



Discovery Air announces early repayment of existing \$34 million NWTOF indebtedness, amendments to existing secured convertible debentures and provision of a short term bridge loan from a related party

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YELLOWKNIFE, NT, March 26, 2012 - Discovery Air Inc. ("Discovery Air" or the "Corporation") (www.discoveryair.com) announced today that it has completed a refinancing in which the Corporation's existing indebtedness of \$34 million owing to the Northwest Territories Opportunities Fund ("NWTOF") has been repaid in full, ten months earlier than its maturity of February 1, 2013. To facilitate such repayment, the Corporation entered into new credit facilities with Roynat Inc. and Element Financial Corporation (with a combined average interest rate of 5.2% at closing), and a short-term \$4.5 million bridge loan ("Bridge Loan") with 2141788 Ontario Corporation, a subsidiary of Clairvest Group Inc. ("Clairvest").

The NWTOF loan agreement was entered into in February 2009 at an interest rate of 10% per annum. Discovery Air's CEO, Dave Jennings said "The agreement with NWTOF allowed us to maintain and grow our Northern employee base significantly. In 2009, Discovery Air had fewer than 400 employees across Canada, and we now number over 850 at peak. We have introduced new expertise, new fleets and new joint venture partnerships throughout the Northwest Territories. The relationship with NWTOF allowed us to build our business, while contributing significantly to the Northwest Territories through the payment of interest on the loaned funds; it is an excellent example of the private sector and government working together."

The Corporation also announced that it has entered into certain amendments to its \$70 million principal amount of secured convertible debentures (the "Debentures") previously issued by the Corporation on September 23, 2011. The Debenture amendments include, but are not limited to, new language to facilitate the early repayment of the indebtedness to NWTOF; revised language as to when, and in what circumstances, the Debenture holders can adjust the existing maturity date (presently set at March 23, 2017) of the Debentures; revised language as to when, and in what circumstances, the Corporation (as borrower) can early redeem the Debentures; and new language requiring the consent of the Debenture holders in the event that the Corporation were to issue equity securities or securities convertible into equity securities at a price less than the current conversion price of the Debentures (presently set at \$7.50).

The Bridge Loan constitutes a "related party transaction" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (MI 61-101) as the funding party was an affiliate of Clairvest. Clairvest's affiliates hold approximately \$55 million principal amount of the Debentures. Clairvest's affiliates also have two representatives (Kenneth B. Rotman and G. John Krediet) on the Corporation's Board of Directors. The Corporation determined that exemptions from the formal valuation and minority approval requirements available under MI 61-101 apply to the Bridge Loan, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Bridge Loan exceeds 25 percent of the Corporation's market capitalization as of the date of the provision of the Bridge Loan.

The Bridge Loan is for a term of 90 days, bears interest at 9.5% per annum with interest payable monthly and is secured by way of certain guarantees and real estate security formerly held by NWTOF. No financing fees were payable in connection with the Bridge Loan, and the Bridge Loan is not convertible into securities of the Corporation. The Bridge Loan was structured when the Corporation determined that it required additional funds to pay the residual amount (\$4.5 million) owing to NWTOF. Accordingly, the Corporation was not able, pursuant to section 5.2(2) of MI 61-101, to provide at least 21 days advance notice of the provision of the Bridge Loan. The Directors of the Corporation voted unanimously (with interested directors abstaining from voting) in favour of the Bridge Loan at a Board of Directors meeting.

In addition, the Corporation has entered into a new inter-creditor agreement with Roynat Inc., Element Financial Corporation, Callidus Capital Corporation (the Corporation's operating lender) and Clairvest GP Manageco Inc. as security agent for the Debenture holders.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

Discovery Air is a Canadian specialty aviation company, operating over 150 aircraft with 850 team members. We deliver airborne training to the Canadian military; airborne fire services; helicopter operations; fixed-wing air charter services; expediting and logistics support; and a range of maintenance, repair, overhaul, modification, engineering and certification services.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Discovery Air's public communications may include written or oral forward-looking statements (as defined in applicable securities laws) regarding the future performance of the company and/or its subsidiaries. Forward-looking statements by definition are based on assumptions and are as a result subject to risks and uncertainties, including those identified in the *Management's Discussion and Analysis* section of Discovery Air's financial statements for the fiscal year ended January 31, 2011, available at www.sedar.com. As a result of such risks and uncertainties, actual results may differ materially from those discussed in forward-looking statements, and readers should not place undue reliance on such statements. Forward-looking statements represent expectations as of the date they are made, and Discovery Air disclaims any intention or obligation to update or revise any forward-looking statements it may make, whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

Discovery Air's Class A common voting shares and unsecured convertible debentures currently trade on the Toronto Stock Exchange (Symbols "DA.A" and "DA.DB.A" respectively).

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