



Third Quarter Report October 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of the financial condition and results of operations of Discovery Air Inc. (the "Corporation" or "Discovery Air") for the third quarter of fiscal 2010 should be read in conjunction with the unaudited interim consolidated financial statements and related notes of the Corporation for the nine months ended October 31, 2009 and the annual audited consolidated financial statements and related notes for the year ended January 31, 2009, which are available on SEDAR at www.sedar.com.

The Corporation strongly encourages readers to review and consider the Corporation's risk factors and cautions relating to forward-looking information disclosed in these documents and in the annual Management's Discussion and Analysis. While these disclosures should always be considered when assessing the results of the Corporation, they are especially important given the current uncertain economic conditions.

Business Profile

Mission

The Corporation's mission is to create shareholder value by building an alliance of profitable aviation businesses that can realize synergies and economies of scale and deliver safe, professional air services to clients in selected markets. While the mission has not changed, the Corporation has adjusted its focus to ensure the Corporation's businesses are soundly positioned to withstand the negative effects of the global economic downturn experienced in the latter part of the prior fiscal year and continuing into the current year. The Corporation's strategy in addressing the recent economic downturn is discussed in greater detail in the "Strategy and Strengths" section of this document.

Organization structure

Discovery Air is incorporated under the Canada Business Corporations Act. It was established in November 2004 to acquire aviation and aviation related businesses that provide services to clients in niche markets. Since its inception, the Corporation has completed the acquisition of six businesses whose services are delivered through five wholly-owned subsidiaries. These wholly-owned subsidiaries are segregated into two operating segments:

1. Northern Services, being the operations of Great Slave Helicopters Ltd. ("Great Slave"), Air Tindi Ltd. ("Air Tindi") and Discovery Mining Services Ltd. ("Discovery Mining"); and
 2. Government Services, being the operations of Top Aces Inc. ("Top Aces") and Hicks & Lawrence Limited ("Hicks").
- All other operating activities are classified as Corporate Support.

Northern Services Segment

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

Great Slave is a Northwest Territories-based helicopter company that provides chartered air transport services throughout Northern Canada and several of the Canadian provinces. It provides, on its own and in partnership with northern Aboriginal groups, aviation services to private sector companies and governments in areas such as mineral, base and

precious metal exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys, tourism and flight training. Great Slave was founded in 1984.

Air Tindi is a Northwest Territories-based fixed wing aviation company that provides scheduled and chartered passenger and air cargo services to private sector companies, governments and individuals in such areas as mineral, base and precious metal exploration, oil and gas exploration and tourism. Air Tindi also provides air ambulance services throughout the Northwest Territories. Air Tindi was founded in 1988.

Discovery Mining is a Northwest Territories-based company that provides remote exploration camps and expediting, logistics and staking services to primarily diamond and mineral exploration companies. Discovery Mining was founded in 1991.

Government Services Segment

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

Top Aces is a Quebec-based fixed wing aviation company that provides highly specialized airborne training services to the Department of National Defence (DND). Top Aces was founded in 2000.

Hicks is an Ontario-based fixed wing aviation company that provides air services to niche markets in Northwest Ontario, primarily fire suppression and other transportation services to the provincial government. Hicks has been in business for over 50 years.

Seasonality and quarterly fluctuations

The Corporation's businesses are, to a varying degree, seasonal in nature. Seasonality and other factors can impact the comparability of results from one period to another, particularly from quarter to quarter.

- There is increased demand for the services provided by Great Slave, Hicks, Air Tindi and Discovery Mining normally commencing in the late spring and continuing through to the end of the summer.
- Top Aces' revenue-generating opportunities are significantly higher in the February to June and September to November time periods. Though Top Aces' revenues are relatively predictable over a twelve month period, they can vary substantially from month to month depending on weather conditions and its customers' priorities.
- The Corporation attempts to perform most major repairs and refurbishment during the slower periods of revenue-generating potential. As well, repair and maintenance on aircraft are not required evenly throughout the year and the timing of related expenses within a year may vary from one period to another.
- Weather conditions can have an impact on flight activity from one period to another.
- The timing of an acquisition in relation to the above factors can have an impact on the comparability of results.

Strategy and Strengths

The Corporation's businesses provide specialty aviation and aviation-related services to customers in selected markets. The Corporation's operating subsidiaries provide fixed-wing and rotary-wing aviation services as well as logistics and remote operations management services.

The Corporation acquired companies whose success was based upon strong customer service, a reputation for quality and safety, a loyal customer base and a dominant position in their markets. Great Slave and Air Tindi provide an essential service to many of their customers as access to, and movement at, the majority of their customers' locations are possible only via aircraft. This includes the movement and transport of people, freight, equipment and essential supplies. Discovery Mining provides its services to many of these customers as well. Top Aces and Hicks also provide essential services to their customers in the form of cost-effective government-outsourced aviation service solutions. The Corporation has benefited from the diversity of its business lines in the current fiscal year.

The severe global economic downturn and illiquidity in capital markets have negatively affected certain sectors of the Corporation's customer base, primarily the resource exploration and oil and gas sectors. The Corporation's revenue levels have been and are expected to continue to be adversely impacted in the current fiscal year. The Corporation also had financing challenges in the latter part of fiscal 2009 and the first quarter of 2010 resulting from the rapid deterioration in global financial markets which dramatically curtailed lending activities and access to capital at a time when the Corporation needed to refinance significant maturing debt. Accordingly, the Corporation's priority during the latter part of fiscal 2009 and the current fiscal year shifted away from its previously stated strategy of seeking growth through new acquisition and organic growth from the Corporation's existing operating companies, to a focus on ensuring the

Corporation's existing operations are positioned to address the negative impact of the economic slowdown in the current and foreseeable future. The Corporation has remained focused on maximizing and preserving cash by actively managing working capital, reducing non-essential expenses, reducing fleet size in some of its businesses, and limiting non-critical capital expenditures. A continued focus on managing cash will help to ensure the Corporation is able to meet its operating and financing obligations in a very challenging economic environment as well as to fund the capital expenditures required to sustain its fleet and facilities. The Corporation has heightened the monitoring of both its operating and capital expenditures in order to align them with expected revenue levels.

Selected Financial Information

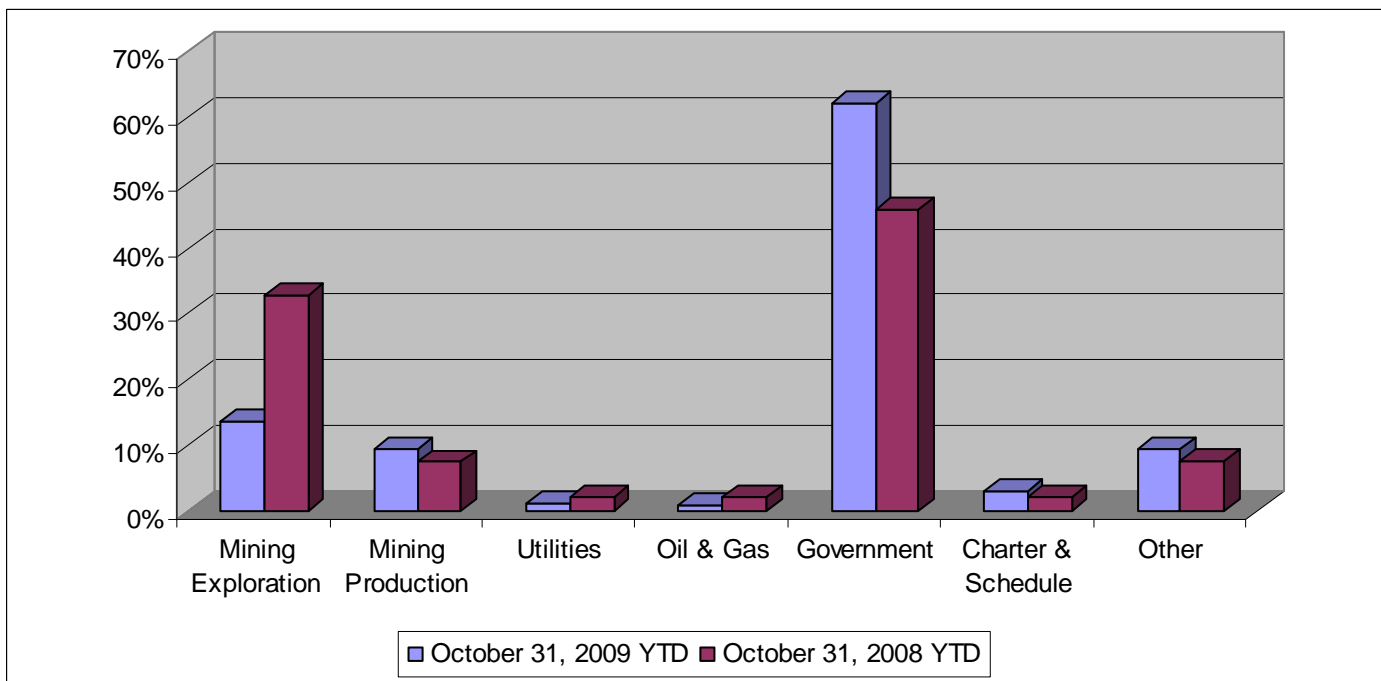
	3 months ended October 31 2009 (unaudited)	3 months ended October 31 2008 (unaudited)	9 months ended October 31 2009 (unaudited)	9 months ended October 31 2008 (unaudited)
(thousands of dollars, except per share amounts)				
Results of operations				
Revenue	\$ 34,125	\$ 42,536	\$ 105,424	\$ 132,340
Operating expenses	\$ 24,072	\$ 32,042	\$ 74,384	\$ 99,910
Earnings before undernoted items	\$ 10,053	\$ 10,494	\$ 31,040	\$ 32,430
Interest expense	\$ 3,460	\$ 3,151	\$ 10,783	\$ 9,362
Amortization	\$ 3,501	\$ 3,309	\$ 10,304	\$ 9,640
Relocation of corporate office	\$ 120	\$ -	\$ 1,611	\$ -
Financing transaction costs	\$ 125	\$ -	\$ 955	\$ -
Earnings	\$ 1,668	\$ 2,645	\$ 4,551	\$ 8,814
Earnings per common share:				
Basic	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.07
Diluted	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.06
Financial position and liquidity				
Total assets			\$ 262,895	\$ 404,683
Total long-term debt			\$ 140,783	\$ 145,210
Cash provided by operations	\$ 22,385	\$ 18,286	\$ 19,643	\$ 15,001
Working capital			\$ 20,735	\$ (5,240)
Key non-GAAP performance measures*				
Adjusted earnings	\$ 1,753	\$ 2,645	\$ 5,689	\$ 8,814
EBITDAR	\$ 12,125	\$ 14,019	\$ 35,372	\$ 43,098
Adjusted EBITDAR	\$ 12,245	\$ 14,019	\$ 36,983	\$ 43,098
EBITDA	\$ 9,933	\$ 10,494	\$ 29,429	\$ 32,430
EBITDA Margin	29%	25%	28%	25%
Adjusted EBITDA	\$ 10,053	\$ 10,494	\$ 31,040	\$ 32,430
Adjusted EBITDA Margin	29%	25%	29%	25%

* See Non-GAAP measures, page 13

Overview

The Corporation's consolidated revenues for the quarter and year-to-date were 20% lower than the prior year comparatives. The lower revenues reflect the impact of a continued slowdown in resource sector activity as well as weak forest fire market conditions that existed in some of the major geographic fire markets serviced by the Corporation. The Corporation also recorded lower Government Service segment revenues in the current quarter compared to the prior year largely due to a shift in scheduling demand by a major customer which contributed to lower segment flight hours and revenues year over year. As noted above, flight hours for Top Aces can vary from quarter to quarter due to the shifting of priorities of its customer. Despite the quarterly year over year decline in revenues, on a year-to-date basis Government Services segment revenues continue to exceed the prior year comparative by \$6.0 million or 16%. This increase partially offsets the lower revenues in the Northern Services segment from the resource sector and forest fire related services.

The following graph demonstrates the impact the current economic downturn has had on the composition of the Corporation's year-to-date revenue by industry sector as a percentage of total revenues. Revenue from the mining exploration, utilities and oil & gas sectors has declined significantly as a percentage of total revenues while revenue from Government sources has increased significantly.



Despite recording lower revenues, the Corporation continued to generate strong earnings from operations, both for the current quarter and year-to-date. The Corporation reported EBITDA for the quarter and year-to-date of \$9.9 million and \$29.4 million, respectively, a year over year reduction of 5% and 9%, respectively. The Adjusted EBITDA, which adjusts for the non-recurring corporate office relocation charge, was \$10.1 million and \$31.0 million for the quarter and year-to-date, respectively, a year over year decrease of 4% for both periods. The Adjusted EBITDA margin for the quarter and year-to-date improved from 25% last year to 29% in the current year. The Corporation was able to maintain relatively comparable Adjusted EBITDA and an improved margin compared to the prior year by streamlining its operating costs in anticipation of lower revenues expected from its resource sector customer base. The overall mix of consolidated revenues by aircraft type also had a favourable impact on the EBITDA margin. The Corporation's operating units have a high fixed cost component, largely related to the infrastructure required to support operations for the peak business season. The level of infrastructure required for peak season operations is generally determined early in the fiscal year and is historically difficult to modify in relation to any significant actual revenue variances experienced in the peak season. This is especially true of the infrastructure required to support the Corporation's forest fire suppression businesses.

The Corporation recorded quarterly earnings of \$1.7 million compared to \$2.6 million in the prior year, while year-to-date earnings were \$4.6 million compared to \$8.8 million in the prior year. Higher year over year interest expense reflects the increase in debt levels year over year as well as an increase in interest rates charged by some of the Corporation's lenders. Earnings were also impacted by financing transaction costs and corporate relocation costs. To date the Corporation has incurred \$1.0 million in financing transaction costs and \$1.6 million in corporate relocation costs. A condition of the \$34.0 million term loan drawn in February, 2009 obligates the Corporation to re-locate its corporate office to Yellowknife, Northwest Territories from its current location in London, Ontario by February 1, 2010. The corporate relocation costs are comprised of termination benefits, recruitment costs and the logistical costs of transferring physical assets. The transition of the corporate office from London to Yellowknife will receive much more focus now that the final senior management appointments have been made at the corporate level.

Comparison of the results of operations for the comparative three months ended October 31, 2009 and 2008

(thousands of dollars)	for the three months ended October 31, 2009				for the three months ended October 31, 2008			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	\$ 24,358	\$ 9,765	\$ 2	\$ 34,125	\$ 30,185	\$ 12,350	\$ 1	\$ 42,536
Operating expenses	15,962	6,714	1,396	24,072	23,832	6,993	1,217	32,042
Relocation of corporate office	-	-	120	120				
Amortization	2,304	1,183	14	3,501	2,248	1,044	17	3,309
Earnings (loss) from operations before undernoted items	6,092	1,868	(1,528)	6,432	4,105	4,313	(1,233)	7,185
Interest expense				3,460				3,151
Financing transaction costs				125				-
Income tax expense				1,116				1,322
Non-controlling interest				63				67
Net earnings				1,668				2,645
Capital expenditures	\$ 2,959	\$ 7,789	\$ 7	\$ 10,755	\$ 3,065	\$ 7,111	\$ 3	\$ 10,179

	As at October 31, 2009				As at January 31, 2009			
Total assets	\$ 141,177	\$ 116,418	\$ 5,300	\$ 262,895	\$ 145,699	\$ 111,960	\$ 2,367	\$ 260,026
Goodwill	\$ -	\$ 37,862	\$ -	\$ 37,862	\$ -	\$ 37,862	\$ -	\$ 37,862
Intangible assets	\$ 10,614	\$ 14,101	\$ -	\$ 24,715	\$ 12,225	\$ 15,838	\$ -	\$ 28,063

Revenue and Hours Flown

The Corporation's revenue is primarily generated from helicopter and airplane transportation services that are delivered through its subsidiaries and is largely driven by flight hours. The exception to this is the business of Discovery Mining, which derives its revenue from mining exploration activities related primarily to staking, camp rental and logistics. Consolidated revenues were \$34.1 million for the current quarter compared to \$42.5 million for the same period last year, representing a 20% decrease. Hours flown for the current quarter were 14,565 compared to 19,158 for the same period last year, representing a 24% decrease. Similar to the second quarter, revenues and flight hours in the current quarter were negatively impacted by reduced resource sector activity, particularly the mining exploration and oil and gas sectors, as well as by lower than expected forest fire activity season due to cool and wet weather conditions in most of the regions serviced by our operations. Additionally, in the current quarter flight hours and revenue were also lower than the prior year for combat training services provided by the Government Services segment.

The Northern Services segment generated revenues of \$24.4 million on 12,946 flight hours for the current quarter, compared to revenues of \$30.2 million on 16,383 flight hours for the same period last year. The \$5.8 million or 19% decline in revenues and the 3,437 or 21% decline in flight hours were attributable to continuing weak demand for services from the resource industry sector as well as lower demand for forest fire detection and suppression activity. Reduced demand for helicopter services had the largest impact on segment revenue levels. Segment revenues from the mining exploration and oil & gas sectors in the quarter were lower by 40% and 91%, respectively, while revenues from forest fire activity were lower by 63% compared to the same period last year.

The Government Services segment generated revenues of \$9.8 million on 1,619 flight hours for the current quarter, compared to revenues of \$12.4 million on 2,775 flight hours for the same period last year. The 21% decrease in revenues and 42% decrease in flight hours in the current quarter were attributable to lower flight hour demands from Top Aces customer and weak forest fire conditions in Ontario. While both Top Aces and Hicks recorded year over year declines in flight hours, a significant portion of the decline in flight hours was attributable to Hicks operation, which were lower by 63% compared to the prior year. The revenue decline in the quarter was not as severe as the flight hour decline due to the favourable composition of the flight hours; a significant portion of the flight hour decline was attributable to Hicks lower rate fleet rather than to the Top Aces higher rate fleet.

Operating Expenses

Operating expenses consist of fixed and variable expenses including crew and fleet costs and general and administrative expenses. Crew and fleet costs are the largest expense categories. Crew costs are comprised of wages, benefits and training for pilots and maintenance engineers. Fleet costs are comprised of aircraft lease costs and maintenance costs, with the latter consisting of the purchase, repair and overhaul of parts, major components and accessories. Fuel costs represent a significant component of the Northern Services segment's operating expenses, although a significant portion of those costs is recoverable from customers. Fuel and other operating cost recoveries are classified as revenues. The amortization of engine and rotatable component overhauls is included in maintenance costs and is classified as an operating expense for financial reporting purposes. That classification reduces the level of EBITDA and EBITDAR. General and administrative expenses include wages and benefits of administrative personnel, facility costs, travel costs, non-fleet insurance costs and other overhead expenses. These operating expenses contain both fixed and variable cost components.

Consolidated operating expenses were \$24.1 million for the current quarter, compared to \$32.0 million for the same period last year, representing a 25% year over year decline. The Corporation's crew costs, maintenance costs, aircraft lease costs and fuel costs combined represent 64% of the current quarter's total operating costs, and were lower by 17%, 36%, 38% and 47% respectively compared to the same period last year. These lower operating costs are largely consistent with the reduced levels of flight activity and revenues generated in the quarter. The Corporation's general and administrative expenses represented 25% of the total operating expenses and were 14% lower than the same period last year, due in large part to cost reduction efforts throughout the organization.

The Northern Services segment's operating expenses for the quarter were \$16.0 million, compared to \$23.8 million for the same period last year, representing a \$7.8 million or 33% year over year reduction. While the variable component of the segment's crew, fleet and fuel costs decreased as a result of lower revenues, the overall lower costs also reflect the segment's ability to make significant strides in reducing fixed costs such as leased aircraft commitments. The reduction of fixed costs in the third quarter was significant as the operating units in the segment scaled down certain infrastructure costs quicker as the peak season revenues from certain of its market sectors wound down. The Corporation's management continues to review the segment's operating costs to ensure they are appropriately aligned with the expected level of service activity.

The Government Services segment's operating expenses for the current quarter were \$6.7 million, compared to \$7.0 million for the same period last year, representing a 4% decline year over year. The decrease in the segment's overall operating expense is consistent with the decline in revenues although Top Aces had higher fixed costs due to an increase in its fleet size from the prior year.

Excluding corporate office relocation costs, Corporate Services incurred \$1.4 million in operating expenses in the current quarter compared to \$1.2 million for the same period last year. The corporate office relocation costs were \$0.1 million for the current quarter.

EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR (see Non-GAAP Measures)

Consolidated EBITDA was \$9.9 million for the quarter compared to \$10.5 million for the same period last year. EBITDA margin for the quarter was 29% compared to 25% for the same period last year. Adjusted EBITDA, which excludes the non-recurring corporate office relocation costs, was \$10.1 million representing an Adjusted EBITDA margin of 29% compared to 25% for the same period last year. The Corporation was able to increase the year over year margins despite the lower overall revenues due to significant cost reductions in the Northern Services segment.

The current quarter EBITDAR was \$12.1 million and Adjusted EBITDAR was \$12.2 million compared to \$14.0 million for both in the same period last year. The Adjusted EBITDAR margin in the current quarter of 36% compared to 33% in the same period last year.

The Northern Services segment's year over year quarterly EBITDA increased by \$2.0 million despite year over year revenue reductions of \$5.8 million. As previously noted, while overall business activity has dramatically declined the segment was able to realign operating costs in response to the current business activity level. The segment's quarterly EBITDAR increased \$0.7 million largely due to lower aircraft lease expense in the current quarter compared to the same period last year.

The Government Services segment EBITDA decreased by \$2.3 million year over year largely due to reduced flight hour demands in both Top Aces and Hicks operations. The segment's EBITDAR decreased by \$2.2 million year over year as well, with the variance in aircraft lease cost in Top Aces not being significant year over year.

Interest Expense and Financing Transaction Costs

Interest expense was \$3.5 million for the quarter, compared to \$3.2 million for the same period last year. The Corporation's interest expense was higher due to increased borrowing costs on some of its term debt. The Corporation recorded financing transaction costs of \$0.1 million during the most recent quarter.

Amortization Expenses

Amortization of buildings and equipment

Amortization of building and equipment expense was \$2.4 million for the quarter, compared to \$2.2 million for the same period last year. The increase in the Top Aces fleet contributed to the increase year over year.

Amortization of intangible assets

Amortization of intangible assets expense was \$1.1 million for the quarter, compared to \$1.1 million for the same period last year. The amortization of intangible assets relates to the expensing of a portion of the purchase price of acquired companies attributable to certain identifiable intangible assets such as the estimated fair market value of customer relationships.

Income Taxes

Income tax expense was \$1.1 million for the quarter, compared to income tax expense of \$1.3 million for the same period last year. The Corporation's statutory rate for the quarter was approximately 31%, compared to approximately 31% for the same period last year. The current quarter tax provision is higher than the statutory rate due to the impact of both permanent tax differences and tax reassessments booked in the quarter.

Comparison of the results of operations for the comparative nine months ended October 31, 2009 and 2008

(thousands of dollars)	<i>for the nine months ended October 31, 2009</i>				<i>for the nine months ended October 31, 2008</i>			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	\$ 62,400	\$ 42,992	\$ 32	\$ 105,424	\$ 95,298	\$ 37,034	\$ 8	\$ 132,340
Operating expenses	46,178	24,239	3,967	74,384	73,768	21,908	4,234	99,910
Relocation of corporate office	-	-	1,611	1,611				
Amortization	6,826	3,438	40	10,304	6,522	3,067	51	9,640
Earnings (loss) from operations								
before undernoted items	9,396	15,315	(5,586)	19,125	15,008	12,059	(4,277)	22,790
Interest expense				10,783				9,362
Financing transaction costs				955				-
Income tax expense				2,620				4,294
Non-controlling interest				216				320
Net earnings				4,551				8,814
Capital expenditures	\$ 6,976	\$ 11,160	\$ 14	\$ 18,150	\$ 15,265	\$ 10,856	\$ 47	\$ 26,168

Revenue and Hours Flown

Consolidated revenues were \$105.4 million, compared to \$132.3 million for the same period last year, representing a \$26.9 million or 20% year over year decrease. Hours flown were 39,054 compared to 59,407 for the same period last year, representing a 20,353 or 34% decrease in year over year flight hours. As noted in the quarterly analysis, revenues and flight hours were negatively impacted by reduced resource sector activity, particularly the mining exploration and oil and gas sectors and from lower overall forest fire activity due to cool and wet weather conditions in most of the regions serviced by the Corporation's operations. This negative variance in hours and revenues from these revenue sources was

offset by positive year-to-date variances in some of the Corporation's other businesses, in particular Top Aces. The decline in revenues in relation to flight hours was less severe due to a proportionate increase in higher rate aircraft flight hours.

The Northern Services segment generated revenues of \$62.4 million on 31,804 flight hours, compared to revenues of \$95.3 million on 52,124 flight hours for the same period last year. The \$32.9 million or 35% decline in revenues and the 20,320 or 39% decline in flight hours were attributable to weakened demand for services from the resource industry sector and weaker forest fire activity. Year-to-date revenues from the mining exploration and oil and gas sectors were lower by 67% and 65%, respectively, while revenues from forest fire activity were lower by 46% compared to the prior period. While all of the businesses in the segment were affected by the downturn, the largest impact was felt in the segment's helicopter operations.

The Government Services segment generated revenues of \$43.0 million on 7,250 flight hours, compared to revenues of \$37.0 million on 7,283 flight hours for the same period last year. As noted in the quarterly results, despite the year-to-date flight hours remaining relatively flat year over year, the segment was able to increase revenues by 16% due to a favourable shift in flight hour composition to higher rate aircraft.

Operating Expenses

Consolidated operating expenses were \$74.4 million year-to-date, compared to \$99.9 million for the same period last year, representing a \$25.5 million or 26% reduction. The Corporation's crew costs, maintenance costs, aircraft lease costs and fuel costs combined represent 64% of year-to-date operating costs, and were lower by 21%, 37%, 44% and 49%, respectively, compared to the same period last year. The lower crew, fleet and fuel costs correspond with the lower flight activity and revenues. The Corporation's general and administrative expenses represented 25% of year-to-date total operating expenses and were 4% lower than the same period last year, when the \$1.6 million relocation cost incurred to date is included. They were 11% lower if the impact of relocation costs is excluded.

The Northern Services segment's operating expenses year-to-date were \$46.2 million, compared to \$73.8 million for the same period last year, representing a \$27.6 million or 37% year over year decrease. As noted in the quarterly results, a portion of the cost reduction was due to lower operating activity levels. However, the segment was able to realign some of its infrastructure related fixed costs in anticipation of weaker demand in some of its businesses. This was most evident in the third quarter where management was successful in scaling down its infrastructure more quickly than the prior year because lower demand was expected this year. The impact caused by the economic downturn was sudden and severe in the third quarter last year.

The Government Services segment's operating expenses year-to-date were \$24.2 million, compared to \$21.9 million for the same period last year, representing an 11% year over year increase. The increase resulted from the increased year-to-date activity at Top Aces, partially offset by reduced operating cost levels at Hicks.

Corporate Services incurred \$4.0 million in operating expenses year-to-date, compared to \$4.2 million for the same period last year.

EBITDA, EBITDAR, Adjusted EBITDA and Adjusted EBITDAR (see Non-GAAP Measures)

Consolidated EBITDA was \$29.4 million and Adjusted EBITDA was \$31.0 million year-to-date, compared to \$32.4 million for both for the same period last year. EBITDA margin year-to-date was 28%, compared to 25% for the same period last year. The Adjusted EBITDA margin was 29% year-to-date, compared to 25% in the prior year. The year-to-date improvement in margins results from increased year-to-date revenues in the Government Services segment and significant scaling of costs in the Northern Services segment. The reduced level of operating expense in Corporate Services also contributed to the improvement in the level of Adjusted EBITDA. Year-to-date, EBITDAR of \$35.4 million and Adjusted EBITDAR (adjusted for corporate relocation cost) of \$37.0 million declined from \$43.1 million for the same period last year. Again, while EBITDAR and Adjusted EBITDAR declined, the margins improved. The Adjusted EBITDAR margin year-to-date increased from 33% in the prior year to 35% in the current year. The same factors which affected the EBITDA margin largely impacted the EBITDAR margin.

EBITDA for the Northern Services segment declined by \$5.3 million year over year largely due to a \$32.9 million reduction in revenues. While the year-to-date revenues declined by 35%, the segment's ability to reduce its operating expenses by 37% significantly reduced the negative impact on operational earnings from lower revenues. The year over year EBITDAR had a larger unfavourable variance of \$10.2 million due to lower aircraft lease expense in the current year-to-date.

Government Services segment EBITDA increased by \$3.7 million year over year due to an increase in revenues arising from increased usage of the expanded Alpha jet fleet over the last year and reduced cost levels at Hicks. The segment's EBITDAR increased by \$3.8 million year over year.

Interest Expense and Financing Transaction Costs

Interest expense was \$10.8 million year-to-date, compared to \$9.4 million for the same period last year. The Corporation's interest expense was higher due to increased borrowing costs on its operating line of credit and some of its term debt, as well as the expensing of a portion of the deferred financing charges related to a revolving term loan repayment of \$3.3 million in the current year. The Corporation uses the effective interest rate method to account for transaction costs on its term loan financings.

Year-to-date, the Corporation incurred non-recurring costs associated with its financing activities totaling \$1.0 million. These costs are classified as financing transaction costs in the Corporation's statement of net earnings and comprehensive income. A large portion of these costs relates to transaction costs associated with the arranging of a new operating line of credit.

Amortization Expenses

Amortization of buildings and equipment

Amortization of building and equipment expense was \$7.0 million year-to-date, compared to \$6.3 million for the same period last year due to the impact of purchases made in the last fiscal year.

Amortization of intangible assets

Amortization of intangible assets expense of \$3.3 million year-to-date is comparable to \$3.4 million for the same period last year.

Income Taxes

As a result of lower income year-to-date, income tax expense was \$2.6 million, compared to income tax expense of \$4.3 million for the same period last year. The Corporation's statutory rate year-to-date was approximately 31%, compared to approximately 31% for the same period last year.

Liquidity and Financial Resources

The following schedule summarizes the movement in cash flow components for the comparative quarterly and year-to-date periods:

	<i>for the three months ended</i>		<i>for the nine months ended</i>	
	October 31	October 31	October 31	October 31
(thousands of dollars)	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities	\$ 22,385	\$ 18,286	\$ 19,643	\$ 15,001
Investing activities	(7,984)	(9,749)	(13,769)	(24,702)
Financing activities	(10,609)	(2,499)	(5,989)	10,166
Increase (decrease) in cash	\$ 3,792	\$ 6,038	\$ (115)	\$ 465

The cash position at October 31, 2009 decreased by \$0.1 million, compared to the cash position at January 31, 2009. The cash position remained largely unchanged as cash generated by operations was approximately the same as cash used to fund net capital purchases and net debt reductions in the first nine months of this fiscal year. During the most recent quarter, the cash position increased by \$3.8 million as cash generated by operating activities exceeded the cash required to fund investing and debt repayment.

Operating activities

The current quarter's operating activities generated a net cash inflow of \$22.4 million, compared to a net cash inflow of \$18.3 million for the same period last year. The year over year improvement can be largely attributed to the cash generated by the change in non-cash working capital as compared to the prior year. Due to the rapid deterioration in activity levels in some of the Corporation's businesses caused by the weak economic environment, the Corporation more

closely monitored and managed its working capital and cash positions during the current fiscal year. This also had a favourable impact on the year-to-date cash generated by operating activities, with a net cash inflow of \$19.6 million compared to a net cash inflow of \$15.0 million for the same period last year. Cash in the nine month period was negatively impacted by a \$1.5 million increase in restricted cash. The restricted cash balance arose at the time the operating line of credit was refinanced. The new lender is unable to provide certain contingent exposures such as letters of credit. These contingent exposures must be arranged through third parties and therefore must be cash collateralized by the Corporation.

Investing activities

The net cash outlays for investing activities during the current quarter and year-to-date were \$8.0 million and \$13.8 million, respectively, compared to \$9.7 million and \$24.7 million respectively for the same period last year. In the prior year, in addition to sustaining capital expenditures and capitalized aircraft overhaul costs, the Corporation made growth investments to expand the fleet at Great Slave, Air Tindi and Top Aces. In the current year, the investing activities relate to completion of the Top Aces fleet expansion program that was initiated last year, sustaining capital expenditures, capitalized aircraft overhaul costs and, in the most recent quarter, the purchase of aircraft to support a new revenue program. Investing activities for the purchase of property, plant and equipment were offset by proceeds from the sale of aircraft in the Northern Services segment in the most recent quarter and year to date.

Financing activities

Year-to-date financing activities were impacted by the refinancing of a term loan during the first quarter of this fiscal period. The Corporation obtained new long-term loans totaling \$36.3 million during the first quarter of the current year, a large part of which was comprised of a \$34.0 million term loan which was arranged to replace a \$33.0 million term loan which matured in February, 2009. The balance of proceeds from long-term debt related to funding for the Alpha jet program. No additional long term financing was funded in the third quarter. The comparative period reflects new debt of \$4.2 million and \$15.0 million for the quarter and year-to-date which related to the financing of new aircraft and capital equipment outlined in the investing activities section above. To October 31, 2009, the Corporation had funded \$3.3 million in Alpha jet program purchases from working capital; it intends during the fourth quarter to draw down the remaining available balance of the \$21.5 million term financing previously arranged for these program purchases. On December 7, 2009, the Corporation drew down on an interim \$4.6 million demand credit facility to provide interim financing for the purchase of aircraft completed during the most recent quarter. The credit facility bears an interest rate of 18% per annum and expires on June 9, 2010. The Corporation will be required to make a principal repayment of \$0.1 million on May 31, 2010, with the remaining outstanding balance due on the expiration date. The Corporation has arranged an additional \$100,000 demand credit facility, on substantially the same terms, to finance any future acquisition of spare parts and other equipment to support these aircraft assets. If this additional financing is drawn, the Corporation will be required to make a principal repayment of \$25,000 on May 31, 2010, with the remaining outstanding balance due on the expiration date.

The Corporation did not have a balance outstanding on its operating line of credit as at October 31, 2009. Consistent with the seasonal nature of the Corporation's overall business cycle, the Corporation draws on its operating line of credit in the first and second quarter of the year to fund the seasonal start-up costs leading into the summer months. Additionally, the operating line of credit is required to fund any rapid build-up in accounts receivable. At the end of the comparative period, the Corporation had no outstanding balance on its operating line of credit. As at October 31, 2009, the Corporation has unrestricted cash of \$6.7 million and \$14.3 million in unused borrowing capacity on its line of credit available to fund its operating requirement needs.

The Corporation made principal repayments totaling \$40.6 million year-to-date, of which \$33.0 million related to the repayment of the term loan that matured in February, 2009 and \$3.3 million related to one-time reductions in fleet term debt. The balance of the repayments relate to scheduled term loan repayments. In the prior year, the Corporation made principal repayments totaling \$4.7 million, all of which were regularly scheduled term debt repayments.

Working capital and cash position

At October 31, 2009, the Corporation had a positive working capital position of \$20.7 million and a current ratio of 1.9 compared to a positive working capital position of \$18.2 million and a current ratio of 1.8 as at January 31, 2009. Given the seasonal nature of the Corporation's businesses, a more meaningful comparison would be of the current working capital position as at October 31, 2009 to the October 31, 2008 working capital position, which was negative \$5.2 million and a current ratio of 0.9. The October 31, 2008 working capital position included a current liability classification of a \$33.0 million term loan which came due in February, 2009 and which was refinanced at maturity. If the current portion of

long-term debt for the quarter ended October 31, 2008 is adjusted to exclude the \$33.0 million maturing debt, the adjusted comparative working capital and current ratio positions are \$27.8 million and 2.1 respectively.

The comparable adjusted working capital position of the Corporation has been impacted by a decrease in year over year earnings (including the non-recurring corporate office relocation costs) and capital expenditures and term debt repayments financed out of working capital. The Corporation is aware of the following balance sheet conditions, income items or cash flow items that could materially impact liquidity in the current year:

- the impact that continuing weak market conditions could have on the business activities of the Corporation's Northern Services segment;
- the ability to draw amounts authorized but not yet drawn under the \$21.5 million term loan, with proceeds of such draws to replace cash previously utilized to fund capital expenditures;
- capital expenditures related to fleet maintenance and overhaul that could be higher than planned; and
- operating and overhead costs that could vary from planned levels.

While the Corporation currently believes it has sufficient working capital to meet its current and future operating requirements based on its existing working capital position, cash generated from operations and operating credit facilities, this could change depending on whether some or all of the above factors materialize. The Corporation's management continues to monitor factors that could adversely impact the Corporation's working capital. As well, as noted in the financing activities section of these comments, the Corporation has or is arranging access to loans to fund capital expenditures already made. In the case of the aircraft purchased for the new Top Aces program, funding under the new loan would not have a favourable impact on the Corporation's working capital position due to the demand nature of the credit facility being arranged.

The operating line of credit facility will be used to fund any short-term financing requirements which arise as a result of the seasonality of the Corporation's revenue and cash flow patterns. Except as noted above, the Corporation does not expect any significant changes to its working capital requirements for the balance of the current year. Any significant non-maintenance related capital expenditure is assessed to ensure reasonable support exists to match the capital expenditure to projected revenues or cost saving generated from the transaction. Given the current economic outlook, the Corporation intends to focus on (i) ensuring adequate funding exists for its current operations, and (ii) (unless the underlying economics of a new business opportunity are very compelling), minimizing any capital intensive expansion until the economy and capital markets support a resumption of growth. The Corporation also continues to identify ways to conduct its businesses more efficiently and reduce costs.

Updated Share Information

At December 14, 2009, there were 134,461,555 Class A common shares outstanding and 742,604 Class B common shares outstanding. At the same date, there were 3,345,350 common share options outstanding.

Critical Accounting Estimates

Management's discussion and analysis for the year ended January 31, 2009 includes a description of critical accounting estimates on page 22. As at October 31, 2009, critical accounting estimates have not changed significantly from the description provided in the year end Management's Discussion and Analysis, except for the estimate of cost associated with the relocation of the Corporation's corporate office. The relocation of corporate office costs include estimates related to the accrual of termination benefits.

Recently Adopted Standards

Goodwill and Intangible Assets

Effective February 1, 2009, the Corporation adopted the new Canadian standard, Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Handbook Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The implementation of this standard had no material impact on the Corporation's financial results or condition for the period ended October 31, 2009.

Future Changes in Accounting Policies

Business combinations

Handbook Section 1582, *Business Combinations* replaced the former Handbook Section 1581, *Business Combinations*. This section will be equivalent to International Financial Reporting Standards (IFRS) 3 - *Business Combinations*. See

~~International Financial Reporting Standards~~ below for further discussion on IFRS. Section 1582 will require additional use of fair value measurements, recognition of additional assets and liabilities, including contingent consideration and contingencies, the expensing of transaction costs and increased financial statement disclosures. This standard will become effective for business combinations for which the acquisition date is on or after February 1, 2011. The Corporation is assessing whether it will apply the new accounting standard at the beginning of fiscal 2012 or elect to early-adopt the new accounting standard in order to minimize the amount of retroactive application when the Corporation adopts IFRS.

Consolidated financial statements and non-controlling interest

Handbook Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests* replaced the former Handbook Section 1600, *Consolidated Financial Statements* and established a new method of accounting for a non-controlling interest in a subsidiary. These sections will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity. The Corporation will adopt the new accounting standards concurrently with the adoption of the new Handbook Section 1582 and is currently assessing the impact that the adoption of these standards will have on its consolidated financial statements.

Financial instruments

Handbook section 3862, *Financial Instruments – Disclosures* was amended in June 2009 to improve disclosure requirements around fair value measurement for financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The amendments to Section 3862 apply for annual financial statements for fiscal years ending after September 30, 2009, with early adoption permitted. The Corporation is assessing the potential impact of the amendments to this standard.

International Financial Reporting Standards (“IFRS”)

In February 2008, the CICA Accounting Standards Board announced that all Canadian publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The Corporation's first annual IFRS consolidated financial statements will be for the year ending January 31, 2012 and will include the comparative period of fiscal 2011.

The Corporation commenced its IFRS conversion project during fiscal 2009, during which time it completed a high level review and impact assessment of the new standards (the Phase 1 Review). The primary purpose of the Phase 1 Review was to assess the degree of potential impact each new standard would have on the Corporation. In completing the Phase 1 Review, the Corporation took into consideration the impact which implementing each new standard would have on its accounting policies, financial reporting processes, information systems, business processes, control environment and external disclosures. As a result of the Phase 1 Review the Corporation has identified that the following new IFRS standards are likely to have the highest potential implementation impact on the Corporation:

- First-time adoption
- Business Combinations
- Financial Instruments . Disclosures
- Property, plant & equipment
- Consolidated Financial Statements
- Impairment of Assets

The Corporation is in the process of conducting a more detailed assessment of the above new standards so that it can more clearly identify the judgments that will need to be exercised in implementing the new standards and their impacts.

The transition from Canadian GAAP to IFRS is a significant task for the Corporation to undertake. There will be various choices on elections and exemptions within the new standards as well as the requirement to exercise a considerable level of judgment in adopting the new standards. The choices made and the judgments exercised during IFRS implementation may materially alter the Corporation's financial position and results of operations as currently reported under Canadian GAAP. The Corporation is carefully assessing all accounting policy options and IFRS 1 exemptions and exceptions as part of its assessment and documentation phase.

Management is also assessing possible changes that may need to be implemented to ensure that adequate internal controls over financial reporting and disclosure controls and procedures will remain in place once IFRS is implemented.

Once the assessment is completed, the Corporation intends to disclose any potential material impacts in its future consolidated financial statements and management discussion and analysis.

The Corporation continues to monitor standards development as issued by the International Accounting Standards Board and the Canadian Accounting Standards Board, as well as any regulatory developments produced by the Canadian Securities Administrators, which may affect the Corporation's timing, nature and extent of disclosures as they relate to the implementation of IFRS. Further changes to standards, regulations or economic conditions prior to the date of changeover could result in changes to the timing, nature and extent of disclosures as indicated above.

Non-GAAP Measures

References to %EBITDA+ are to earnings before interest, financing transaction costs, income taxes, depreciation and amortization (except for amortization of rotatable and overhauled components which are treated as operating expenses), goodwill and intangible asset impairment charge, and non-controlling interest. As is common in the industry, the Corporation uses EBITDA as a supplemental financial measure of its operational performance. %EBITDAR+is EBITDA before aircraft lease cost. Management believes EBITDA and EBITDAR to be important measures as they exclude the effects of items which primarily reflect the impact of long-term investment decisions rather than the performance of the Corporation's day-to-day operations. Management believes the measurements are useful to measure a company's ability to service debt and to meet other payment obligations or as valuation measurements.

%Adjusted EBITDA+is EBITDA before the relocation of corporate office charge. %Adjusted EBITDAR+is EBITDAR before the relocation of corporate office charge. The relocation of corporate office charge is a financial obligation that arose as a result of a condition of a term loan transaction completed in the first quarter of the current fiscal year. Given the non-recurring nature of these costs, the Corporation is of the view that Adjusted EBITDA and Adjusted EBITDAR provide a more meaningful comparison of year over year results. The following is a reconciliation of earnings before non-controlling interest to EBITDA, EBITDAR, Adjusted EBITDA, and Adjusted EBITDAR:

(thousands of dollars)	<i>for the three months ended</i>		<i>for the nine months ended</i>	
	October 31 2009	October 31 2008	October 31 2009	October 31 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net earnings	\$ 1,668	\$ 2,645	\$ 4,551	\$ 8,814
Income tax expense	1,116	1,322	2,620	4,294
Interest expense	3,460	3,151	10,783	9,362
Amortization	3,501	3,309	10,304	9,640
Financing transaction costs	125	-	955	-
Non-controlling interest	63	67	216	320
EBITDA	\$ 9,933	\$ 10,494	\$ 29,429	\$ 32,430
Aircraft lease expenses	2,192	3,525	5,943	10,668
EBITDAR	\$ 12,125	\$ 14,019	\$ 35,372	\$ 43,098
EBITDA	\$ 9,933	\$ 10,494	\$ 29,429	\$ 32,430
Relocation of Corporate office costs	\$ 120	\$ -	\$ 1,611	\$ -
Adjusted EBITDA	\$ 10,053	\$ 10,494	\$ 31,040	\$ 32,430
Aircraft lease expenses	\$ 2,192	\$ 3,525	\$ 5,943	\$ 10,668
Adjusted EBITDAR	\$ 12,245	\$ 14,019	\$ 36,983	\$ 43,098

Adjusted earnings+ is earnings adjusted to exclude charges arising from impairment of goodwill and intangible assets, relocation of corporate office and related income tax recovery. Management believes Adjusted earnings is a meaningful supplemental financial measure as these excluded charges are considered non-recurring and their exclusion provides a more relevant comparison of year over year earnings. The following is a reconciliation of Adjusted earnings:

(thousands of dollars)	<i>for the three months ended</i>		<i>for the nine months ended</i>	
	October 31 2009	October 31 2008	October 31 2009	October 31 2008
Net earnings	\$ 1,668	\$ 2,645	\$ 4,551	\$ 8,814
Relocation of corporate office	120	-	1,611	-
Income tax recovery related to relocation of corporate office	35	-	473	-
Adjusted net earnings	\$ 1,753	\$ 2,645	\$ 5,689	\$ 8,814

The EBITDA margin, Adjusted EBITDA margin and EBITDAR margin are EBITDA, Adjusted EBITDA and EBITDAR as a percentage of revenue.

SEGMENTED INFORMATION

The Corporation has two reportable business segments: Northern Services and Government Services. These segments are differentiated by the markets in which the Corporation's aviation and related services operate. The Northern Services segment is represented by Great Slave, Air Tindi and Discovery Mining and the Government Services segment is represented by Top Aces and Hicks. The Northern Services segment's primary market is Northern Canada. This segment has a wide customer base servicing companies in the business of mineral, base and precious metal exploration and production, wildlife services, forest fire suppression, oil and gas exploration, power line construction and maintenance, aerial surveys, seismic support, air ambulance, scheduled charters and tourism. The Government Services segment provides niche services primarily to government entities. All other activities that are not allocated to these two business segments are reported under Corporate Support.

(thousands of dollars)	<i>for the three months ended October 31, 2009</i>				<i>for the three months ended October 31, 2008</i>			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	\$ 24,358	\$ 9,765	\$ 2	\$ 34,125	\$ 30,185	\$ 12,350	\$ 1	\$ 42,536
Operating expenses	15,962	6,714	1,396	24,072	23,832	6,993	1,217	32,042
Relocation of corporate office	-	-	120	120				
Amortization	2,304	1,183	14	3,501	2,248	1,044	17	3,309
Earnings (loss) from operations								
before undernoted items	6,092	1,868	(1,528)	6,432	4,105	4,313	(1,233)	7,185
Interest expense				3,460				3,151
Financing transaction costs				125				-
Income tax expense				1,116				1,322
Non-controlling interest				63				67
Net earnings				1,668				2,645
Capital expenditures	\$ 2,959	\$ 7,789	\$ 7	\$ 10,755	\$ 3,065	\$ 7,111	\$ 3	\$ 10,179

(thousands of dollars)	<i>for the nine months ended October 31, 2009</i>				<i>for the nine months ended October 31, 2008</i>			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	\$ 62,400	\$ 42,992	\$ 32	\$ 105,424	\$ 95,298	\$ 37,034	\$ 8	\$ 132,340
Operating expenses	46,178	24,239	3,967	74,384	73,768	21,908	4,234	99,910
Relocation of corporate office	-	-	1,611	1,611				
Amortization	6,826	3,438	40	10,304	6,522	3,067	51	9,640
Earnings (loss) from operations before undernoted items	9,396	15,315	(5,586)	19,125	15,008	12,059	(4,277)	22,790
Interest expense				10,783				9,362
Financing transaction costs				955				-
Income tax expense				2,620				4,294
Non-controlling interest				216				320
Net earnings				4,551				8,814
Capital expenditures	\$ 6,976	\$ 11,160	\$ 14	\$ 18,150	\$ 15,265	\$ 10,856	\$ 47	\$ 26,168

	<i>As at October 31, 2009</i>				<i>As at January 31, 2009</i>			
Total assets	\$ 141,177	\$ 116,418	\$ 5,300	\$ 262,895	\$ 145,699	\$ 111,960	\$ 2,367	\$ 260,026
Goodwill	\$ -	\$ 37,862	\$ -	\$ 37,862	\$ -	\$ 37,862	\$ -	\$ 37,862
Intangible assets	\$ 10,614	\$ 14,101	\$ -	\$ 24,715	\$ 12,225	\$ 15,838	\$ -	\$ 28,063

Segmented breakdown of EBITDA and EBITDAR

(thousands of dollars)	<i>for the three months ended October 31, 2009</i>				<i>for the three months ended October 31, 2008</i>			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	\$ 24,358	\$ 9,765	\$ 2	\$ 34,125	\$ 30,185	\$ 12,350	\$ 1	\$ 42,536
Operating expenses	15,962	6,714	1,396	24,072	23,832	6,993	1,217	32,042
Relocation of corporate office	-	-	120	120	-	-	-	-
EBITDA	\$ 8,396	\$ 3,051	\$ (1,514)	\$ 9,933	\$ 6,353	\$ 5,357	\$ (1,216)	\$ 10,494
Aircraft lease expenses	1,882	310	-	2,192	3,284	241	-	3,525
EBITDAR	\$ 10,278	\$ 3,361	\$ (1,514)	\$ 12,125	\$ 9,637	\$ 5,598	\$ (1,216)	\$ 14,019
Adjusted EBITDA	\$ 8,396	\$ 3,051	\$ (1,394)	\$ 10,053	\$ 6,353	\$ 5,357	\$ (1,216)	\$ 10,494
Adjusted EBITDAR	10,278	3,361	(1,394)	12,245	9,637	5,598	(1,216)	14,019

(thousands of dollars)	<i>for the nine months ended October 31, 2009</i>				<i>for the nine months ended October 31, 2008</i>			
	Northern Services	Government Services	Corporate Support	Total	Northern Services	Government Services	Corporate Support	Total
Revenue	\$ 62,400	\$ 42,992	\$ 32	\$ 105,424	\$ 95,298	\$ 37,034	\$ 8	\$ 132,340
Operating expenses	46,178	24,239	3,967	74,384	73,768	21,908	4,234	99,910
Relocation of corporate office	-	-	1,611	1,611	-	-	-	-
EBITDA	\$ 16,222	\$ 18,753	\$ (5,546)	\$ 29,429	\$ 21,530	\$ 15,126	\$ (4,226)	\$ 32,430
Aircraft lease expenses	5,026	917	-	5,943	9,851	817	-	10,668
EBITDAR	\$ 21,248	\$ 19,670	\$ (5,546)	\$ 35,372	\$ 31,381	\$ 15,943	\$ (4,226)	\$ 43,098
Adjusted EBITDA	\$ 16,222	\$ 18,753	\$ (3,935)	\$ 31,040	\$ 21,530	\$ 15,126	\$ (4,226)	\$ 32,430
Adjusted EBITDAR	\$ 21,248	\$ 19,670	\$ (3,935)	\$ 36,983	\$ 31,381	\$ 15,943	\$ (4,226)	\$ 43,098

SUMMARY OF QUARTERLY RESULTS

(thousands of dollars except per share amounts)	2010				2009			2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Results of operations:								
Total revenue	\$ 34,125	\$ 45,733	\$ 25,566	\$ 19,590	\$ 42,536	\$ 59,050	\$ 30,754	\$ 20,161
Operating expenses	24,072	26,584	23,728	23,578	32,042	39,429	28,439	24,345
Relocation of corporate office	120	318	1,173	-	-	-	-	-
EBITDA	9,933	18,831	665	(3,988)	10,494	19,621	2,315	(4,184)
Amortization	3,501	3,405	3,398	3,325	3,309	3,214	3,117	3,047
Non-amortized finance fees	125	-	830	-	-	-	-	-
Interest expense	3,460	3,824	3,499	2,944	3,151	3,186	3,025	3,473
Goodwill and intangible assets impairment charge	-	-	-	133,579	-	-	-	-
Earnings (loss) before income taxes and non-controlling interest	2,847	11,602	(7,062)	(143,836)	4,034	13,221	(3,827)	(10,704)
Income tax expense (recovery)	1,116	3,342	(1,838)	(4,714)	1,322	4,136	(1,164)	(5,849)
Non-controlling interest	63	256	(103)	17	67	216	37	24
Net earnings (loss)	\$ 1,668	\$ 8,004	\$ (5,121)	\$ (139,139)	\$ 2,645	\$ 8,869	\$ (2,700)	\$ (4,879)
Earnings (loss) per share								
-basic	0.01	\$ 0.06	\$ (0.04)	\$ (1.03)	\$ 0.02	\$ 0.07	\$ (0.02)	\$ (0.04)
-diluted	0.01	\$ 0.06	\$ (0.04)	\$ (1.03)	\$ 0.02	\$ 0.07	\$ (0.02)	\$ (0.04)

The business of the Corporation follows a seasonal pattern with the lowest revenues occurring from November to April. Therefore, the Corporation's results vary from quarter to quarter and results for an interim period are not necessarily indicative of the results that may be expected for a full year.

SUBSEQUENT EVENT

See financing activities, page 10.

RISK FACTORS

The Corporation is subject to a number of risks and uncertainties and is affected by a number of factors outside of the control of its management. As disclosed in the Corporation's January 31, 2009 Management's Discussion and Analysis Risk Factors section, Top Aces Standing Offer Agreements are scheduled to expire effectively in March 2010. To ensure continuation of airborne training services for the DND, Top Aces is in negotiation with the Crown for the extension of the existing Standing Offer Agreements beyond March 2010. In the unlikely event that the extension is not completed by March 2010 the Corporation recognizes that the airborne training services provided by Top Aces for DND could be temporarily disrupted.

Additional details of the Corporation's risks are provided in the Risk Factors section of the Corporation's Management's Discussion and Analysis for the year ended January 31, 2009, which can be found on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for designing disclosure controls and procedures which provide reasonable assurance that material information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management in order to allow timely decisions regarding required disclosure. The Corporation's management, including the CEO and CFO, have evaluated the effectiveness of the Corporation's disclosure controls and procedures as at October 31, 2009 and have concluded that those disclosure controls and procedures were effective.

There were no control deficiencies identified or changes made to the Corporation's internal controls over financial reporting (ICFR) during the current quarter that have materially affected, or are likely to materially affect, the Corporation's ICFR.

Because of their inherent limitations, disclosure controls and procedures and ICFR may not prevent or detect misstatements, errors or fraud. The inherent limitations include the realities that judgments in decision-making can be faulty, controls can be circumvented by individual acts of some persons or by collusion of two or more people or management can override the controls. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

FORWARD-LOOKING STATEMENTS

Forward-looking information and statements are included in this Management's Discussion and Analysis. Forward-looking information and statements include, but are not limited to, statements concerning possible or assumed future financial and operating results set out in this document, the Corporation's strengths, strategies and priorities, and the Corporation's assessment of the economic and business outlook for the Corporation and the Corporation's industry. Generally, but not always, forward-looking information can be identified by the use of forward-looking terminology such as may, could, should, would, expect, believe, plan, estimate, outlook, forecast, anticipate, foresee, continue or the negative of these terms or variations of them or similar terminology. More particularly, and without limitation, this Management's Discussion and Analysis contains forward-looking statements relating to: the seasonality of the Corporation's business; its strategy and strengths; the impact of the current economic downturn on the results of its operations and/or financial condition; management's ability to reduce costs and/or contain them at the existing levels; management's ability to continue to manage working capital effectively; the impact of weather conditions on the results of the Corporation's operations and/or financial condition; the cost of relocating its corporate office; its ability to utilize planned and/or existing fleet capacity; its ability to continue to meet lender covenants; and, plans and/or requirements to make new capital investments.

All forward-looking information and statements presented in this document are based on reasonable assumptions, estimates and analysis that take into account management's experience and perception of trends and interpretation of external factors, such as economic conditions, to the Corporation's future results. 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. Readers are cautioned not to place undue reliance on these forward-looking statements as 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 Corporation's ability to secure operating contracts; the strength of the Canadian

economy in general and the strength of the local economies within Canada in which the Corporation conducts operations; the effects of changes in interest rates; the effects of competition in the markets in which the Corporation operates; inflation; capital market fluctuations, including the availability of equity and/or debt capital to the Corporation; the impact of changes in the laws and regulations regulating aviation services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; weather conditions in the geographical regions in which the Corporation operates; and the Corporation's anticipation of and success in managing the risks implied by the foregoing.

The foregoing list of important factors is not exhaustive. When relying on forward-looking information and statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. There is no undertaking to update any forward-looking statement that is contained in this Management's Discussion and Analysis or made from time to time by the Corporation.

Additional information relating to the Corporation, including the Corporation's Annual Information Form can be found on SEDAR at www.sedar.com.

Dated: December 14, 2009