	July 31, 2015	July 31, 2016	July 31, 2015
Income (loss)	\$ 2,015	\$ (587)	\$ (1,923)	\$ (5,041)
Other comprehensive income (loss):				
Exchange differences on translation of foreign operations	1,776	1,219	(1,778)	(206)
Total comprehensive income (loss)	\$ 3,791	\$ 632	\$ (3,701)	\$ (5,247)

See accompanying notes to the interim condensed consolidated financial statements.

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Shareholders' Equity

(Unaudited)

(thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total equity
Balance at January 31, 2016	\$ 93,713	\$ 12,120	\$ (37,838)	\$ 4,058	\$ 72,053
Loss	-	-	(1,923)	-	(1,923)
Other comprehensive loss	-	-	-	(1,778)	(1,778)
Employee stock options	-	167	-	-	167
Balance at July 31, 2016	\$ 93,713	\$ 12,287	\$ (39,761)	\$ 2,280	\$ 68,519
Balance at January 31, 2015	\$ 83,041	\$ 11,586	\$ (21,827)	\$ 2,226	\$ 75,026
Loss	-	-	(5,041)	-	(5,041)
Other comprehensive income (loss)	-	-	161	(206)	(45)
Employee stock options	-	298	-	-	298
Initial Rights Offering (net of transaction costs)	10,672	-	-	-	10,672
Balance at July 31, 2015	\$ 93,713	\$ 11,884	\$ (26,707)	\$ 2,020	\$ 80,910

See accompanying notes to the interim condensed consolidated financial statements.

DISCOVERY AIR INC.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

(thousands of Canadian dollars)	Note	For the six months ended	
		July 31, 2016	July 31, 2015
Cash provided by (used in)			
Operating activities:			
Loss		\$ (1,923)	\$ (5,041)
Adjustments for:			
Current tax provision		489	312
Deferred tax provision (recovery)		190	(1,784)
Finance costs		9,704	9,415
Total share-based compensation		138	298
Depreciation and amortization		10,501	10,990
Share of profit from associates (net of income tax)		(534)	(959)
Other (gains) and losses		153	5,380
		18,718	18,611
Change in non-cash operating working capital	9	(18,205)	(20,104)
Interest paid		(4,105)	(3,788)
Net income taxes received (paid)		(269)	72
Net cash used in operating activities		(3,861)	(5,209)
Investing activities:			
Dividends received		-	257
Acquisition of property and equipment		(9,642)	(17,650)
Long term receivable collections		160	150
Proceeds on disposal of property and equipment		142	2,448
Net cash used in investing activities		(9,340)	(14,795)
Financing activities:			
Proceeds from operating line of credit		15,807	15,716
Loans and borrowings transaction costs		-	(265)
Proceeds from loans and borrowings		-	1,000
Repayment of loans, borrowings and finance leases		(2,886)	(8,262)
Proceeds from Rights Offering		-	11,000
Net cash provided by financing activities		12,921	19,189
Decrease in cash		(280)	(815)
Effect of exchange rate changes on cash and cash equivalents		388	375
Cash, balance beginning of period		358	661
Cash, balance end of period		\$ 466	\$ 221

See accompanying notes to the interim condensed consolidated financial statements.

DISCOVERY AIR INC.

Notes to the Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and six months ended July 31, 2016 and 2015

1. Reporting entity:

Discovery Air Inc. (the “**Corporation**”) was incorporated on November 12, 2004 under the *Ontario Business Corporations Act* and on March 27, 2006 was continued under the *Canada Business Corporations Act*. The Corporation’s Class A common voting shares (the “**Class A Shares**”) are traded on the Toronto Stock Exchange (“**TSX**”) under the symbol “DA.A”. The Corporation also has Class B common variable voting shares (the “**Class B Shares**”), which are not listed for trading on any exchange (the Class B Shares and the Class A Shares are collectively referred to as the “**Shares**”). The registered address of the Corporation is 170 Attwell Drive, Suite 370, Toronto, Ontario. The Corporation operates through two business segments, “**Aviation**” and “**Corporate Support and Other**”.

2. Basis of preparation:

Statement of compliance:

The Corporation prepares its interim condensed consolidated financial statements in accordance with International Accounting Standard (“**IAS**”) 34, Interim Financial Reporting. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation’s audited annual consolidated financial statements for the year ended January 31, 2016, which were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”).

3. Significant accounting policies:

(a) These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the Corporation’s most recent annual audited consolidated financial statements for the year ended January 31, 2016.

(b) Recently issued standards:

In July 2014, the IASB issued IFRS 9, Financial Instruments (“**IFRS 9**”). IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities. IFRS 9 is to be applied retrospectively and is effective for the Corporation for the annual period beginning February 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of the new standard on its financial statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (“**IFRS 15**”). IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively and is effective for the Corporation for the annual period beginning on February 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of the new standard on its financial statements.

In January 2016, the IASB issued IFRS 16, Leases (“**IFRS 16**”). IFRS 16 replaces IAS 7, Leases. IFRS 16 will require all leases, with the exception of those leases that meet the limited exception criteria, to be presented on the balance sheet. IFRS 16 is effective for the Corporation for the annual period beginning on February 1, 2019 with early adoption permitted. The Corporation is currently assessing the impact of the new standard on its financial statements.

4. Discontinued operations:

During the year ended January 31, 2016, the Corporation sold substantially all the non-financial assets of Discovery Air Technical Services Inc. (“**Technical Services**”), resulting in discontinued operations.

The comparative Interim Condensed Consolidated Statements of Comprehensive Income (loss) has been presented to show discontinued operations separately from continuing operations.

DISCOVERY AIR INC.

Notes to the Interim Condensed Consolidated Financial Statements (continued)
(Unaudited)

For the three and six months ended July 31, 2016 and 2015

Results of Technical Services discontinued operations are as follows:

(thousands of Canadian dollars)	For the three months ended		For the six months ended	
	July 31, 2016	July 31, 2015	July 31, 2016	July 31, 2015
Revenue	\$ 30	\$ 3,648	\$ 314	\$ 7,274
Expenses	(9)	4,177	168	7,989
	39	(529)	146	(715)
Depreciation	-	124	-	243
Finance costs	22	(793)	87	(221)
Other (gains) and losses	-	1,970	-	1,965
	22	1,301	87	1,987
Income (loss) before income taxes	17	(1,830)	59	(2,702)
Deferred Income tax expense (recovery)	5	(511)	16	(805)
	5	(511)	16	(805)
Income (loss)	\$ 12	\$ (1,319)	\$ 43	\$ (1,897)

Cash flows from Technical Services discontinued operations are as follows:

(thousands of Canadian dollars)	For the six months ended	
	July 31, 2016	July 31, 2015
Net cash used in operating activities	\$ (1,014)	\$ (5,540)
Net cash provided by investing activities	-	137
Net cash provided by financing activities	-	58
Net cash flow for the year	\$ (1,014)	\$ (5,345)

5. Assets held for sale:

The Corporation has committed to a plan to dispose of three aircraft. Accordingly, at July 31, 2016, the aircraft were valued at cost, which was the lower of cost and fair value less cost to sell.

DISCOVERY AIR INC.

Notes to the Interim Condensed Consolidated Financial Statements (continued)
(Unaudited)

For the three and six months ended July 31, 2016 and 2015

6. Loans and borrowings:

(thousands of Canadian dollars)

	Note	July 31, 2016	January 31, 2016
10.00% secured convertible debentures, maturing September 30, 2017 (" Secured Debentures ")	6(a)	\$ 104,412	\$ 98,895
8.375% unsecured convertible debentures, maturing June 30, 2018 (" Unsecured Debentures ")		33,746	33,573
Long-term secured debt bearing interest at prime rate plus 3.05%, maturing April 1, 2023		15,516	16,043
Long-term secured debt bearing interest at the BA rate plus 5.15%, maturing April 1, 2019	6(b)	14,017	15,302
Long-term secured debt bearing interest of lender's base rate plus 4.00%, maturing October 15, 2017	6(c)	11,169	11,716
Short-term secured debt bearing a fixed interest rate of 8.00%, maturing December 15, 2016	6(d)	2,300	2,300
Long-term secured debt bearing interest at the BA rate plus 4.55%, maturing March 1, 2019	6(e)	1,302	1,343
Various long-term secured debt bearing fixed and floating interest rates at a weighted average of 0.5% (January 31, 2016 - 1.12%)		444	457
Finance leases		813	983
Loans and borrowings		\$ 183,719	\$ 180,612
Less current portion of loans and borrowings		\$ 6,958	\$ 8,181
		\$ 176,761	\$ 172,431

- (a) On March 22, 2016, \$9.2 million of accrued interest that was payable-in-kind was added to the adjusted principal amount of the Secured Debentures. As at July 31, 2016, the loan balance included accrued interest of \$3.6 million (January 31, 2016 - \$8.0 million).

The Corporation has obtained amendments to the Secured Debentures to waive the Debt Leverage Covenant and PAR Covenant for the quarters ended July 31, 2016 through to July 31, 2017.

- (b) On March 29, 2016, the \$21.5 million term loan was amended to reduce the scheduled payments to \$0.1 million for the period April 1, 2016 to March 31, 2017, and reduce the minimum fixed charge coverage ratio to 1.00:1.00 through to the quarter ended January 31, 2017.
- (c) On March 29, 2016 the \$20.0 million term loan was amended to reduce payments to \$58,000 plus interest for April 15, 2016 through to March 15, 2017, to increase the interest rate to lender's floating base rate plus 4.00% per annum, and reduce the minimum fixed charge coverage ratio to 1.00:1.00 through to the quarter ended January 31, 2017.
- (d) On June 2, 2015, the Corporation entered into a secured short term loan with Clairvest Group Inc. for the purchase of two aircraft. On September 7, 2016, the maturity date was extended to December 15, 2016.
- (e) On March 29, 2016, the \$1.6 million term loan was amended to reduce payments to \$11,000 plus interest for April 1, 2016 through to March 1, 2017, and reduce the minimum fixed charge coverage ratio to 1.00:1.00 through to the quarter ended January 31, 2017.
- (f) The Corporation's ability to remain in compliance with its financial covenants is dependent on a number of factors, including (i) the profitability of its operations, (ii) its ability to generate cash flows, and (iii) the value of the security pledged to its lenders in

DISCOVERY AIR INC.

Notes to the Interim Condensed Consolidated Financial Statements (continued)
(Unaudited)

For the three and six months ended July 31, 2016 and 2015

relation to its debt levels. As interest on the Secured Debentures is paid in kind, the aggregate value of the assets that must be pledged to remain in compliance with the PAR Covenant increases over time.

Lenders' consent is required to incur additional indebtedness beyond a defined amount, pay dividends or make other distributions or repurchase or redeem its capital stock, prepay, redeem or repurchase certain debt, sell assets, and move aircraft internationally. There is no assurance that following the periods covered by the waivers that the Corporation will be able to remain in compliance with the Debt Leverage Covenant or the PAR Covenant.

The Corporation was in compliance with all financial and non-financial covenants as at July 31, 2016.

Repayments on or in respect of the outstanding loans and borrowings as at July 31, 2016 for each of the next five years and thereafter are as follows:

(thousands of Canadian dollars)

Within 1 year	\$	6,958
Within 2 years		151,878
Within 3 years		13,816
Within 4 years		1,635
Within 5 years		1,744
Thereafter		7,688
Total	\$	183,719

Interest expense on or in respect of loans and borrowings for the three and six months ended July 31, 2016, was \$4.4 million and \$8.6 million (three and six months ended July 31, 2015 - \$4.5 million and \$8.5 million), respectively.

7. Operating line of credit:

The Operating line of credit ("**Operating Line**") includes an additional \$10.0 million credit facility that is available subject to the lender receiving a letter of credit, or guarantee from Clairvest Group Inc., for 103% of the amount drawn. This additional credit facility matures on June 30, 2017.

As at July 31, 2016, \$1.7 million of the Operating Line was applied to issue letters of credit (January 31, 2016 - \$1.4 million).

On March 30, 2016, the Corporation entered into a \$12.0 million unsecured revolving loan agreement (the "**Revolver**") with certain Clairvest Group Inc. affiliates ("**Clairvest**") maturing December 31, 2016. The loan bears interest of 12% and is payable monthly. Total transaction costs for this facility were \$0.1 million.

As at July 31, 2016, under the Operating Line and the Revolver the Corporation had a combined unused borrowing capacity of \$11.9 million (January 31, 2016 - \$11.0 million).

DISCOVERY AIR INC.

Notes to the Interim Condensed Consolidated Financial Statements (continued)
(Unaudited)

For the three and six months ended July 31, 2016 and 2015

8. Earnings per share:

(thousands of Canadian dollars, except per share amounts)	For the three months ended		For the six months ended	
	July 31, 2016	July 31, 2015	July 31, 2016	July 31, 2015
Basic and Diluted loss per share:				
Income (loss) attributable to shareholders				
Continuing operations	\$ 2,003	\$ 732	\$ (1,966)	\$ (3,144)
Discontinued operations	12	(1,319)	43	(1,897)
Weighted average number of Shares outstanding	81,997	81,997	81,997	71,251
Basic and Diluted continuing operations income (loss) per share	\$ 0.02	\$ 0.01	\$ (0.02)	\$ (0.04)
Basic and Diluted discontinued operations loss per share	-	(0.02)	-	(0.03)

For the three and six months ended July 31, 2016, 15,618,882 (three and six months ended July 31, 2015 – 15,618,882) potentially dilutive instruments were excluded from the computation of dilutive earnings per share as they were anti-dilutive. Although the Corporation's Class A Share price as at July 31, 2016 and 2015 was below the conversion price of the Unsecured Debentures and Secured Debentures, IAS 33, *Earnings per share*, considers these debentures dilutive if the interest savings per share (net of tax) is less than the basic earnings per share.

9. Change in non-cash operating working capital:

(thousands of Canadian dollars)	For the six months ended	
	July 31, 2016	July 31, 2015
Restricted cash	\$ 2	\$ 933
Trade and other receivables	(16,076)	(22,722)
Inventory	300	(4,349)
Prepaid expenses and other	1,452	1,445
Trade and other payables	(3,883)	4,589
	\$ (18,205)	\$ (20,104)

10. Fair value of financial assets and liabilities:

(a) Fair value estimation:

The Corporation classifies its fair value measurements by reference to the following fair value measurement hierarchy:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
3. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Carrying values for assets and liabilities classified as loans and receivables and financial liabilities at amortized cost (excluding loans and borrowings) approximate their fair value due to their short-term nature.

DISCOVERY AIR INC.

Notes to the Interim Condensed Consolidated Financial Statements (continued)
(Unaudited)

For the three and six months ended July 31, 2016 and 2015

The fair value of the Secured Debentures and Unsecured Debentures as at July 31, 2016 was \$118.6 million (January 31, 2016 - \$112.3 million) as compared to a carrying value of \$138.2 million (January 31, 2016 - \$132.5 million). At July 31, 2016 and January 31, 2016 the fair value of the Unsecured Debentures was based on the closing trade price on the TSX (level 1) and the fair value for the Secured Debentures was based on management's estimates using observable market inputs (level 2).

The fair value of the Corporation's variable rate loans and borrowings approximates their carrying value, as the applicable interest rate is at a floating market rate.

11. Related party transactions:

(a) Loans and borrowings:

The Secured Debentures held by Clairvest would represent, on a post-conversion basis, approximately 10% of the issued and outstanding Shares of the Corporation. The interest on the Secured Debentures for the three and six months ended July 31, 2016 was \$2.6 million and \$4.9 million (three and six months ended July 31, 2015 - \$2.3 million and \$4.5 million), respectively. The interest on the Revolver for the three and six months ended July 31, 2016 was \$0.2 million and \$0.3 million (three and six months ended July 31, 2015 - nil), respectively. The Corporation also incurs a merchant bank fee of \$250,000 per annum, payable to Clairvest Group Inc. on a monthly pro-rata basis.

Clairvest holds the majority of the issued and outstanding Shares of the Corporation.

During the year ended January 31, 2016, the Corporation borrowed on a secured commercial terms basis \$2.3 million from Clairvest Group Inc. The loan bears interest at 8% and has a maturity date of December 15, 2016.

(b) Transactions with associates:

For the three and six months ended July 31, 2016, the Corporation's revenues include \$3.4 million and \$7.2 million (three and six months ended July 31, 2015 - \$4.9 million and \$8.0 million), respectively, and the Corporation's expenses include \$1.1 million and \$1.9 million (three and six months ended July 31, 2015 - \$1.1 million and \$1.9 million), respectively, from transactions with the Corporation's associates. As at July 31, 2016, \$5.2 million (January 31, 2016 - \$3.9 million) of the Corporation's accounts receivable were due from associates, and \$2.9 million (January 31, 2016 - \$3.0 million) of the Corporation's accounts payable were due to associates. As at July 31, 2016 \$1.0 million (January 31, 2016 - \$1.1 million) of the Corporation's long term receivables were due from associates, and \$0.4 million (January 31, 2016 - \$0.4 million) of the Corporation's loans and borrowings were due to associates.

12. Commitments and contingencies:

The Corporation has annual lease obligations for aircraft and premises. During the three and six months ended July 31, 2016, the Corporation incurred \$2.6 million and \$5.2 million (three and six months ended July 31, 2015 - \$5.6 million and \$10.2 million), respectively, in operating lease expenses. Future minimum lease payments under non-cancellable leases are due as follows:

(thousands of Canadian dollars)

Within 1 year	\$	7,674
Within 2 years		3,374
Within 3 years		2,647
Within 4 years		1,548
Within 5 years		990
Thereafter		1,096
	\$	17,329

The lease terms range from a period of 1 to 22 years, the majority of which are renewable at the end of the lease term at market rates.

DISCOVERY AIR INC.

Notes to the Interim Condensed Consolidated Financial Statements (continued)
(Unaudited)

For the three and six months ended July 31, 2016 and 2015

13. Segmented information:

The Corporation's reportable segments are "Aviation", which includes Great Slave Helicopters Ltd. ("GSH"), Discovery Air Defence Services Inc. ("DA Defence"), Air Tindi Ltd. ("Air Tindi"), and Discovery Air Fire Services Inc. ("Fire Services") and "Corporate Support and Other", which includes the remaining assets of Technical Services, Discovery Mining Services Ltd. ("Mining Services"), and Corporate (reflecting direct corporate overhead costs). In assessing the reportable segments, the Corporation considered the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Aviation segment aggregates operating units that have substantially the same basis of deriving revenues, infrastructure to conduct operations and regulatory environment. Corporate Support and Other contains operating units which do not meet the basis for aggregation under Aviation and individually represent less than 10% of the Corporation's total assets, annual revenues and annual earnings.

The revenues disclosed in the tables are from external customers. There are inter-segment revenues; however they are eliminated on consolidation. For the three and six months ended July 31, 2016, there was no elimination of inter-segment revenues (three and six months ended July 31, 2015 Corporate Support and Other inter-segment revenue was \$0.3 million and \$0.4 million, respectively).

The Corporation's businesses are, to varying degrees, seasonal in nature. Seasonality and other factors such as weather conditions can affect the comparability of results from one period to another, particularly from quarter to quarter. Some of the seasonal factors that impact quarterly results are as follows: there is increased demand for the services provided by GSH, Fire Services, Air Tindi, and Mining Services normally commencing in the late spring and continuing through to the end of the summer; DA Defence revenue-generating opportunities are significantly higher in the February to June and September to November time periods; though DA Defence revenues are relatively predictable over a twelve month period, they can vary substantially from month to month depending on weather conditions and its customers' priorities; weather conditions can have an impact on flight activity from one period to another, especially in the Corporation's fire suppression activities; the Corporation attempts to perform most major repairs and refurbishment during the slower periods of revenue-generating potential; and repair and maintenance on aircraft do not occur evenly throughout the year and the timing of related expenses within a year may vary from one period to another.

(thousands of Canadian dollars)	For the three months ended July 31, 2016			For the three months ended July 31, 2015		
	Aviation	Corporate Support and Other	Total	Aviation	Corporate Support and Other	Total
Revenue	\$ 52,529	\$ 1,409	\$ 53,938	\$ 58,014	\$ 869	\$ 58,883
Expenses	36,526	3,418	39,944	38,626	3,210	41,836
	16,003	(2,009)	13,994	19,388	(2,341)	17,047
Depreciation and amortization	5,413	195	5,608	5,542	234	5,776
Share of profit from associates (net of income tax)	(345)	(154)	(499)	(322)	(11)	(333)
	10,935	(2,050)	8,885	14,168	(2,564)	11,604
Finance costs			5,376			5,697
Other (gains) and losses			153			4,505
Loss before income taxes			3,356			1,402
Income tax provision:						
Current			9			189
Deferred			1,344			481
			1,353			670
Income from continuing operations			2,003			732
Income (loss) from discontinued operations (net of tax)			12			(1,319)
Income (loss)			\$ 2,015			\$ (587)
Segment assets	\$ 327,632	\$ 5,208	\$ 332,840	\$ 334,440	\$ 10,255	\$ 344,695
Capital expenditures	\$ 3,110	\$ 83	\$ 3,193	\$ 10,534	\$ 100	\$ 10,634
Investments in associates	\$ 5,907	\$ 310	\$ 6,217	\$ 5,389	\$ 28	\$ 5,417

DISCOVERY AIR INC.

Notes to the Interim Condensed Consolidated Financial Statements (continued)
(Unaudited)

For the three and six months ended July 31, 2016 and 2015

(thousands of Canadian dollars)	For the six months ended July 31, 2016			For the six months ended July 31, 2015		
	Aviation	Corporate Support and Other	Total	Aviation	Corporate Support and Other	Total
Revenue	\$ 94,153	\$ 2,030	\$ 96,183	\$ 95,999	\$ 1,673	\$ 97,672
Expenses	71,324	6,425	77,749	72,349	6,295	78,644
	22,829	(4,395)	18,434	23,650	(4,622)	19,028
Depreciation and amortization	10,109	392	10,501	10,282	465	10,747
Share of profit from associates (net of income tax)	(380)	(154)	(534)	(937)	(22)	(959)
	13,100	(4,633)	8,467	14,305	(5,065)	9,240
Finance costs			9,617			9,636
Other (gains) and losses			153			3,415
Loss before income taxes			(1,303)			(3,811)
Income tax provision (recovery):						
Current			489			312
Deferred			174			(979)
			663			(667)
Loss from continuing operations			(1,966)			(3,144)
Income (loss) from discontinued operations (net of tax)			43			(1,897)
Loss			\$ (1,923)			\$ (5,041)
Segment assets	\$ 327,632	\$ 5,208	\$ 332,840	\$ 334,440	\$ 10,255	\$ 344,695
Capital expenditures	\$ 9,528	\$ 114	\$ 9,642	\$ 17,316	\$ 334	\$ 17,650
Investments in associates	\$ 5,907	\$ 310	\$ 6,217	\$ 5,389	\$ 28	\$ 5,417

14. Subsequent events:

On September 8, 2016, the Corporation entered into a definitive agreement with MAG Aerospace Corp., and certain of its subsidiaries and Clairvest to sell 100% of its shares in Fire Services for \$15.4 million (subject to certain post-closing purchase price adjustments and minority shareholder approval). The Corporation expects to finalize the transaction in November 2016.