Court File No.: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

APPLICANT

APPLICATION RECORD
(returnable March 21, 2018)

March 21, 2018

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TAB 1

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APPLICANT

NOTICE OF APPLICATION

TO THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on Wednesday, March 21, 2018, at 10:00 a.m. at 330 University Avenue, Toronto, Ontario M5G 1R7.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date March 21, 2018

Issued by _____
Local Registrar

Address of court office: Superior Court of Justice
330 University Avenue, 7th Floor
Toronto ON
M5G 1R7

TO: SERVICE LIST

APPLICATION

1. The Applicant, Discovery Air Inc. ("**Discovery**" or the "**Applicant**") makes this application for an initial order (the "**Initial Order**") substantially in the form included in the Application Record, *inter alia*:

   (a) Abridging the time for and validating the service of the Notice of Application and the Application Record;

   (b) Declaring that Discovery is a company to which the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") applies;

   (c) Appointing KSV Kofman Inc. ("**KSV**") as Monitor of the Applicant in these proceedings;

   (d) Granting a stay of proceedings taken or that might be taken in respect of the Applicant or any of its assets, property and undertakings (the "**Property**") or the directors and officers of the Applicant and further extending such stay of proceedings to certain Non-Applicant Subsidiaries (defined below) of Discovery and their respective Property and directors and officers;

   (e) Authorizing the Applicant to carry on business in a manner consistent with the preservation of its property and business and to make certain payments in connection with its business;

   (f) Directing the Applicant to indemnify its directors and officers for certain liabilities they may incur as directors or officers of the Applicant after the commencement of the within proceedings and granting a charge securing any liability for such indemnity to the maximum amount of $100,000 (the "**Directors' Charge**");

   (g) Granting an administration charge (the "**Administration Charge**") for the benefit of the Monitor, Monitor's counsel and counsel for the Applicant in the maximum amount of $750,000;

(h) Approving the Applicant to borrow interim financing under a DIP term sheet dated March 21, 2018 (the "**DIP Term Sheet**") from CEP IV Co-Investment Limited Partnership (the "**DIP Financing**") in order to finance the Applicant's and the Non-Applicant Subsidiaries' working capital requirements and other general corporate purposes and capital expenditures all in accordance with the terms of the DIP Term Sheet and granting a charge securing amounts owing thereunder (the "**DIP Lender's Charge**");

(i) Authorizing the Applicant to advance funds to the Non-Applicant Subsidiaries which such advances shall be secured by a charge over the Non-Applicant Subsidiaries' Property (the "**Intercompany Charge**") and assigning the Applicant's benefit under the Intercompany Charge to the DIP Lender as security for the DIP Financing;

(j) Approving a key employee retention plan (the "**KERP**") from the benefit of certain key executives and employees of the Applicant and granting a charge securing amounts owing thereunder (the "**KERP Charge**") up to a maximum of $1.65 million;

(k) Granting the following priority charges over the Property, such charges to rank in the priority set out in the Initial Order and described in the affidavit of Paul Bernards, dated March 21, 2018 (the "**Initial Affidavit**"):

(i) First – the Administration Charge in the aggregate amount of $750,000;

(ii) Second – the Directors' Charge in the aggregate amount of $100,000;

(iii) Third – KERP Charge in the aggregate amount of $1.65 million;

(l) Declaring that the DIP Lender's Charge shall rank: (i) in priority to the security held by Clairvest which ranks in priority to other creditors, pursuant to the Intercreditor Agreement (as defined below); and (ii) behind any such priority ranking security, but immediately prior to the security that Clairvest holds which

are not first ranking in priority over other creditors, pursuant to the Intercompany Agreement;

(m) Declaring that the Intercompany Charge shall rank: (i) in priority to the security held by Clairvest which ranks in priority to other creditors, pursuant to the Intercreditor Agreement; and (ii) behind any such priority ranking security that Clairvest holds which are not first ranking in priority over other creditors, pursuant to the Intercreditor Agreement;

(n) Such further and other relief as this Honourable Court may deem just.

2. The grounds for the application are:

BACKGROUND

(a) Discovery was incorporated under the laws of the province of Ontario (the *Ontario Business Corporations Act*, R.S.O. 1990, c. B.16 as amended) on November 12, 2004, and was continued under the *Canada Business Corporations Act* R.S.C. 1985, c. C-44, as amended;

(b) Discovery was initially a publically traded company and became a privately held company through various share acquisitions, however, it still remains a reporting issuer as a result of its publicly traded bond debt;

(c) Discovery, through its four wholly-owned subsidiaries (the "**Non-Applicant Subsidiaries**"), Great Slave Helicopters Ltd. ("**GSH**"), Air Tindi Ltd. ("**ATL**"), Discovery Mining Services Ltd. ("**DMS**") and Discovery Air Technical Services Inc. ("**DATS**") (Discovery and the Non-Applicant Subsidiaries are collectively referred to herein as the "**Discovery Air Group**"), provides specialty aviation services and logistics support to governments, and natural resource and other business customers, operating across Canada and in select locations internationally;

(d) Until December 2017, Discovery Air Defence Services Inc. ("**DADS**") and its subsidiaries were also subsidiaries of Discovery;

(e) As of December 2017, DADS is no longer owned by Discovery, other than a small minority interest;

(f) On February 1, 2018, DADS rebranded by changing the name of the company back to the original corporation name, "Top Aces Inc." ("**Top Aces**");

(g) Since 2014, the Discovery Air Group and Top Aces and its subsidiaries have experienced significant losses, ranging between $16 million and $29 million annually on a consolidated basis;

(h) The stresses affecting the Discovery Air Group and Top Aces have resulted from a number of factors, including a slowdown of the oil and gas sector and mining sectors, unexpected extreme seasonal impacts on the business, capital expenditures required for ongoing maintenance, depression in the helicopter markets , the application of aircraft import controls and regulatory policy changes;

(i) As a result, the businesses have required persistent infusions of capital and significant funding to continue operating and especially given the seasonal nature of the businesses, Discovery has consistently needed funding every year to sustain itself through the winter months;

(j) The Initial Affidavit outlines the complex history of the Discovery Air Group and Top Aces including:

(i) Numerous and significant injections of equity and debt by Clairvest into the Discovery Air Group at times when it otherwise would not have been able to meet its obligations when they came due and in circumstances where no other viable sources of financing were available;

(ii) The privatization of Discovery in May 2017;

(iii) The prolonged periods of consistent and significant financial losses experienced by the Discovery Air Group for several years;

(iv) Significant and longer than expected market, seasonal and other setbacks as well as changes in regulatory policies leading to a temporary grounding of aircraft;

(v) The uncertain future faced by Top Aces until October 2017 when it was granted a new long term contract with the federal government;

(vi) Clairvest's conversion of debt it held in Discovery to equity of Top Aces ("**Conversion Transactions**") pursuant to certain rights it held under various credit agreements and a swap letter and other transactions taking place in November and December of 2017 to separate the Top Aces business from the Discovery Air Group; and

(vii) Recent objections and concerns raised by holders of the unsecured bonds to the conversion transactions;

OUTSTANDING DEBT

(k) From 2011 to 2017, the Discovery Air Group and Top Aces businesses have been supported and financially sustained by Clairvest Group Inc. and its affiliates, including certain funds managed by Clairvest Group Inc. (collectively, "**Clairvest**") through numerous and repeated debt and equity funding;

(l) As a result, Clairvest has become the principal owner of and the largest secured lender to the Discovery Air Group;

(m) As of January 31, 2018 Clairvest is owed, on a secured basis, the aggregate principal amount of approximately $72.7 million by the Discovery Air Group, plus interest, costs and other amounts payable in addition to this amount;

(n) This amount remains outstanding and matures on May 5, 2018 and Clairvest has informed Discovery that it is not prepared to permit further borrowings or to extend repayment terms or grant further waivers or other relief in the absence of a comprehensive restructuring;

(o) The Discovery Air Group also has significant secured obligations outstanding under other secured facilities as follows:

(i) $12.2 million owing to Canadian Imperial Bank of Commerce ("**CIBC**") with respect to traditional revolving bank facility;

(ii) $5.1 million owing to Roynat Inc. ("**Roynat**") with respect to aircraft-specific financing;

(iii) $700,000 and $7.9 million owing to ECN Aviation Inc., formerly Element Financial Corporation ("**ECN**") with respect to aircraft specific financing; and

(iv) $13.1 million owing to Textron Financial Corporation ("**Textron**") with respect to aircraft specific financing;

(p) Discovery is now facing the impending maturity of its facilities with CIBC and Roynat, which both mature prior to the end of April 2018;

(q) CIBC, Roynat, ENC, Textron, Clairvest and Discovery are also all parties to a detailed and complex Intercreditor Agreement dated March 26, 2012 with multiple amendments;

(r) In addition to the above, Discovery also issued unsecured debentures in May 2011 in the principal amount of $34.5 million which accrues interest at a rate of 8.375% per annum and payable on a semi-annual basis ("**Unsecured Listed Debentures**");

(s) The Unsecured Listed Debentures are the principal outstanding unsecured obligation of Discovery and mature on June 30, 2018;

(t) Discovery does not have the funds to make these payments and Clairvest has advised they will not fund them;

NON-APPLICANT SUBSIDIARIES

(u) Discovery Air, through the Non-Applicant Subsidiaries, is a leader in specialty aviation services, operating across Canada and in select locations internationally;

(v) Although Discovery is the only Applicant in this proceeding, the business and operations of Discovery are heavily intertwined with the Non-Applicant Subsidiaries, including:

(i) Many common creditors and financing arrangements containing cross-guarantees, cross-defaults and other linkages throughout the Discovery Air Group;

(ii) Financial support provided by Discovery resulting in significant inter-company obligations owing;

(iii) Certain obligations of Discovery were guaranteed by the other members of the Discovery Air Group;

(iv) Common senior management and reporting structures;

(v) Centralized decision-making by management of Discovery;

(vi) Common administrative support, including accounting, IT, administration, employee benefit programs, cash management, treasury and revolving lending facilities;

(w) It is essential that the businesses of the Non-Applicant Subsidiaries be protected while that sale process is being conducted because, among other things, certain of the contracts at the subsidiary level may have cross defaults which could be triggered as a result of a filing by Discovery;

(x) However, the businesses carried on through GSH, ATL and DMS are also highly regulated and a full filing by such entities could have unknown consequences on various permits, licenses or other arrangements that they have;

ANTICIPATED SALES PROCESS

(y) The Applicant has been negotiating the terms of certain stalking horse agreements with Clairvest for the sale of its remaining indirect interest in Top Aces as well as its shares in GSH, ATL and DMS;

(z) The sale of the shares of each of GSH, ATL and DMS will ensure that such businesses remain intact and benefit all of each of their employees and creditors;

(aa) Should the Initial CCAA Order be granted, it is the Applicant's intention to shortly thereafter file a motion ("**SSP Motion**") seeking approval of, among other things:

(i) Authorization to enter into four stalking horse agreements for the sale of (i) Discovery's remaining minority interest in Top Aces and (ii) Discovery's shares in GSH, ATL and DMS; and

(ii) A Sale Solicitation Process ("**SSP**") setting out the process for solicitation of bids on any or all of the Transactions and the auction procedures in the event that additional "qualified bids" are received in respect of one or more the proposed transaction;

(bb) If the SSP Motion is approved, it is contemplated that the proposed Monitor (once appointed) will conduct, supervise and run the SSP to ensure a fair and impartial sale process and to avoid any conflicts of interest;

REQUESTED RELIEF

(cc) Discovery continues to face significant challenges as it does not have sufficient cash and projected cash going forward to continue the restructuring initiatives of the Discovery Air Group, nor does it have sufficient liquidity to service the interest payments on its existing debt;

(dd) The Applicant is seeking the CCAA Initial Order substantially in the form of the model order adopted for the CCAA proceedings commenced in Toronto, Ontario with the changes thereto as set out in the blackline included in this Application Record;

Stay of Proceedings

(ee) Given the complexities and connectivity between the Applicant and the Non-Applicant Subsidiaries, the Applicant is seeking to extend the benefit of a limited stay of proceedings to the Non-Applicant Subsidiaries and avoid a situation in which the insolvency of Discovery and these proceedings are relied on to commence proceedings or steps against the Non-Applicant Subsidiary and their businesses;

(ff) The extension of the stay is intended solely to preserve the status quo for the operations of the Discovery Air Group;

Interim Financing

(gg) In order to continue operations during these proceedings the Applicant requires interim financing;

(hh) Clairvest (the "**DIP Lender**") is prepared to advance interim financing ("**DIP Facility**") to the Applicants in the amount of up to $12.6 million;

(ii) The Applicant is seeking a charge on its assets, property, undertaking and business to secure the DIP Facility (the "**DIP Charge**");

(jj) Given the complex priority scheme as among the various secured lenders, the DIP Lender has agreed that the DIP Charge shall rank in priority only over the Clairvest security – in other words, if other secured creditors have first ranking priority over specific assets, those priorities will be maintained;

(kk) As set out in the Initial Affidavit, the Non-Applicant Subsidiaries are highly dependent on the Applicant for funding – as such, the Applicant is requesting authorization to advance funds to the Non-Applicant Subsidiaries post-filing which advances are to be secured by an intercompany charge in favour of the Applicant (the "**Intercompany Charge**");

(ll) As with the DIP Lender's Charge, the proposed priority of the Intercompany Charge does not purport to prime any secured creditor with priority other than Clairvest;

(mm) It is contemplated that the Applicant's benefit from the Intercompany Charge will be assigned to the DIP Lender as part of the security under the DIP Facility;

KERP

(nn) The Applicant has developed a KERP to encourage certain key employees of the Company to continue with the Applicant during the course of the restructuring;

(oo) The services provided by the employees subject to the KERP include key financial and legal support required by the Applicant during the course of this CCAA Proceeding and, in particular, to support the Monitor during the sale process;

(pp) The KERP provides reasonable incentives for these individuals to remain with the Applicant during the sale period;

(qq) To secure amounts owing to the employees, the Applicant is seeking a KERP Charge to the maximum amount of $1.65 million;

(rr) Top Aces has agreed to be responsible for approximately 40% of the KERP awards payable;

(ss) Confidential Exhibit K to the Initial Affidavit contains sensitive personal and salary information with respect to these employees;

(tt) To protect this information the Applicant is requesting an order sealing Confidential Exhibit K pending further order of this Court;

Monitor

(uu) KSV has consented to act as Monitor of the Applicant, subject to Court approval;

General

(vv) Those further grounds set out in the Initial Affidavit;

(ww) The provisions of the CCAA and the inherent and equitable jurisdiction of this Court;

(xx) Rules 1.04, 1.05, 2.01, 2.03, 3.02, 14.05(2), 16, 38 and 39 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

(yy) Such further and other grounds as the lawyers may advise.

3. The following documentary evidence will be used at the hearing of the application:

(a) The Initial Affidavit;

(b) The pre-filing report of the proposed Monitor, including its consent to act in these proceedings; and

(c) Such further and other evidence as counsel may advise and this Honourable Court may permit.

March 21, 2018

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TO: The Attached Service List

Court File No.: _____

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Proceeding commenced TORONTO

NOTICE OF APPLICATION

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Lawyers for the Applicant

TAB 2

Court File No.: _____

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APPLICANT

AFFIDAVIT OF PAUL BERNARDS
(Sworn March 21, 2018)

I, Paul Bernards, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. This Affidavit is made in support of an Application by Discovery Air Inc. ("**Discovery**", or the "**Applicant**") for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The Applicant has four (4) wholly owned Non-Applicant Subsidiaries (defined and discussed below), as well as a minority interest in a holding company of the Top Aces business, all of which are discussed in further detail below. Although the Non-Applicant Subsidiaries are not part of the filing, they are the operational subsidiaries of the Applicant and have joint and/or several obligations, including, without limitation, in respect of maturing principal debt and other principal debt amounts and guaranteed debt amounts, with the Applicant. As such, the Applicant is seeking to have a limited stay granted in favour of these Non-Applicant Subsidiaries pursuant to this Application to primarily address cross-defaults related to such joint and/or several obligations.

2. I am the Chief Financial Officer of the Applicant, a position that I have held since April 1, 2014. Prior to that time, I was a consultant to Discovery from March 17 to April 1, 2014. I have also held positions as the Senior Vice President of Finance and Chief Financial Officer at Premier Salons Ltd, Shepell FGI LP and Masonite International Corporation. I have over 30

years of experience in corporate finance and public accounting, am a certified public accountant in both the United States and Canada, and have obtained a B.A. in Finance from the University of Toronto and a M.B.A. from York University (now the Schulich School of Business). I also hold the ICD.D designation from the Institute of Corporate Directors of Canada.

3. As such, I have personal knowledge of the matters deposed to in this Affidavit. Where I have relied on other sources of information, I have specifically referred to such sources and verily believe them to be true. In preparing this Affidavit, I have consulted with legal, financial and other advisers of the Applicant and other members of the senior management team of the Applicant.

4. This affidavit is organized as follows:

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5. The exhibits to this affidavit are as follows:

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I. OVERVIEW

(a) Background and Introduction

6. Discovery, through its four wholly-owned subsidiaries (the "**Non-Applicant Subsidiaries**"), Great Slave Helicopters Ltd. ("**GSH**"), Air Tindi Ltd. ("**ATL**"), Discovery Mining Services Ltd. ("**DMS**") and Discovery Air Technical Services Inc. ("**DATS**") (Discovery and the Non-Applicant Subsidiaries are collectively referred to herein as the "**Discovery Air Group**"), provides specialty aviation services and logistics support to governments and natural resource and other business customers, operating across Canada and in select locations internationally, including the United States, Bolivia, Australia, and Chile. GSH, ATL and DMS are active subsidiaries, while DATS is presently inactive.

7. Until December 2017, Discovery Air Defence Services Inc. ("**DADS**") and its subsidiaries were also subsidiaries of Discovery. As discussed below, as of December 2017, DADS is no longer owned by Discovery (other than a remaining small minority interest). On February 1, 2018, DADS rebranded by changing the name of the company back to its original corporate name, "Top Aces Inc." (together with its subsidiaries, "**Top Aces**") and the former DADS business now carries on business globally under the Top Aces brand.

8. Since 2014, Discovery has consistently experienced losses ranging between $16 million and $29 million annually on a consolidated basis and has not reported a profit. These stresses affecting the Discovery Air Group and Top Aces have resulted from a number of external and internal factors, including a slowdown of the oil and gas and mining sectors, unexpectedly extreme seasonal impacts on the business (particularly those that operate in remote areas of Canada or are dependent on unpredictable fire suppression activities), significant capital expenditures required for ongoing maintenance, depression in the helicopter charter services markets globally, the application of aircraft import controls, and regulatory policy changes (which, in some cases, led to the temporary grounding of aircraft by applicable regulatory authorities and increased expenditures to bring aircraft in compliance with the new policies).

9. Throughout this time, the businesses have required persistent infusions of capital and significant funding to continue operating. Further, the seasonal nature of Discovery's business has contributed to the need for further capital in the slower winter months. The Northern business (carried out through GSH, ATL and DMS) is highly seasonal with approximately 50% of its gross revenue earned in June to September of each year. While the Top Aces business is slightly less seasonal, it required constant funding for capital expenditures and maintenance costs, the financial effects of which were worsened by the temporary groundings of certain of its aircraft in 2017 and its inability to produce revenue while it became compliant with new policies.

10. Since 2014, the Discovery Air Group and Top Aces businesses have been supported and financially sustained directly and indirectly by Clairvest Group Inc. and its affiliates, including certain funds managed by Clairvest Group Inc. (collectively, "**Clairvest**"[1] and references to "**Clairvest**" herein may refer to any or all such affiliates and/or funds, as applicable). Clairvest is a publicly traded private equity investor. In order to maintain the viability of Discovery, Clairvest has provided debt and equity fundings on numerous instances when there were no other viable options in the debt or capital markets. As a result, Clairvest has become the principal owner of, and by far the largest secured lender of, the Discovery Air Group.

[1] As applicable, the term "Clairvest" may also include Mr. G. John Krediet, an individual investor within the Clairvest group.

11. The Discovery Air Group has taken steps to cut costs, improve efficiency and profitability, divest non-essential assets and businesses, raise capital, and hire new executive officers including replacing its CFO twice and its CEO. These initiatives have not been sufficient to address ongoing liquidity and other financial challenges.

12. As set out in further detail below Discovery is presently facing the imminent or near term maturities of the following significant obligations that total more than $127 million in the aggregate:

(a) Unsecured Listed Debentures maturing on June 30, 2018: $34.5 million (plus over $1.4 million in interest) in unsecured bond debt principal due to public bondholders under the Unsecured Listed Debentures (defined below);

(b) Roynat Secured Debt maturing on April 15, 2018: $5.1 million of secured principal indebtedness owing to Roynat Inc.;

(c) CIBC Secured Debt effectively maturing April 30, 2018:[2] secured principal indebtedness owing to Canadian Imperial Bank of Commerce (including amounts owing under outstanding letters of credit) which, as of March 16, 2018 was approximately $10.6 million (plus $4.2 million in outstanding letters of credit); and

(d) CV Secured Debentures maturing on May 5, 2018: $72.7 million of secured principal indebtedness owing to Clairvest (the details of which are set out below).

13. Discovery has no ability to repay these obligations and is unable to refinance this debt given its current circumstances. Among other things, Clairvest has informed Discovery that it will not extend the maturity of its debt or provide additional financing to pay the other maturity obligations, which may result in cross-defaults and debt acceleration.

[2] See discussion of CIBC maturity date below in paragraph 37.

(b) Purpose of this CCAA Proceeding

14. In light of Discovery's financial distress and inability to continue to service or repay its debt when due, Discovery is seeking protection pursuant to the CCAA in order to pursue sale transactions for the businesses held in GSH, ATL and DMS and its remaining indirect minority interest in Top Aces, following which Discovery itself expects that it – together with certain other inactive wholly-owned subsidiaries – will cease to operate.

15. Discovery intends to effect a series of restructuring transactions principally through a sale solicitation process ("**SSP**"), which will include four stalking horse bids: one for the indirect minority interest in Top Aces, and separate bids for the shares of each of GSH, ATL, and DMS, respectively, and in each case together with various ancillary assets and contracts that are used and required for the ongoing operation of each business. In order to provide stability and certainty to stakeholders, Discovery has negotiated the terms of proposed stalking horse agreements with Clairvest who, through designated purchasers, will act as stalking horse bidders for each of the transactions. If the Initial CCAA Order is granted, I anticipate that the Applicant will be seeking approval of the SSP on a subsequent motion brought on notice to the service list within one to two weeks after the granting of the Initial CCAA Order.

16. Successful sale transactions for these businesses will benefit employees, customers, suppliers and other business partners, and will avoid the social and economic costs of a liquidation of the businesses and assets of the Non-Applicant Subsidiaries (including as a result of piecemeal lender enforcement processes that might otherwise be taken by lenders having secured claims against the Non-Applicant Subsidiaries). This will be facilitated by the stabilization of the business of the Discovery Air Group for the duration of the CCAA proceeding.

17. Discovery also requires access to interim financing to, among other things, continue to provide needed funding to the Non-Applicant Subsidiaries. Discovery is seeking to authorize interim financing to be provided by Clairvest as part of the Initial CCAA Order which is required immediately. It is intended that the priority of the interim financing will take priority only over the existing secured debt held by Clairvest and obligations to other creditors that are subordinate

to the existing Clairvest debt and security. For greater certainty, the interim financing will not prime any debt or security ranking in priority to Clairvest's existing secured debt.

18. Discovery is also seeking approval of arrangements to ensure the participation of the key management personnel who provide corporate support, managerial and other services throughout the Discovery Air Group and who have background and familiarity with the operations of the Discovery Air Group, such that the input of such personnel will improve the prospects that these proceedings have a successful outcome. To that end, Discovery intends to seek approval of a key employee retention plan ("**KERP**") as part of this Application.

19. It is intended that the key business operations conducted through the Non-Applicant Subsidiaries, will continue to operate in the ordinary course throughout this CCAA proceeding and that creditors of the Non-Applicant Subsidiaries will continue to be paid in the ordinary course during this time, save and except for payments in respect of maturing debt obligations and guarantees that will be stayed.

II. CORPORATE DETAILS OF DISCOVERY AND FINANCIAL STATEMENTS

(a) Corporate Information and Ownership

20. Discovery was incorporated under the laws of the Province of Ontario (the Ontario *Business Corporations Act,* R.S.O. 1990, c. B.16 as amended) on November 12, 2004, and was continued under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**") on March 27, 2006. Attached as **Exhibit "A"** is a copy of the organization chart for the Discovery Air Group.

21. Discovery's head office is a leased location in Toronto, near Pearson International Airport.

22. The current directors of Discovery are Kenneth Rotman, Adrian Pasricha, G. John Krediet, Thomas Andrew (Drew) Hickey and Michael Grasty. Messrs. Hickey and Grasty are the independent directors of Discovery. On August 30, 2017, Discovery announced the appointment of Alan D. Torrie as Chief Executive Officer, effective as of August 29, 2017.

23. Discovery has seven employees, three of whom are officers of Discovery.

24. Discovery was initially a public company, but it has been a privately held company since May 2017, although it remains a reporting issuer as a result of its publicly traded bond debt. Through various share acquisitions culminating in the Going Private Transaction (defined below) in May 2017, Clairvest owns approximately 95.5% of the common shares, and certain current and former management of Discovery own the remainder. Further details regarding the Going Private Transaction are discussed below in paragraph 31.

(b) Discovery's Business

25. Discovery is primarily a holding company for the shares of its operating subsidiaries, and for its indirect minority interest in Top Aces, and has historically been the vehicle through which funding has been provided for the businesses of the operating subsidiaries. Discovery provides corporate support functions to the Discovery Air Group and Top Aces, including shared services such as central management, finance, treasury, information technology, legal, human resources and other administrative functions, but does not have an independent business of its own.

(c) Discovery's Financial Position

26. The most recent audited annual consolidated financial statements for Discovery for the fiscal year ending January 31, 2017 are attached at **Exhibit "B"**. Discovery's unaudited consolidated financial statements for its financial year ended January 31, 2018 are attached at **Exhibit "C"** which have been prepared on a preliminary basis and are subject to year end adjustments. Any reference in this affidavit to financial information as of January 31, 2018 is being provided on such a basis and may be subject to further adjustment.

27. On a preliminary basis, as of January 31, 2018, the book value of Discovery's assets, liabilities and accumulated deficit were as follows:

(a) Working capital deficit: Working Capital deficit of $102.1 million made up of $39.0 million in current assets (including $13.8 million of illiquid aircraft parts inventory) offset by current monetary liabilities of $141.1 million;

(b) Net Long-Lived Assets: Net long-lived assets of $121.5 million made up of illiquid long-lived capital assets of $155.3 million less non-current liabilities of 33.8 million; and

(c) Deficit in Retained Earnings: Accumulated deficit in retained earnings of approximately $80.2 million, including net losses in the prior three fiscal years totalling approximately $63 million.

28. As set out above, Discovery has been experiencing significant losses for several years. A brief summary of Discovery's financial results (shown in millions of Canadian dollars) since 2014 is as follows:

	Fiscal year ended January 31, 2014 (audited)	**Fiscal year ended January 31, 2015 (audited)**	**Fiscal year ended January 31, 2016 (audited)**	**Fiscal year ended January 31, 2017 (audited)**	**Fiscal year ended January 31, 2018 (unaudited)[3]**
Discovery (consolidated)	Revenue: 213.5 Net Income/ (loss): (18)	Revenue: 190.8 Net Income/ (loss): (18.9)	Revenue: 182.2 Net Income/ (loss): (16)	Revenue: 171.1 Net Income/ (loss): (18)	Revenue: 143.1 Net Income/ (loss): (29)

III. DISCOVERY'S OUTSTANDING DEBT

(a) Overview of Discovery's and the Non-Applicant Subsidiaries' Secured Debt

29. A summary of the current secured debt structure of the Discovery Air Group as of January 31, 2018 is set out below:

Lender	**Principal amount Owing as of January 31, 2018 (unless otherwise indicated below)**	**Maturity**	**Borrower(s)**	**Guarantor(s) (within the Discovery Air Group)**	**Security & Priority (pursuant to Inter-Creditor Agreement)**
Clairvest	$72.7 million	May 5, 2018	Discovery	GSH ATL DMS DATS	Security: General security on all property, assets and undertakings of all obligors. Priority: (i) first charge on specific aircraft, real estate, certain capitalized parts and proceeds of foregoing; (ii) first charge via share

[3] Information provided pursuant to preliminary unaudited financial statements for January 31, 2018 which are subject to adjustment.

Lender	Principal amount Owing as of January 31, 2018 (unless otherwise indicated below)	Maturity	Borrower(s)	Guarantor(s) (within the Discovery Air Group)	Security & Priority (pursuant to Inter-Creditor Agreement)
					pledge of the shares of all of the Non-Applicant Subsidiaries and Top Aces Holdco owned by Discovery; (iii) second charge on accounts receivable, all inventory, enumerated capitalized parts (behind CIBC) and proceeds; and (iv) second charge on certain fixed assets and proceeds (behind Roynat, ECN and Textron, as applicable, with respect to their respective priority collateral, but prior to such parties with respect to all other collateral).
CIBC	$10.6 million on operating line as of March 16, 2018 plus $4.2 million outstanding in letters of credit	April 30, 2018[4]	Discovery	GSH ATL DMS DATS	Security: General security on all personal property and undertaking of all obligors other than the shares of Top Aces Holdco owned by Discovery. Priority: (i) first charge on accounts receivable, inventory, and GSH / ATL capitalized parts and proceeds; and (ii) a blanket *pari passu* second charge on the Clairvest priority collateral and a blanket *pari passu* third charge on other personal property (behind Clairvest and behind the other lenders with respect to their respective priority collateral only).
Roynat	$5.1 million	April 15, 2018	Discovery GSH ATL DMS	Nil	Security: General security on all personal property and undertaking of all obligors other than the shares of Top Aces Holdco owned by Discovery Priority: (i) first charge on specific aircraft financed by Roynat,

[4] See discussion of CIBC maturity date below in paragraph 37.

Lender	Principal amount Owing as of January 31, 2018 (unless otherwise indicated below)	Maturity	Borrower(s)	Guarantor(s) (within the Discovery Air Group)	Security & Priority (pursuant to Inter-Creditor Agreement)
					including engines and related property and proceeds; and (ii) a blanket *pari passu* second charge on the Clairvest priority collateral and a blanket *pari passu* third charge on other personal property (behind Clairvest and behind the other lenders in respect of their respective priority collateral only).
ECN	$0.7 million and $7.9 million	April 1, 2020	Discovery	GSH ATL DMS DATS	Security: General security on all personal property and undertaking of all obligors other than the shares of Top Aces Holdco owned by Discovery Priority: (i) first charge on specific aircraft financed by ECN, including engines and related property; and (ii) a blanket *pari passu* second charge on the Clairvest priority collateral and a blanket *pari passu* third charge on other personal priority (behind Clairvest and behind the other lenders in respect of their respective priority collateral only).
Textron	$13.1 million	April 1, 2023	ATL	Discovery	Security: General security on specific personal property and undertaking of ATL Unsecured guarantee by Discovery Priority: (i) first charge on specific aircraft of ATL financed by Textron, including engines and related property and the reserve account; and (ii) an unsecured corporate guarantee from Discovery

(b) Clairvest

30. As noted above, Clairvest is presently the majority shareholder of Discovery and Top Aces (indirectly through Top Aces Holdco, defined below), and is the largest secured creditor of the Discovery Air Group. Discovery is the borrower of the debt owing to Clairvest.

31. A summary of the principal transactions involving Clairvest and the Discovery Air Group and applicable timeline is set out in the table below (with each capitalized term defined and described below). Discovery has issued numerous press releases disclosing these transactions, collectively attached as **Exhibit "D"**.

Date	**Transaction Description**
September 2011	$70 million private placement of secured convertible debentures (the "**CV Secured Debentures**") • Guaranteed by all of the Non-Applicant Subsidiaries • Fully secured by all assets of Discovery (including the shares it holds of Top Aces Holdco, defined below and the Non-Applicant Subsidiaries) and the assets of Non-Applicant Subsidiaries • Balance remaining as of January 31, 2018: $72.7 million • Maturity Date: May 5, 2018
April-May 2014	1st rights offering and equity acquisition by Clairvest of $13.3 million • $15 million rights offering by Discovery back stopped by Clairvest • Very little take up in market resulting in backstop being called on • Upon exercise of the rights, Clairvest owned 48.8% of common shares of Discovery
March 2015	2nd rights offering and further equity acquisition by Clairvest of $10.2 million • $11 million rights offering by Discovery • Very little take up in market other than Clairvest • Upon exercise of the rights, Clairvest owned 75.5% of common shares of Discovery

Date	Transaction Description
May 2015	Clairvest guarantee of temporary CIBC facility increase of up to $10 million
March - June 2015	Clairvest promissory notes to Discovery of $8.1 million • Various promissory notes to assist in aircraft financing and working capital needs • All amounts have been repaid
March 2016	Revolving credit facility ("**CV 2016 Credit Facility**") between Discovery and Clairvest: • Revolving credit facility of up to $12 million for working capital, capital expenditures, maintenance and other costs. • Guaranteed by Top Aces and several subsidiaries of Top Aces and security granted on certain aircraft owned by Top Aces subsidiaries. • Refinanced in December 2016 through Top Aces Credit Agreement (defined below).
December 2016	Secured revolving loan agreement ("**Top Aces Credit Agreement**") between Clairvest and Top Aces: • Revolving credit facility of up to $25 million provided to Top Aces. • Guaranteed by certain other subsidiaries of Top Aces and secured by various assets owned by Top Aces and the guarantors. • Proceeds used to refinance the CV 2016 Credit Facility and provide additional funding for working capital and operating expenses. • Included conversion feature allowing debt under the Top Aces Credit Agreement to be converted to equity of Top Aces. • Repaid as part of Top Aces Transactions (defined and discussed below).
March 2017	Going Private Transaction • By December 2016 - Clairvest owned 87.5% of the listed outstanding common shares of Discovery. • March 24, 2017 - Discovery announces that it has entered into a definitive agreement with Clairvest to effect a plan of arrangement under the CBCA pursuant to which these entities and certain management shareholders would hold all of the issued and outstanding

Date	Transaction Description
	shares in the capital of Discovery (the "**Going Private Transaction**"). • In connection with the Going Private Transaction, Discovery retained Capital Canada Limited as its valuator to provide a formal valuation and fairness opinion (the "**Valuation**") of the fair market value of the Discovery shares. • The Going Private Transaction was approved by shareholders of Discovery at a special meeting of shareholders held on May 23, 2017 by 99.84% of the votes cast by shareholders, with only one shareholder dissenting. • The Ontario Superior Court of Justice approved the Going Private Transaction on May 24, 2017, and it was implemented and closed on May 26, 2017. The shares of Discovery were de-listed from the TSX on that date.
June 2017	Subordinated secured revolving credit agreement (the "**Top Aces Subordinated Credit Agreement**") between Clairvest and Top Aces: • Subordinated secured revolving credit facility of up to $13 million. • Guaranteed by certain other subsidiaries of Top Aces and secured by various assets owned by Top Aces and the guarantors. • Proceeds used to fund working capital and operating expenses. • Included conversion feature allowing debt under the Top Aces Credit Agreement to be converted to equity of Top Aces. • Discovery entered into a letter agreement dated as of June 5, 2017 with Clairvest (the "**Swap Letter**") providing for the ability of Clairvest convert up to $18.4 million of CV Secured Debentures into common shares of Top Aces with an aggregate value of $14.7 million. • Repaid as part of Top Aces Transactions (defined and discussed below).
November 2017	$8 million subordinated secured revolving credit agreement (the "**ATL Subordinated Loan Agreement**") between Clairvest and ATL • subordinated secured revolving credit agreement. • Guaranteed by Discovery and GSH and secured by all assets of obligors. • $5 million drawn to repay a portion of the debt owing to ECN (defined

Date	Transaction Description
	and discussed below). • Repaid as part of Top Aces Transactions (defined and discussed below).
November 2017	$8 million subordinated secured revolving credit agreement (the "**Top Aces Bridge Agreement**") between Clairvest and Top Aces • Bridge funding agreement of up to $8 million. • $5 million drawn by Top Aces to pay Discovery as return of capital. • Secured by property of Top Aces. • Repaid as part of Top Aces Transactions (defined and discussed below).

32. This list of transactions does not include the extensive additional ongoing support provided by Clairvest (i.e. repeated waivers of covenants, extensions of debt maturity and other amendments and relief relating to these financing transactions). The net effect of all of these transactions on the obligations owing to Clairvest is that presently only the CV Secured Debentures (defined above) remain outstanding, all such other financing previously provided by Clairvest having been repaid or converted into equity of Top Aces and/or Top Aces Holdco.

33. As of January 31, 2018, the Discovery Air Group owed approximately $72.7 million of secured debt to Clairvest under the CV Secured Debentures (the "**Clairvest Secured Indebtedness**"). All other obligations that had been owing to Clairvest have been repaid.

(c) Other Secured Indebtedness

34. In addition to Clairvest, the Discovery Air Group has a number of other significant secured creditors; namely (each capitalized term defined below): (a) CIBC – traditional revolving bank facility; (b) Roynat – aircraft-specific financing; (c) ECN – aircraft-specific financing; and (d) Textron – aircraft-specific financing.

35. As with Clairvest, Discovery has been forced to seek the agreement of most of its other secured lenders on an almost quarterly basis to extend and/or modify the terms of their loans (including seeking covenant relief due to a persistent inability to meet covenants set out in the

relevant loan documentation, as well as the granting by several of its lenders of extension of the terms of their loans). Discovery is now facing the impending maturity of its facilities with CIBC and Roynat, both of which mature prior to the end of April 2018.

(i) Canadian Imperial Bank of Commerce

36. Canadian Imperial Bank of Commerce ("**CIBC**") is the secured operating lender to the Discovery Air Group pursuant to an amended and restated credit agreement dated May 26, 2015, as amended (as amended and/or restated from time to time, the "**CIBC Credit Agreement**") between Discovery, as borrower and CIBC as lender. Pursuant to the CIBC Credit Agreement, each of Discovery, the other members of the Discovery Air Group and Top Aces[5] (among others) granted general security over all of their personal property.

37. CIBC provides Discovery with a revolving credit facility of at up to $20 million (the "**CIBC Credit Facility**") subject to availability calculated using a borrowing base formula based on the assets of Discovery (and its subsidiaries). The revolver is used by Discovery and its subsidiaries for working capital purposes, capital expenditures and other costs on an ongoing basis. The maturity date and other terms under the CIBC Credit Agreement has been amended from time to time. On December 15, 2017, Discovery announced that the maturity date of the CIBC Credit Facility had been extended to January 31, 2019 subject to acceleration in certain circumstances. Given the current circumstances, the maturity date of the CIBC Credit Facility is effectively April 30, 2018.

38. The principal amount owing to CIBC as at March 16, 2018 was approximately $10.6 million plus $4.2 million in letters of credit. The priority of the CIBC secured obligations is summarized above in paragraph 29.

(ii) Roynat Inc.

39. Roynat Inc. ("**Roynat**") refinanced certain specific aircraft owned by, *inter alia*, GSH and ATL pursuant to a Loan Agreement dated as of March 26, 2012, as amended. The joint and several co-borrowers include Discovery, ATL, GSH, DMS and DATS, and they have each granted security over all present and after-acquired personal property.

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[5] Top Aces was subsequently removed from the CIBC Credit Agreement.

40. The principal amount owing to Roynat as at January 31, 2018, was approximately $5.1 million, which debt matures on April 15, 2018.

41. The priority of the Roynat secured obligations is summarized above in paragraph 29.

(iii) ECN Financial Corporation

42. ECN Aviation Inc. ("**ECN**"), assignee of Element Financial Corporation, financed the acquisition of certain specific aircraft owned by GSH and ATL pursuant to (a) an Aircraft Loan Agreement dated as of January 31, 2014, as amended (the "**1st ECN Credit Agreement**"); and (b) an Aircraft Loan Agreement dated March 31, 2014, as amended (the "**2nd ECN Credit Agreement**", and together with the 1st ECN Credit Agreement, as amended and/or restated from time to time, the "**ECN Credit Agreements**"). Discovery is the principal borrower and all or substantially all of its then subsidiaries were guarantors (including the Non-Applicant Subsidiaries and, originally, Top Aces) under both of the ECN Credit Agreements. The borrower and guarantors have secured these obligations through a grant of security over all personal property.

43. As of January 31, 2018, ECN is owed approximately $0.7 million under the 1st ECN Credit Agreement and $7.9 million under the 2nd ECN Credit Agreement.

44. The priority of the ECN secured obligations is summarized above in paragraph 29.

(iv) Textron Financial Corporation

45. Textron Financial Corporation ("**Textron**") financed the acquisition of certain specific aircraft purchased by ATL, which ATL required to service a new contract it had been awarded in December 2014. The Textron loan was evidenced by certain promissory notes. Textron has security against specific aircraft owned by ATL as borrower and an unsecured guarantee as against Discovery. No other subsidiaries of Discovery are guarantors of these obligations. Textron also has an engine overhaul reserve account that holds approximately $680,000.

46. The principal amount owing to Textron as at January 31, 2018 was approximately $13.1 million, which debt matures on April 1, 2023.

47. The priority of the Textron secured obligations is summarized above in paragraph 29.

(d) Intercreditor Agreement and Relative Priorities of Secured Debt

48. Each of the Discovery Air Group, Clairvest, CIBC, Textron, ECN and Roynat are party to an Intercreditor Agreement dated March 26, 2012 (as amended and/or restated from time to time, the "**Intercreditor Agreement**"). The Intercreditor Agreement, together with the underlying loan and security documents for each party to the Intercreditor Agreement is detailed and complex. The relative priorities agreed upon pursuant to the Intercreditor Agreement are summarized in the table above in paragraph 29.

(e) Unsecured Listed Debentures

49. The Unsecured Listed Debentures were issued by Discovery in the principal amount of $34.5 million, pursuant an indenture dated May 12, 2011 (the "**Unsecured Listed Debentures**"). Other than certain intercompany obligations, the Unsecured Listed Debentures is the largest outstanding unsecured obligation of Discovery.

50. The Unsecured Listed Debentures accrue interest at a rate of 8.375% per annum, payable on a semi-annual basis. The Unsecured Listed Debentures are direct, unsecured obligations of Discovery, subordinated to other indebtedness for borrowed money, and rank equally with all other unsecured subordinated indebtedness. Although originally convertible into equity of Discovery, as a result of the Going Private Transaction the Unsecured Listed Debentures are no longer convertible into equity, but are convertible into cash in accordance with the terms of the indenture.

51. The Unsecured Listed Debentures have not been guaranteed by any members of the Discovery Air Group. The Unsecured Listed Debentures are believed by Discovery to be widely held, and neither Clairvest nor any of its direct or indirect subsidiaries owns any of the Unsecured Listed Debentures.

52. In November of 2014, the holders of the Unsecured Listed Debentures voted in favour of amendments to the indenture to: (i) extend the maturity date to June 30, 2018; and (ii) change the definition of "change of control" to permit Clairvest to acquire an equity interest in Discovery of more than 50% (e.g., in connection with the 2nd rights offering and the Going Private Transaction).

53. Discovery has made the interest payments required for the Unsecured Listed Debentures, including most recently in December of 2017 in the amount of approximately $1.4 million. Discovery would not have been able to make this payment if the Top Ace Transactions had not occurred, which, among other things, provided the liquidity needed to make this interest payment.

54. The Unsecured Listed Debentures mature on June 30, 2018, at which point the principal plus remaining interest will be due. As set out above, Discovery does not have the funds to make these payments and Clairvest has said it will not fund them.

55. As set out in more detail below in paragraph 106, recently a holder of Unsecured Listed Debentures has made unfounded public complaints regarding the recent Top Aces Transactions.

(f) Other Debt of Discovery

(i) *Other Unsecured Claims.*

56. In addition to the matters noted above, as of January 31, 2018 Discovery has a nominal amount of known unsecured obligations including trade payables and severance obligations of approximately $2.0 million as well as a small number of litigation matters.

IV. CASH MANAGEMENT

(a) Discovery Air Group Bank Accounts

57. Banking and operating borrowing facilities of Discovery and the Non-Applicant Subsidiaries are with CIBC and have been set up on a consolidating basis, such that the group's net balance at any point in time is the consolidated balances of all the accounts.

58. The main bank accounts of Discovery are with CIBC in London, Ontario. Discovery also has bank accounts with Royal Bank of Canada in Saskatoon, SK. The Discovery Air Group has accounts in both Canadian dollars and US dollars in the names of Discovery, as well as each of GSH, ATL and DMS. All balances in the Discovery Air Group's CIBC bank accounts are pooled into a consolidated cash pooling arrangement used by the group as a whole. Since the Top Aces Transactions, Top Aces and its subsidiaries are no longer part of the cash management system.

(b) Intercompany Obligations

59. The Discovery Air Group has various intercompany balances owing among themselves principally as a result of: (a) amounts originating from Discovery used to fund the operations of the rest of the Discovery Air Group; (b) costs incurred for corporate and back office services performed by Discovery for the benefit of the group; (c) intercompany cash management; (d) push down acquisition debt; (e) debt incurred for capital expenditures; and (f) tax planning.

60. Discovery is a net creditor of its subsidiaries. As of January 31, 2018, the intercompany balances of the Discovery Air Group, on a fully netted basis, are as follows:

(a) GSH owes Discovery approximately $138.3 million;

(b) ATL owes Discovery approximately $30.3 million;

(c) Discovery owes DMS approximately $18.5 million; and

(d) DATS owes Discovery approximately $20.2 million.

61. There are also immaterial intercompany balances as between certain of the subsidiaries themselves.

62. Prior to the completion of the Top Aces Transactions, Top Aces also had significant unsecured intercompany balances owing to each of Discovery, GSH and DATS and nominal balances owing to ATL. Discovery also had an unsecured obligation owing to Top Aces. As part of the Top Aces Transactions, the intercompany obligations previously owed by Top Aces have been repaid.

V. THE NON-APPLICANT SUBSIDIARIES

63. The Non-Applicant Subsidiaries are leaders in specialty aviation services, operating across Canada and in select locations internationally, including the United States, Bolivia, Australia, and Chile. As of January 31, 2018, the Discovery Air Group (excluding Top Aces) operates approximately 69 aircraft, employs approximately 460 flight crew, maintenance personnel and support staff, and provides services internationally to governments, airlines, and natural resource and other business customers.

(a) GSH

(i) Corporate Information and Ownership

64. GSH is incorporated pursuant to the CBCA with its head office in Yellowknife. GSH is wholly owned by Discovery.

(ii) Business of GSH

65. GSH is one of the largest onshore helicopter operators in Canada and conducts operations through most parts of western and northern Canada as well as internationally. GSH's main base of operations is in Yellowknife, Northwest Territories. However, it has sub-bases placed strategically throughout northern and western Canada to help support its aircrew and maintenance personnel in the challenging environments and locations where many customers require GSH's services. GSH also has a hangar and office facility in Springbank, Alberta as well as a Chilean subsidiary which operates out of a facility in Rancagua, Chile.

66. GSH derives its revenue from mineral and gas exploration support, forest fire suppression services and the provision of services to government agencies and support for infrastructure work such as power line construction.

67. As of January 31, 2018, GSH employed approximately 250 non-unionized personnel and its fleet is comprised of approximately 51 light, intermediate and medium sized rotary wing aircraft. GSH does not maintain a registered pension plan for its employees.

68. GSH's seasonal forest fire suppression services in Chile peaks from October to April, while its Northern Canadian seasonal work peaks from May through September.

69. Over the last five (5) years, the business of GSH has declined significantly, resulting in the reduction of the fleet due to: a decline in the oil and gas and mining sectors and a decline in the helicopter charter services market. Although GSH has undertaken expansion efforts in recent years primarily in Chile, GSH's business has not been profitable for several years.

(iii) Financial Position of GSH

70. GSH is a guarantor under the CV Secured Debentures. GSH is a guarantor of the debt owing by Discovery to CIBC, a co-borrower of the debt owing to Roynat and a guarantor of the

debt owing to ECN. In connection with its guarantee and co-borrower obligations under these facilities, GSH granted security over all of its personal property to each of Clairvest, CIBC, Roynat and ECN.

71. As set out above, GSH has been historically heavily reliant on Discovery for funding. Discovery has advanced funds to GSH through intercompany loans on an unsecured basis which are discussed above in paragraph 60. GSH has consistently experienced significant losses in all recent years.

(b) ATL

(i) Corporate Information and Ownership

72. ATL is incorporated pursuant to the CBCA with its head office in Yellowknife, Northwest Territories. ATL is wholly owned by Discovery.

(ii) Business of ATL

73. ATL is a commercial fixed-wing charter company with its main base in Yellowknife.

74. ATL operates a diversified fleet of approximately 18 operational fixed-wing aircraft and provides scheduled and charter passenger and cargo services, as well as medevac-equipped aircraft services primarily in northern Canada. Its customers include government agencies, multinational diamond mining companies and various junior mining exploration companies.

75. ATL provides charter services to communities with limited or no overland access. It has developed strong relationships with various indigenous groups culminating in joint ventures that provide benefits to the various stakeholder groups in these communities.

76. ATL operates from two locations in Yellowknife: various facilities at the Yellowknife airport and a float base location on Great Slave Lake that is home to float aircraft in the summer and ski-equipped aircraft in the winter. ATL owns a building and hangers on leased land at the Yellowknife airport, and also owns the float base location on Great Slave Lake subject to water access easements. ATL also owns a hangar facility in Cambridge Bay, Nunavut.

77. In 2014, ATL took cost-cutting measures, including the cessation of executive jet charter services and closing an associated Calgary base. Several aircraft were identified as being underutilized or no longer required and were sold to other subsidiaries.

78. As of January 31, 2018, ATL employs approximately 200 people. ATL does not maintain a registered pension plan for its employees.

79. Given the remote areas of Canada where ATL operates, ATL's business is highly seasonal and heavily dependent on weather conditions. Although ATL's business has continued to be affected by the stresses set out above, the actions taken to right-size ATL since 2014 have assisted in the stabilization of ATL financially on a cash flow basis. However, it is also an obligor under the secured debt owing to Clairvest, CIBC, Roynat, ECN and Textron.

(iii) Financial Position of ATL

80. ATL is the primary borrower under the Textron facility. ATL is a guarantor under the CV Secured Debentures. ATL is a guarantor of the debt owing by Discovery to CIBC, a co-borrower of the debt owing to Roynat and a guarantor of the debt owing to ECN. In connection with its guarantee and co-borrower obligations under these facilities, ATL granted security over all of its personal property to each of Clairvest, CIBC, Roynat and ECN.

81. As set out above, ATL has been historically heavily reliant on Discovery for funding. Discovery has advanced funds to ATL through intercompany loans on an unsecured basis which are discussed above in paragraph 60. ATL has experienced losses in recent years.

(c) DMS

(i) Corporate Information and Ownership

82. DMS is incorporated pursuant to the CBCA with its head office in Yellowknife. DMS is wholly owned by Discovery.

(ii) Business of DMS

83. DMS provides remote exploration camps and expediting, logistics and staking services to a broad spectrum of gold, base metal, uranium and diamond exploration companies as well as government customers operating in the Northwest Territories, Yukon, northern Saskatchewan

and northern Ontario. Its customers typically operate in some of the most remote locations in Canada.

84. DMS's peak season is from June to August and January to March each year. It employs non-unionized contract labour to fulfil the labour needs at each camp and approximately 8 non-unionized full-time employees. DMS does not maintain any registered pension plans for its employees.

85. DMS has modest assets comprised of furniture, vehicles and outfitting or camp assets.

(iii) Financial Position of DMS

86. DMS is a guarantor under the CV Secured Debentures. DMS is a guarantor of the debt owing by Discovery to CIBC, a co-borrower of the debt owing to Roynat and a guarantor of the debt owing to ECN. In connection with its guarantee and co-borrower obligations under these facilities, DMS granted security over all of its personal property to each of Clairvest, CIBC, Roynat and ECN.

87. In recent years, DMS has generated a modest profit (not taking into consideration its guarantee obligations).

(d) DATS

88. DATS is an inactive subsidiary of Discovery which previously owned an aircraft maintenance and repair and overhaul business which provided services to the Discovery Air Group. In January 2016, DATS sold all of its assets to a third party.

89. DATS is a guarantor under the CV Secured Debentures, CIBC facility and ECN facility. DATS is also the tenant for Discovery's head office and has a residual contingent liability for its former leased location in Quebec.

90. DATS is reliant on Discovery for funding as DATS no longer carries on business. Discovery has advanced funds to DATS through intercompany loans on an unsecured basis which are discussed above in paragraph 60.

VI. DEPENDENCIES OF THE DISCOVERY AIR GROUP

91. Although only Discovery is an applicant in this proceeding, the business and operations of Discovery are heavily intertwined with that of the Non-Applicant Subsidiaries. Areas of such inter-connection and inter-dependence within Discovery Air Group include:

(a) numerous common creditors and financing arrangements containing cross-guarantees, cross-defaults and other linkages throughout the Discovery Air Group, as further detailed above;

(b) financial support provided by Discovery to the Non-Applicant Subsidiaries, resulting in significant inter-company obligations owing from the Non-Applicant Subsidiaries to Discovery and umbrella insurance policies covering the entire Discovery Air Group;

(c) Discovery's obligations in respect of the CV Secured Debentures were guaranteed by the other members of the Discovery Air Group, which obligations were secured through a grant of security over all present and after-acquired personal property of Discovery including a pledge of the shares of each of the Non-Applicant Subsidiaries;

(d) common senior management and reporting structures pursuant to which the Non-Applicant Subsidiaries report to Discovery;

(e) centralized decision-making by management of Discovery;

(f) a common back office, including accounting, IT and administration;

(g) common employee benefit programs;

(h) centralized cash management, treasury and revolving loan facility provided by CIBC; and

(i) provision of finance, treasury, cash management, tax compliance, annual KPMG audit / quarterly KPMG review management, loan compliance, forecasting,

budgeting, financial reporting, general accounting support, legal, and information technology support.

92. As discussed below, Discovery has recently undertaken various steps and transactions to make its subsidiaries less dependent upon Discovery for the performance of centralized administrative functions.

VII. TOP ACES

(a) Corporate Information and Ownership

93. Top Aces, formerly known as Discovery Air Defence Services Inc., (i.e., DADS, as defined above) is a corporation amalgamated pursuant to the CBCA. It is owned by Top Aces Holdings Inc. ("**Top Aces Holdco**") a corporation incorporated pursuant to the CBCA. The ownership of Top Aces Holdco is discussed in further detail below in paragraph 104(c). The head office of Top Aces is in Dorval, QC.

(b) Business of Top Aces

94. The principal business of Top Aces is the supply of airborne training services, which provide the adversary force required to exercise and train a modern, operationally capable, multi-purpose combat force. Top Aces is the primary supplier of contracted airborne training services to the Canadian Department of National Defence, the German Armed Forces and the Australian Defence Force and a supplier of airborne training services to other militaries around the world.

95. In 2005, the founding partners of Top Aces were awarded the Interim Contracted Airborne Training Services ("**ICATS**") contract to deliver fast air support to the Department of National Defence in 2005.

96. Since 2005, Top Aces has derived its revenue under the ICATS programme from "standing offers", which are offers from Top Aces to provide goods or services at pre-arranged prices and under set terms and conditions, when and if required. The ICATS standing offers were the subject of a new request for proposals in August of 2015. Top Aces continued to provide services under the ICATS agreement pending the award of the new long term Contracted Airborne Training Services ("**CATS**") contract, which award process took over two (2) years to complete. During that competitive process carried out by the Canadian government for the

CATS contract, it was unclear whether Top Aces would be awarded that contract, thus making its viability unknown during that period.

97. On October 27, 2017, Top Aces was selected as the winner of the CATS contract and finalized those arrangements with the Canadian government as of October 30, 2017.

98. Although the CATS contract is the backbone of Top Aces' business, Top Aces has invested significantly to develop other sources of revenue. In recent years, Top Aces has made significant efforts to expand its business internationally based on management's belief that there are significant growth opportunities for Top Aces in the international combat support and adversary training markets.

99. Top Aces presently employs approximately 220 non-unionized flight crew, maintenance, administrative and management personnel situated at premises located across Canada, the United States, Germany and Australia that are either leased or provided by the local operator.

(c) Funding Requirements and Financial Position of Top Aces

100. The Top Aces business is capital intensive given the requirements to maintain and upgrade its aircraft, and for working capital purposes. The specialized nature of its business and its heavy oversight due to the government contracts it services contribute to its capital requirements. Attempts in recent years to obtain separate financing for Top Aces while it remained a subsidiary were unsuccessful due to, among other things, the continued under-performance of the Discovery's business, Discovery's weak balance sheet, as well as the uncertainty through to October 2017 as to whether Top Aces would be awarded the CATS contract. Top Aces was also a guarantor under several of the principal secured debt obligations noted above (i.e. Clairvest, CIBC, ECN) and had granted general security over all of its assets in connection with those obligations further limiting Top Aces' ability to acquire separate financing.

101. As with the Discovery Air Group, Top Aces could not have survived without the extensive financial and other support provided by Clairvest in recent years.

(d) The Top Aces Transactions

(i) Overview of the Top Aces Transactions

102. The award of the CATS contract was essential for Top Aces' continued viability. However, in order to perform under that contract, Discovery determined that Top Aces would require at least an additional $30 million for capital expenditures and other work. At that time, Top Aces was an obligor under the secured debt owing by Discovery and the other members of the Discovery Air Group to Clairvest, as well as under the CIBC Credit Agreement and the ECN facility. As of November 30, 2017, Top Aces also had outstanding gross intercompany debt owing to the Discovery Air Group of approximately $62 million (before taking into consideration the gross intercompany debt owing to Top Aces by members of the Discovery Air Group of approximately $35 million).

103. Culminating in December 2017, Top Aces, Discovery, Clairvest, CIBC and others undertook a series of transactions (the "**Top Aces Transactions**") which achieved three key objectives: (i) deleverage the Top Aces balance sheet to increase the prospects of its long-term viability; (ii) raise additional funding for capital expenditures to perform the CATS contract; and (iii) put in place new bank financing to address the company's working capital requirements.

104. Details regarding the various transactions comprised of the Top Aces Transactions have been disclosed by Discovery through press releases which are attached collectively as **Exhibit "E".** A brief summary of the Top Aces Transactions is as follows:

(a) *Conversion Transactions*: On December 14, 2017, Discovery announced that Clairvest had exercised its conversion rights to exchange (i) a total of $41.2 million of principal and payment-in-kind interest under the two Top Aces Credit Agreements; and (ii) $18.4 million of secured debt owing under the CV Secured Debentures pursuant to the Swap Letter, for shares of Top Aces;

(b) *Top Aces/ BNS Credit Agreement*: On December 15, 2017, Top Aces entered into a credit agreement with CIBC, as administrative agent, and CIBC and The Bank of Nova Scotia, as co-lead arrangers and co-bookrunners and the other lenders party thereto from time to time (the "**Top Aces/BNS Credit Agreement**") for the

provision of a revolving credit facility up to a maximum of $15 million, a term loan facility up to a maximum of $22.5 million and a capex line facility up to a maximum of $42.5 million and an LC credit commitment of $1.25 million. In connection with the Top Aces/BNS Credit Agreement, certain Top Aces subsidiaries have granted guarantees and general security over their property assets and undertaking. Top Aces Holdco has also granted a limited guarantee and pledged its shares in Top Aces as security in support of its guarantee;

(c) *Third Party Investment*: On December 22, 2017, Discovery announced a new equity subscription for shares of Top Aces whereby: (i) Discovery sold the majority of its remaining shares in Top Aces Holdco[6] to a group of third party institutional lenders led by JP Morgan Asset Management (the "**Investors**") for $25 million; and (ii) Top Aces Holdco issued an additional $25 million of shares from treasury to the Investors, resulting in a net $50 million investment by the Investors to effectively acquire approximately 25% of Top Aces Holdco. With the completion of the transactions with the Investors, the new and current ownership of the equity of Top Aces Holdco is: (i) Clairvest – 64.7%; (ii) JP Morgan Investmentco – 25.6%; and (iii) Discovery – 9.7%;

(d) *Repayment of Intercompany Debt*: In order to complete the transactions above with CIBC and the Investors, it was necessary for Top Aces to deleverage its balance sheet, including resolving its outstanding intercompany obligations owing to and from the Discovery Air Group (with a net balance owing by Top Aces to Discovery and other members of the Discovery Air Group of approximately $27 million). Accordingly, as part of the Top Aces Transactions, the Discovery Air Group and Top Aces set off and repaid its net intercompany indebtedness; and

[6] Top Aces Holdco is the 100% owners of Top Aces Inc. Top Aces Holdco was incorporated in December 2017 as a result of certain security and ownership requirements required by the Canadian government in connection with the CATS contract, in anticipation of the new equity raise. With the incorporation of Top Aces Holdco, shares of Top Aces held by each of Discovery and Clairvest were exchanged (on a proportionate basis to their previous ownership interests in Top Aces) for shares in Top Aces Holdco, with Top Aces becoming a wholly-owned subsidiary of Top Aces Holdco.

(e) *Release of Secured Debt Obligations*: In connection with the Top Aces Transactions, each of the CV Secured Debentures, CIBC Credit Agreement and ECN Credit Agreements were amended and reduced resulting in the release of Top Aces from any and all obligations under its previous guarantees and grants of security.

105. As discussed below, as it relates to Discovery, the impact of the Top Aces Transactions resulted in the reduction of over $60 million of secured debt previously on Discovery's balance sheet (and similarly benefitting each of the Non-Applicant Subsidiaries, being guarantors of that debt).

(ii) Bondholder Response to Top Aces Transactions and Past Transactions between the Discovery Air Group and Clairvest

106. Discovery is aware of recent complaints from a holder of Unsecured Listed Debentures regarding transactions between the Discovery Air Group and Clairvest, including the Conversion Transactions and the Top Aces Transactions. In particular, Randy Durig of Durig Capital Inc., who has advised me that his company acquired a position in the Unsecured Listed Debentures on a discounted basis in the spring of 2017, wrote to me (among others) on December 19, 2017 to make a number of allegations. A copy of that letter is attached as **Exhibit "F"**.

107. I replied to Mr. Durig's letter on January 4, 2018, a copy of which is attached as **Exhibit "G"**. As noted in my letter, I believe that the allegations made by Mr. Durig are factually incorrect and legally flawed.

108. Discovery is aware of similar complaints and allegations that have been published online in blogs, apparently as part of an attempt by Mr. Durig to organize bondholders. Again, I believe that these complaints and allegations are misguided and unfounded.

(e) Allocation of Services

109. Discovery and Top Aces Inc. previously entered into a cost sharing agreement (the "**Cost Sharing Agreement**") dated as of December 21, 2017, providing for the sharing of certain information technology, payroll, governance and other services and the costs related to the personnel who provide such services, and Discovery has to date provided such services to GSH,

ATL, DMS and DATS (collectively, "**Shared Services**"). Discovery is in the process of transferring to Top Aces and the Non-Applicant Subsidiaries (where appropriate) certain agreements, contracts, licenses, information and other assets pursuant to which Discovery provides, or has provided, the Shared Services to ensure that those services will not be interrupted during the course of these proceedings, and to provide for continuity in the provision of the Shared Services until such transfers are complete, and the businesses become adequately self-sufficient in this regard (the "**Transition Process**"). The Transition Process is expected to take up to nine (9) months (the "**Transition Period**"), during which time Top Aces and the Non-Applicant Subsidiaries and any purchaser of any of the businesses thereof may require that Shared Services be provided by one or more of Top Aces, Discovery, or a Non-Applicant Subsidiary.

110. To document the process undertaken to achieve the foregoing result, Discovery, Top Aces and the Non-Applicant Subsidiaries have begun negotiations for a new Shared Services Agreement which will be entered into post-filing. It is anticipated that such agreement would enhance the prospect of attracting prospective purchasers for the businesses of the Non-Applicant Subsidiaries by ensuring the continuity of critical services until such time that the business can operate independently.

VIII. THE PROPOSED CCAA PROCEEDINGS AND REQUESTED RELIEF

111. Discovery continues to face significant challenges as extensively referred to in my affidavit. Ultimately, the timing of this CCAA application by the Applicant is a function principally of insufficient liquidity to pay the very significant obligations imminently coming due.

112. Discovery does not have sufficient liquidity to service the interest payments or repay its existing debt as it matures in the near term, including under the Unsecured Listed Debentures (maturing June 30, 2018), the CV Secured Debentures (maturing May 5, 2018), the Roynat facility (maturing April 15, 2018) and the CIBC Credit Agreement (maturing April 30, 2018).

(a) Discovery is Insolvent

113. I am advised by Mario Forte of Goldman Sloan Nash & Haber LLP, Discovery's legal counsel, that the CCAA requires that: (i) one or more applicants thereunder must be subject to claims that in the aggregate exceed $5 million; and (ii) the applicants must be insolvent, in order for a CCAA application to be granted and an Initial CCAA Order made by the Court.

114. As noted above, the aggregate claims against the Applicant exceed the requirements of the CCAA. Further, and for the reasons set out in this affidavit, the Applicant is insolvent and will be unable to meet its obligations as they come due without the benefit of an Initial CCAA Order and the receipt of interim financing. If the Applicant is not permitted the opportunity to pursue these restructuring transactions and instead progresses to bankruptcy, the expected proceeds of the Applicant's assets and business would be insufficient to pay in full the claims of its creditors (including those claims arising by virtue of the Applicant's ceasing to operate). The proposed sale process (discussed below) will also allow for the Non-Applicant Subsidiaries and all of their creditors (including the secured creditors) to continue operations without disruption which is best accomplished through the CCAA process.

(b) Discovery's Cash Flow Projections

115. The Applicant, with the assistance of KSV Kofman Inc. ("**KSV**" or the "**Proposed Monitor**"), has prepared a cash flow projection to determine the amount required to finance the Discovery Air Group's operations for the next 13 weeks, assuming the relief sought is granted. The 13-week cash flow forecast is attached as **Exhibit "H".** Based on the cash flow forecast, if the interim financing (discussed below) is not approved, the Discovery Air Group will have insufficient liquidity to meets its cash flow needs through to the end of the 13-week forecast period.

(c) The Anticipated Sale Process

116. If the Initial CCAA Order is granted, it is Discovery's intention to very shortly file a motion (the "**SSP Motion**") seeking approval of, among other things,

(a) authorization to enter into four (4) stalking horse agreements with Clairvest (the "**Stalking Horse Agreements**") for the sale (the "**Transactions**") of (i)

Discovery's remaining minority interest in Top Aces Holdco; (ii) Discovery's shares in GSH; (iii) Discovery's shares in ATL; and (iv) Discovery's shares in DMS; in each case along with various ancillary assets, claims and contracts that relate to each subsidiary or its business; and

(b) a SSP setting out the process for solicitation of bids on any or all of the Transactions and the auction procedures in the event that additional "qualified bids" are received in respect of one or more of the proposed Transactions.

117. In connection with the proposed SSP, Discovery has been negotiating the terms of the Stalking Horse Agreements with Clairvest, who has agreed to act as the stalking horse bidder in connection with each transaction and will be bidding and/or proposing an assumption of some or all of the remainder of its secured debt as the purchase price under the Stalking Horse Agreements. The proposed sale of each of the businesses of GSH, ATL and DMS under the Stalking Horse Agreements will be as a "share sale" resulting in the continuing operations of the businesses, employment of employees and ongoing servicing of debt (including the cross guaranteed secured debt) at the subsidiary level. The Proposed Monitor has been kept apprised of the negotiation of the Stalking Horse Agreements.

118. If the SSP Motion is approved, it is contemplated that the Proposed Monitor (once appointed) will conduct, supervise and run the SSP. Although I anticipate Discovery will have consultative rights during this process, the allocation of responsibility to the Proposed Monitor will ensure a fair and impartial sale process is conducted and any conflicts of interest will be avoided.

119. Although I understand that many times, these processes require a certain degree of flexibility, it is currently anticipated that the proposed sale process under the SSP would last approximately 90 to 120 days.

(d) Proposed Initial CCAA Order

120. Discovery is seeking the Initial CCAA Order substantially in the form of the model order adopted for CCAA proceedings commenced in Toronto, Ontario, subject to certain changes as

reflected in the proposed form of order contained in Discovery's Application Record. Certain key relief sought is set out below.

(i) Stay of Proceedings for Discovery and the Non-Applicant Subsidiaries

121. A stay of proceedings is needed while the Discovery Air Group navigates its restructuring and ensures the stability and preservation of the value of the business.

122. As noted herein, the principal purpose of these proceedings is to permit an orderly sale of the businesses carried on through the Non-Applicant Subsidiaries and Discovery's interest in Top Aces. It is essential that the businesses of the Non-Applicant Subsidiaries be protected while that sale process is being conducted because, among other things, certain of the contracts at the subsidiary level may have cross defaults which could be triggered as a result of a filing by Discovery. Many of the Non-Applicant Subsidiaries officers and directors are also officers and directors of Discovery.

123. Accordingly, the Applicant is seeking to extend the benefit of a limited stay of proceedings in these proceedings to the Non-Applicant Subsidiaries and their officers and directors in order to: (i) ensure stability through this restructuring process; and (ii) avoid a situation in which the insolvency of Discovery and the commencement of these proceedings are relied upon as the basis for commencing adversarial proceedings, contract terminations, or other adverse steps as against the Non-Applicant Subsidiaries and their respective businesses. Essentially, the Applicant is seeking to extend a stay to the Non-Applicant Subsidiaries only with respect to any rights or remedies triggered by reason of the Applicant being insolvent or having commenced this CCAA proceeding, or the maturity of any existing secured debt occurring during the course of the CCAA proceedings. The extension of a limited stay of proceedings to the Non-Applicant Subsidiaries is intended solely to preserve the status quo – in all other respects, it is intended to be "business as usual" for the key business operations of the Discovery Air Group.

124. A limited stay of proceedings is not being sought at this time for Top Aces, due principally to the fact that: (i) Discovery owns only a small interest in Top Aces and the sale of that minority interest (and the insolvency of the owner of that minority interest) is unlikely to

trigger adverse consequences for Top Aces or its business; and (ii) Top Aces is not a principal debtor or guarantor with respect to any of the debt of the Discovery Air Group.

(ii) Administration Charge

125. It is proposed that the Monitor, its counsel, and the Applicant's counsel be granted a super priority court-ordered charge on the assets of Discovery as security for their fees and disbursements relating to the services rendered in respect of Discovery in an amount not to exceed $750,000 in the aggregate (the "**Administration Charge**"). The Administration Charge is intended to secure the fees of the Monitor, its counsel, and the Applicant's counsel associated with the preparation for these CCAA proceedings and activities during the proceedings.

126. The Applicant worked with the proposed Monitor to estimate the proposed quantum of the Administration Charge and believes it to be reasonable and appropriate in view of the complexities of Discovery's CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

(iii) Protection of Directors and Officers

127. To ensure the ongoing stability of the Discovery Air Group's business during the CCAA proceeding and to enhance the prospects of a successful restructuring, the Applicant requires the continued participation and guidance of the respective directors and officers of the Discovery Air Group. Accordingly, the Applicant is seeking typical provisions staying all proceedings against the directors and officers of the Discovery Air Group with respect to all claims against the directors or officers that relate to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in such capacity.

128. In addition, I am advised by my legal counsel, and believe that, in certain circumstances, directors can be held liable for certain obligations of a company owing to employees and government entities, which may include unpaid accrued wages, unpaid accrued vacation pay; and unremitted sales, goods and services, and harmonized sales taxes.

129. The Applicant maintains an existing insurance policy with respect to directors' and officer's liability. This policy covers an aggregate annual limit of $25,000,000, which covers a variety of circumstances where the Applicant's directors and officers might face claims for

liability. Furthermore, in the present circumstances, it is not practicable to obtain at reasonable cost further coverage that is satisfactory.

130. In light of the potential liabilities, the ambiguity under the policy and the difficulty in obtaining additional coverage on acceptable terms and costs, the Applicant's directors and officers have indicated that their continued service and involvement in the CCAA proceedings is conditional upon the granting of an Order under the CCAA that grants a super priority charge in favour of the directors and officers of the Applicant in the amount of $100,000 on the assets, property, undertaking and business of the Applicant (the "**Directors' Charge**"). The Directors' Charge constitutes security for indemnification obligations for the directors' and officers' potential liabilities as set out above and allows the Applicant to continue to benefit from the expertise and knowledge of its directors and officers.

131. The quantum of the proposed Directors' Charge has been discussed with the proposed Monitor, and the proposed Monitor has informed me that it concurs with the reasonableness of this amount in the circumstances. Similarly, the Applicant views the quantum of the Directors' Charge as reasonable in the circumstances.

(iv) The Monitor

132. KSV has consented to act as the Court-appointed Monitor of Discovery, subject to Court approval. KSV has also prepared a Pre-Filing Report in order to assist this Court with its consideration of the Applicant's application and the relief requested by the Applicant in connection with its CCAA filing.

133. KSV is a trustee within the meaning of Section 2 of the *Bankruptcy and Insolvency Act* (Canada), as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

134. KSV has been working with the Discovery Air Group, Clairvest and their respective legal counsel in the lead-up to the making of this CCAA application and has familiarity with the Discovery Air Group's business and operations. KSV has assisted the Discovery Air Group with the preparation of a 13-week cash flow projection, as required by the CCAA, that shows Discovery can continue to operate during that period with the benefit of interim financing. KSV

is experienced with this type of proceeding, and is well suited to the role of Court-appointed Monitor in these particular proceedings.

135. KSV, as proposed monitor, is supportive of the relief being sought in the Initial Order, including, among other things, the existence and amounts of the proposed Court-ordered charges.

(v) Interim Financing

136. In order to continue to operate during these proceeding, it is apparent from the 13-week cash flow projection that the Applicant requires interim financing ("**Interim Financing**") as there would otherwise be insufficient monies to pay the operating expenses of the Discovery Air Group and costs associated with the CCAA proceedings. The Applicant requires this interim financing to provide an immediate source of cash funding and to provide stability during the CCAA proceeding. As a result, in the lead-up to the CCAA proceeding, Discovery negotiated with CEP IV Co-Investment Limited Partnership (a member of the Clairvest group) (the **"DIP Lender"**) regarding its interest in providing financing to the Applicant that is required in connection with the CCAA proceeding.

137. Pursuant to a DIP term sheet dated as of March 21, 2018 (the "**DIP Term Sheet**") entered into by the Applicant and the DIP Lender, the DIP Lender is prepared to advance interim financing (the "**DIP Facility**") of up to $12.6 million on the terms and conditions set out therein. Advances under the DIP Facility will bear interest of 10% per annum and the obligations will be fully payable on the maturity date which is the earliest of (a) the occurrence of an event of default under the DIP Term Sheet; (b) completion of the Transactions; and (c) December 21, 2018. A copy of the DIP Term Sheet is attached as **Exhibit "I"**.

138. The Applicant is seeking a charge on its assets, property, undertaking and business to secure the DIP Facility (the "**DIP Charge**"). The DIP Lender has requested that such DIP Charge be granted on a super-priority basis only over the assets over which Clairvest already has first-priority security. Any first priority security held by any of the other secured lenders would continue to take priority even over the DIP Charge.

139. It is a condition of the DIP Credit Agreement that the Applicant obtain approval of the DIP Credit Agreement and the DIP Charge in the Initial CCAA Order.

140. The Applicant believes that having access to the DIP Facility will provide flexibility and sufficient time to pursue its restructuring objectives. The Applicant consulted with its advisors and the proposed Monitor regarding the DIP Facility, and it anticipates that the DIP Facility will satisfy its funding requirements at this time and for the foreseeable future.

141. I understand that in some cases, it may be common to solicit debtor in possession financing from multiple sources to ensure the best financing terms are obtained. However, in Discovery's case, where, among other things, (a) there is a complex secured debt structure involving multiple lenders who have differing priorities; (b) the only entity filing for CCAA protection is the parent company and operating companies are not applicants; and (c) there is very little liquidity and no remaining unencumbered assets, I believe that attempting to obtain any such financing would be virtually impossible. To the extent that any lender did consider providing financing, based on my experience as a CFO, I would expect such lender to require extensive diligence, additional fees and want priority security on all assets including the subsidiaries.

142. KSV has been kept apprised of the negotiations regarding the DIP Facility and I understand will include an analysis in its pre-filing report as to pricing of this DIP Facility, the lack of any other realistic prospects and other matters including the review of Clairvest's existing security by KSV's counsel.

143. In my view, the DIP Facility is crucial to a successful restructuring as described in my affidavit and is in the best interests of the substantial majority of stakeholders.

(vi) Cash Management and Intercompany Financing

144. During the CCAA period, the Non-Applicant Subsidiaries will continue to require funding from Discovery as well as the provision of ongoing corporate and back office services from Discovery in the ordinary course. This will require those Non-Applicant Subsidiaries to access funds in accordance with the pooling arrangements under its cash management system and for Discovery to fund those companies from time to time. The proposed Initial CCAA Order allows the use of such accounts to continue without any liability to the Discovery Air Group's operating bank.

145. The funding provided by Discovery to its Non-Applicant Subsidiaries will largely be financed through the provision of Interim Financing which would not be available to Discovery absent the granting of the DIP Charge. As such, Discovery is also requesting that the advances that it makes to its Non-Applicant Subsidiaries be secured by a court-ordered charge (the "**Intercompany Charge**") resulting in the Non-Applicant Subsidiary receiving any such funds having a secured obligation to repay such funds to Discovery. That intercompany security will also be assigned to Clairvest as part of the security package under the DIP Credit Agreement.

146. Similarly, given the structure of the operating accounts, Discovery will need to continue to access the CIBC operating line. As set out in the 13-week cash flow forecast, it is anticipated that Discovery will remain in an over-advance position such that all funding available to it will be through the DIP Financing. However, to the extent that additional revenue is generated to increase Discovery's borrowing base during that period, any corresponding reduction in the over-advance may be drawn on by Discovery from time to time. The proposed Initial CCAA Order confirms and clarifies that CIBC remains in first priority with respect to its currently held priority security for any technical post-filing "borrowing" that may occur in this scenario.

(vii) Post-Filing Interest Payments on Secured Debt Facilities

147. During the course of the CCAA Proceeding, Discovery intends to continue to make interest payments on its secured debt facilities with CIBC, ECN and Roynat but no payments will be made in respect of the CV Secured Indebtedness. Discovery will make scheduled payments in respect of the Interim Financing as set out in the DIP Term Sheet. ATL will continue to make its required payments in connection with the Textron facility.

148. Discovery also intends to make the final principal payment on the Roynat facility due on April 15, 2018 but the maturity of the loan will be subject to the stay. Discovery does not make periodic payments of principal on any of its other secured debt facilities.

(viii) KERP

149. As set out above, Discovery continues to provide certain key corporate, managerial, legal, financial and other services to the Non-Applicant Subsidiaries and, to a lesser degree, Top Aces. In order to facilitate and complete the proposed sale process and execute successful transactions,

Discovery requires the ongoing support of such key personnel. As such, Discovery has negotiated the terms of a KERP with the six (6) Discovery employees (being all of the Discovery employees including myself but excluding Alan Torrie) (the "**KERP Employees**") for the period needed to complete the transactions. The KERP has been considered and recommended by Discovery's human resources committee.

150. Pursuant to the proposed KERP, provided that each KERP Employee remains with Discovery and performs his or her contractual duties, each of the KERP Employees will be entitled to receive a lump sum payment (a "**Retention Award**") the earliest of certain agreed upon events set out in the KERP (the **"Payment Date**"). The maximum aggregate obligation under the KERP is approximately $1.65 million. Copies of the KERP (attached to the form of letter agreement entered into with each of the KERP Employees) and the individual entitlements under the KERP are attached hereto as **Exhibit "J"** and **Confidential Exhibit "K"** respectively. The individual entitlements to the KERP Employees on the Confidential Exhibit contain sensitive personal compensation information. As such, Discovery is asking that the Confidential Exhibit be sealed pending further Order of this Court.

151. In connection with the KERP, Top Aces has agreed to be responsible for approximately 40% of the KERP amount as the KERP Employees have historically and will continue to provide certain support functions to Top Aces.

152. As security for the Applicant's obligation under the KERP, the Applicant is seeking a super priority charge (the "**KERP Charge**") on the Applicant's property to secure its payment and performance obligations under the KERP. The proposed KERP Charge has been discussed with the proposed Monitor who has informed me that it believes such a charge is reasonable in the circumstances.

(ix) Ranking of Court-Ordered Charges and Comeback Motion

153. The Applicant is seeking approval of the court-ordered charges set out above including priority over all other obligations of the Applicant as follows:

(a) First, the Administration Charge;

(b) Second, the Directors' Charge; and

(c) Third, the KERP Charge.

154. With respect to the DIP Charge the Applicant is requesting that the DIP Charge be given priority over the security held by Clairvest in respect of the Clairvest Secured Indebtedness but is not requesting that the DIP Charge take priority over any of the other charges or any other secured indebtedness of the Applicant including the security held by CIBC, Roynat, ECN and Textron to the extent that such security has priority over the Clairvest security. Similarly, the Applicant is requesting that the Intercompany Charge be given priority over the security held by Clairvest in respect of the Clairvest Secured Indebtedness owing by the Non-Applicant Subsidiaries but is not requesting that such charge take priority over any other priority security held against the assets of the Non-Applicant Subsidiaries. Clairvest has consented to the proposed priority of the charges including the DIP Charge and the Intercompany Charge.

(xi) Chapter 15 Proceedings

155. A Chapter 15 recognition proceeding under the U.S. Bankruptcy Code may be necessary in respect of the Discovery Air Group as a result of creditors or other matters in the United States. Although no application is currently planned, to prevent delay should a Chapter 15 proceeding prove necessary, the Applicant is seeking in the Initial CCAA Order to have the Monitor authorized, but not required, to act as a foreign representative in any ancillary proceedings without further Order of the Court. Such relief will further aid in the stabilization of the Discovery Air Group's business and enhance the prospects of a successful restructuring to the benefit of the Applicant's stakeholders.

IX. CONCLUSION

156. As is evident from the above, for the last several years, the Applicant has been able to survive only with the repeated and extensive assistance, support and accommodation provided by Clairvest. The Applicant is now faced with the incontrovertible fact that it is unable to service, repay or refinance its maturing debt obligations. Clairvest has informed Discovery that it will not fund the amounts required to repay the obligations coming due or grant further waivers or other relief to the Discovery Air Group, and clearly Discovery's existing debt structure will not allow

it to refinance in a way that such obligations could be satisfied. As such, a CCAA proceeding is required to transition Discovery's remaining businesses into safe (and solvent) hands.

157. The relief sought in the Initial CCAA Order, including the stay of proceedings and the DIP Facility, has been tailored to the Applicant's particular circumstances and will provide the Applicant with the protections and breathing room that it needs in order to pursue its restructuring efforts. This relief: (a) is necessary to enable the Discovery Air Group to operate while in the CCAA proceeding with minimum disruptions to its business; (b) is important to the Discovery Air Group's goal of implementing the proposed Transactions or other value-maximizing transactions pursuant to the SSP; and (c) best serves the interests of stakeholders in the ongoing operating businesses in GSH, ATL and DMS, including its employees, landlords, customers and suppliers.

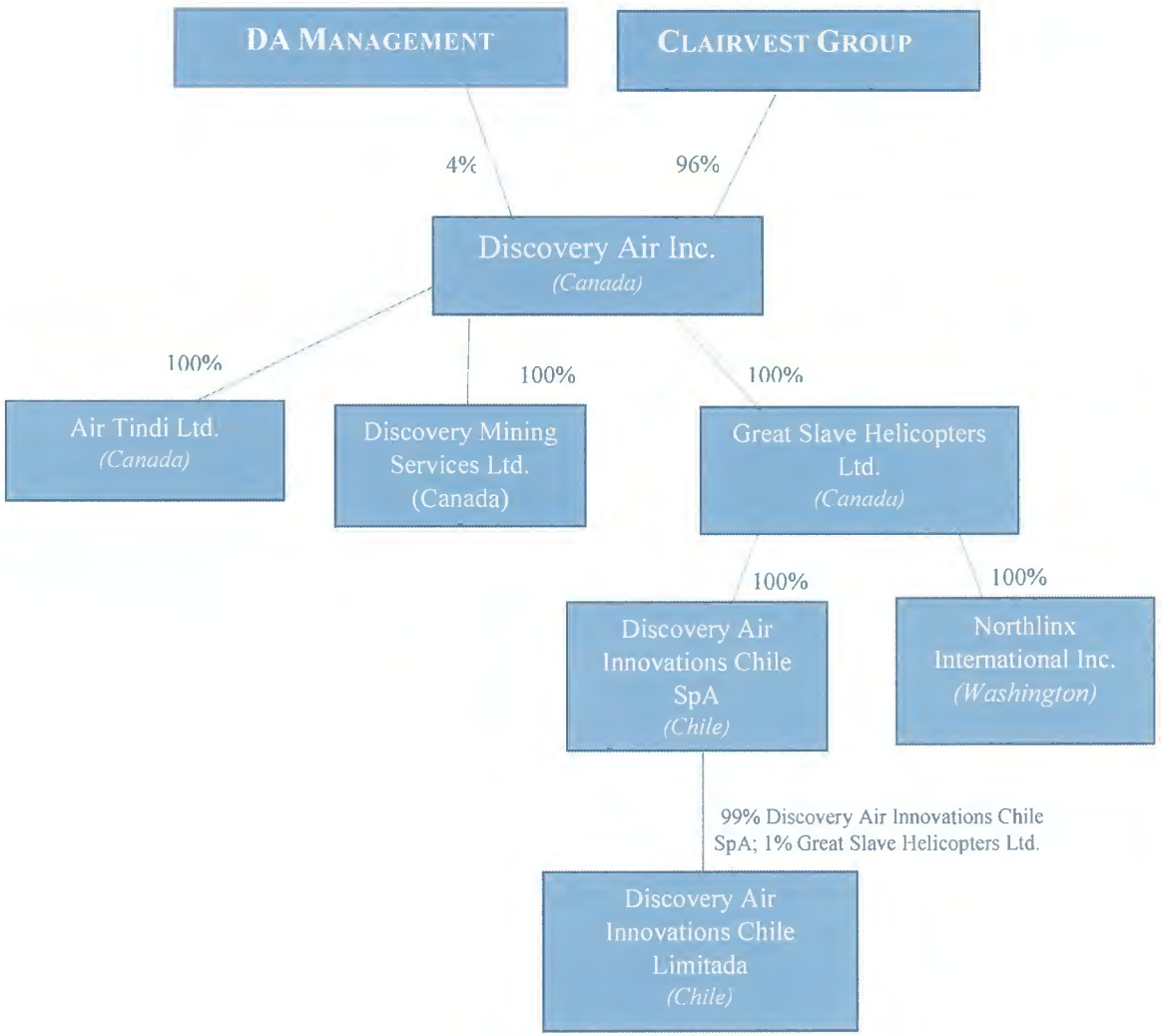
158. I am confident that the granting of the Initial CCAA Order, with the relief requested, is in the best interests of the Discovery Air Group and its many stakeholders.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 21st day of March, 2018.

Commissioner for taking affidavits

PAUL BERNARDS

Exhibit "A"



This is Exhibit "A" referred to in the affidavit of Paul Reynolds sworn before me at Toronto this 21 day of March 2018.

A Commissioner for taking Affidavits for Ontario

Exhibit "B"

This is Exhibit "B" referred to in the
affidavit of Paul Bernards
sworn before me at Toronto
this 21 day of March 20 18

A Commissioner for taking Affidavits for Ontario

DISCOVERY AIR

Consolidated Financial Statements
Years Ended January 31, 2017 and 2016

KPMG LLP
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3

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Fax (416) 777-8818
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Discovery Air Inc.

We have audited the accompanying consolidated financial statements of Discovery Air Inc., which comprise the consolidated statements of financial position as at January 31, 2017 and January 31, 2016, the consolidated statements of loss, comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Discovery Air Inc. as at January 31, 2017 and January 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
April 13, 2017

DISCOVERY AIR INC.

Consolidated Statements of Financial Position

As at January 31, 2017 and 2016

(thousands of Canadian dollars)	Note	January 31, 2017	January 31, 2016
Assets			
Current assets:			
Cash		**$ 329**	$ 358
Restricted cash		**16**	20
Trade and other receivables	23	**26,698**	28,883
Income taxes receivable	15	**603**	329
Inventory	5	**26,435**	29,232
Prepaid expenses and other		**17,153**	15,074
Assets held for sale	6	**2,271**	-
		73,505	73,896
Property and equipment	8	**178,119**	199,869
Long term receivables	11(v)	**797**	1,149
Goodwill	9	**37,861**	37,861
Intangible assets	10	**1,373**	1,363
Investments in associates	11	**6,243**	5,683
		$ 297,898	$ 319,821
Liabilities and Shareholders' equity			
Current liabilities:			
Operating line of credit	13	**$ 34,084**	$ 22,610
Trade and other payables		**25,672**	32,207
Current portion of loans and borrowings	12	**7,691**	8,181
		67,447	62,998
Loans and borrowings	12	**169,934**	172,431
Deferred income taxes	15	**8,192**	12,339
		178,126	184,770
Shareholders equity:			
Share capital		**93,713**	93,713
Contributed surplus		**12,400**	12,120
Deficit		**(55,886)**	(37,838)
Accumulated other comprehensive income		**2,098**	4,058
Total equity		**52,325**	72,053
		$ 297,898	$ 319,821

See accompanying notes to the consolidated financial statements.

DISCOVERY AIR INC.

Consolidated Statements of Loss

Years ended January 31, 2017 and 2016

(thousands of Canadian dollars, except per share amounts)	Note	January 31, 2017	January 31, 2016
Revenue		**$ 171,055**	$ 182,181
Expenses	17	**150,085**	157,082
		20,970	25,099
Depreciation and amortization	8,10	**19,748**	21,273
Finance costs	18	**20,431**	19,676
Share of profit from associates (net of income tax)	11	**(798)**	(1,553)
Other (gains) and losses	20	**2,682**	3,350
		42,063	42,746
Loss before income taxes		**(21,093)**	(17,647)
Income tax provision (recovery):			
Current	15	**(83)**	407
Deferred	15	**(2,935)**	(3,227)
		(3,018)	(2,820)
Loss from continuing operations		**(18,075)**	$ (14,827)
Income (loss) from discontinued operations, net of tax	7	**27**	(1,184)
Loss		**$ (18,048)**	$ (16,011)
Basic and diluted income (loss) per share:			
Continuing operations	19	**$ (0.22)**	$ (0.19)
Discontinued operations	19	**$ -**	$ (0.02)
Total Basic and diluted loss per share		**$ (0.22)**	$ (0.21)

Consolidated Statements of Comprehensive Income (Loss)

(thousands of Canadian dollars)	January 31, 2017	January 31, 2016
Loss	**$ (18,048)**	$ (16,011)
Other comprehensive income (loss):		
Exchange differences on translation of foreign operations	**(1,960)**	1,832
Total comprehensive loss	**$ (20,008)**	$ (14,179)

See accompanying notes to the consolidated financial statements.

DISCOVERY AIR INC.

Consolidated Statements of Shareholders' Equity

Years ended January 31, 2017 and 2016

(thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained (deficit)	Accumulated other comprehensive income (loss)	Total equity
Balance at January 31, 2016		**$ 93,713**	**$ 12,120**	**$ (37,838)**	**$ 4,058**	**$ 72,053**
Loss		**-**	**-**	**(18,048)**	**-**	**(18,048)**
Other comprehensive loss		**-**	**-**	**-**	**(1,960)**	**(1,960)**
Employee stock options	16(c)	**-**	**280**	**-**	**-**	**280**
Balance at January 31, 2017		**$ 93,713**	**$ 12,400**	**$ (55,886)**	**$ 2,098**	**$ 52,325**
Balance at January 31, 2015		$ 83,041	$ 11,586	$ (21,827)	$ 2,226	$ 75,026
Loss		-	-	(16,011)	-	(16,011)
Other comprehensive income		-	-	-	1,832	1,832
Employee stock options	16(c)	-	534	-	-	534
Initial Rights Offering (net of transaction costs)	16(b)	10,672	-	-	-	10,672
Balance at January 31, 2016		$ 93,713	$ 12,120	$ (37,838)	$ 4,058	$ 72,053

See accompanying notes to the consolidated financial statements.

DISCOVERY AIR INC.

Consolidated Statements of Cash Flows
Years ended January 31, 2017 and 2016

(thousands of Canadian dollars)	Note	January 31, 2017	January 31, 2016
Cash provided by (used in)			
Operating activities:			
Loss		**$ (18,048)**	(16,011)
Adjustments for:			
Current tax provision	15	**(83)**	407
Deferred tax recovery	15	**(2,896)**	(3,874)
Finance costs	18	**20,530**	19,265
Total share-based compensation		**245**	523
Depreciation and amortization	8,10	**19,748**	21,698
Share of profit from associates (net of income tax)	11	**(798)**	(1,553)
Other (gains) and losses	20	**2,682**	5,623
		21,380	26,078
Change in non-cash operating working capital	21	**(10,404)**	(4,447)
Interest paid		**(8,167)**	(7,555)
Net income taxes paid	15	**(415)**	(83)
Net cash provided by operating activities		**2,394**	13,993
Investing activities:			
Dividends received	11	**-**	585
Proceeds on disposal of subsidiary	4	**15,084**	-
Acquisition of property and equipment	8	**(15,694)**	(28,619)
Long term receivable collections	11(v)	**325**	305
Proceeds on disposal of property and equipment	8	**522**	7,750
Net cash provided by (used in) investing activities		**237**	(19,979)
Financing activities:			
Proceeds from operating line of credit	13	**11,475**	6,455
Loans and borrowings transaction costs		**-**	(271)
Proceeds from loans and borrowings	12	**-**	1,000
Repayment of loans, borrowings and finance leases	12	**(14,465)**	(12,143)
Proceeds from Rights Offering	16	**-**	11,000
Net cash provided by (used in) financing activities		**(2,990)**	6,041
Increase (decrease) in cash		**(359)**	55
Effect of exchange rate changes on cash and cash equivalents		**330**	(358)
Cash, balance beginning of period		**358**	661
Cash, balance end of period		**$ 329**	$ 358

See accompanying notes to the consolidated financial statements.

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:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), and were authorized for issue by the Corporation's board of directors on April 13, 2017.

(b) Basis of presentation:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

These consolidated financial statements have been prepared on the historical cost basis, except for liabilities for cash-settled share-based payment arrangements, which are measured at fair value through profit or loss.

(c) Foreign operations:

The functional and presentation currency of the Corporation is the Canadian dollar. Each of the Company's subsidiaries determines its functional currency and items included in the financial statements of each subsidiary are measured using that functional currency. The Corporation has a Chilean subsidiary whose functional currency is the Chilean Peso, a US subsidiary whose functional currency is the U.S. dollar, and a German branch whose functional currency is the Euro. The consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations in translating the revenues and expenses of the Corporation's operations in Chilean pesos and U.S. dollars to Canadian dollars. The assets and liabilities of the Corporation's foreign subsidiaries are translated to Canadian dollars at exchange rates applicable at each reporting date. Income and expenses are translated to Canadian dollars at exchange rates applicable at the dates of the transactions. Foreign currency translation differences relating to the impact of changes in exchange rates on the net assets of the foreign subsidiaries are recognized in other comprehensive income ("**OCI**"). The Corporation's other subsidiaries have a Canadian dollar functional currency.

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are translated to the functional currency at the exchange rates at that date. The resulting foreign exchange gains and losses are recognized in profit or loss in the Consolidated Statements of Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rates.

If a foreign operation is disposed of, the relevant amount in accumulated OCI is transferred to the Consolidated Statement of Loss as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal, when control is lost, of a foreign operation, the relevant proportion is reclassified to the Consolidated Statement of Loss.

(d) Use of estimates and judgments:

i) Property and equipment:

Depreciation methods require management's judgment in selecting the most appropriate method that reflects the pattern in which its future economic benefit is expected to be consumed over the useful life of the asset. These judgments are based on industry standards and the Corporation's specific history and experience.

Depreciation also requires management's judgment on the componentization of the Corporation's assets, as each part of an item in property and equipment should be depreciated separately. Judgment is required in determining which components constitute a significant cost in relation to the total cost of the asset.

Management must estimate the economic useful life, and the residual value in determining the periodic depreciation charge.

The impairment of property and equipment requires management's judgment in determining if an indicator for impairment exists, which is based on management's assessment of internal and external sources of information. If an indicator does exist and it is not possible to estimate the recoverable amount of the individual asset, then the Corporation should determine the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. Determining the CGUs requires management's judgment in identifying the smallest group of assets that includes the asset in question and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In determining the classification of a lease as either finance or an operating lease, judgment is required in assessing whether substantially all of the risks and rewards incidental to ownership are transferred.

ii) Intangible assets and goodwill:

In determining if an intangible asset should be recognized, management must use judgment to assess the probability that future economic benefits will flow to the Corporation, if the costs are measurable, and whether the life of the intangible asset is finite or indefinite.

If the intangible asset is determined to have an indefinite useful life it should be reviewed annually to determine, if in management's judgment, events or circumstances continue to support an indefinite useful life assessment.

The determination of the fair value of the intangible assets purchased in a business combination requires management to use judgment and estimates when no market exists for the intangible assets. Judgment is required in selecting valuation techniques, and in applying the techniques judgments and estimates are required when determining various inputs, such as future cash flows, attrition rates for customer relationships, royalty rates for trade names, discount rates in calculating present values, and growth rates expected by the Corporation.

Amortization methods for intangible assets require management's judgment and estimates, as described in property and equipment.

The impairment of goodwill and intangible assets requires management's judgment in determining if an indicator for impairment exists, which is based on management's assessment of internal and external sources of information. Irrespective of indicators, goodwill and indefinite life intangible assets are also tested for impairment annually. In determining if impairment exists, the carrying amount of the asset is compared to the recoverable amount. The recoverable amount is defined as the higher of the assets or CGU's fair value less costs to sell and its value in use. In calculating the value in use, judgment is required in determining future operating plans, discount rates and future growth rates. If it is not possible to estimate the recoverable amount of the individual intangible asset, then the Corporation determines the recoverable amount of the CGU to which the asset belongs. Determining the assets of the CGU requires management's judgment in identifying the smallest group of assets that includes the asset in question and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In conducting impairment tests, estimates are required by management to determine fair values, selling costs, future cash flows, discount and interest rates.

iii) Business combinations:

The Corporation's acquisitions are accounted for using the acquisition method. In identifying and measuring the assets acquired, management is required to make judgments, in particular in the identification and measurement of intangible

assets and goodwill. See above for judgments and estimates required in the recognition and measurement of intangible assets and goodwill.

iv) Fair value of share based payments:

In determining the fair value of share-based payments, the Corporation uses judgement in selecting an appropriate option valuation model. Within the valuation model various judgments and estimates are required, including, estimates about volatility, interest rates, and expected life of the share-based payment awarded.

v) Income tax:

In determining deferred tax assets and liabilities, management is required to make judgments and estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities.

3. Significant accounting policies:

The significant accounting principles used in the preparation of these consolidated financial statements, and applied consistently to all periods presented, are summarized below:

(a) Consolidation:

i) Subsidiaries:

Subsidiaries are entities over which the Corporation has control. Control is determined to exist when the Corporation has power over the investee, exposure to variable returns and has the ability to use its power to affect the investee's returns. All significant intercompany balances, transactions, and unrealized gains and losses on transactions have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Corporation.

ii) Associates:

Associates are those entities in which the Corporation has significant influence, which is defined as the power to participate in financial and operating policy decisions but does not have control or joint control of those policies.

Associates are accounted for using the equity method and are recognized initially at cost, including transaction costs incurred. The consolidated financial statements include the Corporation's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence commences until the date that significant influence ceases. When the Corporation's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation to fund the associate's operations or has made payments on behalf of the associate.

Unrealized gains on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising on investments in associates are recognized in profit or loss.

(b) Inventory:

Inventory, consisting of aircraft parts and supplies, is stated at the lower of cost and net realizable value (where replacement cost may be used as an indicator). Cost is determined on a first-in, first-out basis and a specific item basis depending on the nature of the inventory. The cost of all inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing the inventories to their existing location and condition. Net realizable value is the estimated selling price of the parts or supplies in the ordinary course of business, less estimated costs to make the sale.

(c) Property and equipment:

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. In particular, aircraft airframes, engines and components are inspected, repaired and overhauled at pre-specified intervals. These subsequent costs are capitalized, as incurred, when the above criteria are met and amortized over their useful life based on hours flown. The carrying amount of a major inspection is derecognized if a new major inspection is completed.

When major parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of that property and equipment.

The cost of day-to-day servicing of property and equipment is recognized in profit and loss when incurred.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property and equipment, and are recognized in profit or loss.

Depreciation is calculated using the "depreciable amount", which is the cost of an asset, or other amount substituted for cost, less its residual value, on either a straight line basis, or flight hours. If the useful lives of significant components of individual assets have a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment.

The method and rates used in calculating depreciation are as follows:

Asset	Basis	Rate
Buildings	Straight-line	20-25 years
Aircraft frames	Straight-line	20 years
Major aircraft components, overhauls and major inspections	Straight-line	Hours flown
Vehicles	Straight-line	3 years
Furniture and equipment	Straight-line	3-10 years
Leasehold improvements	Straight-line	Lesser of: the lease term or 5 years

The assets' residual values, useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

(d) Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. These leased assets are not recognized on the Corporation's Consolidated Statement of Financial Position. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line or hours flown basis over the period of the lease.

(e) Goodwill and business combinations:

Goodwill represents the excess of the fair value of the consideration transferred by the Corporation, including the recognized amount of any non-controlling interest in the acquiree, over the Corporation's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognized immediately in profit or loss.

The Corporation elects on a transaction-by-transaction basis whether to measure a non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(f) Intangible assets:

Intangible assets are assets acquired that lack physical substance and that meet the specified criteria for recognition apart from goodwill. Intangible assets are comprised mainly of trade names and customer relationships. Customer relationships are amortized on a straight-line basis over eight years. Trade names held by Discovery Air Defence Services Inc. (**"DA Defence"**) and Helicopters.cl SpA (**"Helicopters Chile"**) have an indefinite life and, therefore, are not amortized.

The assessment of a trade name as having an indefinite useful life is based on the prospects for long-term profitability and the overall positioning of the trade name in the market in terms of notoriety and volume.

(g) Impairment:

(i) Financial Assets:

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, or indications that a debtor or issuer will enter bankruptcy.

The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced through an allowance account and the amount of the loss is recognized in finance costs in the Consolidated Statement of Loss.

If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in finance costs in the Consolidated Statement of Loss.

(ii) Non-financial assets:

Goodwill and intangible assets with indefinite useful life (trade names) are not subject to amortization and are tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Property and equipment and intangible assets with definite useful life (customer relationships) are subject to depreciation and amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets that cannot be tested individually are grouped into CGUs.

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognized in profit or loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Previously impaired non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Revenue recognition:

Revenue is recognized at the fair value of the consideration received or receivable, net of trade discounts and rebates. Revenue from providing aviation and aviation-related services is recognized based on the terms of customer contracts that generally provide for revenue on the basis of hours flown or services provided at contract rates or fixed monthly charges or a combination of both.

Revenue is recognized when recovery of the consideration is probable, the associated costs and costs to complete can be estimated reliably, and the amount of revenue can be measured reliably.

(i) Income taxes:

Income tax expense for the year comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized in OCI or directly in equity.

Current income tax is the expected tax payable calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Stock-based compensation:

Equity-settled transactions:

The grant date fair value of share based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. An option valuation model is used to fair value the stock options on the grant date. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Cash-settled transactions:

The Corporation has a deferred share unit ("**DSU**") plan for directors (see note 16(d)). These DSUs are recognized at their fair value as compensation expense with a corresponding liability as they are granted. The DSUs are re-measured at the end of each reporting period using the closing market price of the Class A Shares and any changes in the fair value of the liability are recognized in profit or loss.

(k) Finance costs:

Finance costs comprise interest expense on loans and borrowings, net foreign exchange gains and losses, impairment loss (recovery) on trade receivables, and the amortization of the deferred transaction costs and financing costs related to loans and borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(l) Earnings per share:

The Corporation presents basic and diluted earnings per share ("**EPS**") data for its Shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of Shares outstanding during the period, adjusted for Shares held but not cancelled. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of Shares outstanding, adjusted for Shares held but not cancelled, and for the effects of all dilutive potential Shares. Convertible debentures and Share options granted to employees are included in the determination of dilutive potential Shares.

(m) Cash:

Cash includes cash on hand, balances with financial institutions and short-term investments with an initial term to maturity of three months or less.

(n) Financial instruments:

i) Classification, recognition and measurement:

At initial recognition, the Corporation's financial assets and liabilities are classified into the following categories:

Cash	Loans and receivables
Trade and other receivables	Loans and receivables
Operating line of credit	Financial liabilities at amortized cost
Trade and other payables	Financial liabilities at amortized cost
Loans and borrowings	Financial liabilities at amortized cost
Contingent consideration for business acquisition	Fair value through profit and loss

The Corporation initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets and liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less a provision for impairment, if any.

Financial liabilities at amortized cost are recognized initially at fair value, net of transaction costs and financing costs related to credit facilities, and subsequently measured at amortized cost using the effective interest method. Financial liabilities at amortized cost are classified as current liabilities if payment is due within 12 months or less; otherwise, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Corporation has reviewed its contractual arrangements and, where appropriate, has designated purchase contracts entered into for the purpose of receiving non-financial items for its normal usage requirements as executory contracts.

Financial assets and liabilities are offset (and the net amount is reported in the Consolidated Statement of Financial Position) only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

ii) Compound financial instruments:

Compound financial instruments issued by the Corporation comprise convertible debentures that can be converted to Shares at the option of the holder, and the number of Shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(iii) Share capital:

Shares are classified as equity. Incremental costs directly attributable to the issuance of Shares and Share options are recognized as a deduction from equity, net of any tax effects.

(o) Segment reporting:

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segment results for which discrete financial information is available are reviewed regularly by the Corporation's Chief Executive Officer ("**CEO**") to make decisions about resources to be allocated to the segment and to assess its performance.

Operating segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment and intangible assets other than goodwill. Unallocated items are primarily comprised of corporate assets, head office expenses, finance costs and income tax assets and liabilities.

(p) Provisions:

Provisions are recognized when: the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at management's best estimate of the expenditures expected to be required to settle the obligation at the balance sheet date. Where material, provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in a provision due to passage of time is recognized as finance cost in the Statement of Loss

(q) Employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

(r) Recently issued standards:

Unless otherwise noted, the following revised standards and amendments are effective for the Corporation on or after February 1, 2017.

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 annual periods beginning on or after January 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 annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation does not expect that IFRS 15 will have a significant impact on the recognition and measurement of revenue from contracts with customers.

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 annual periods beginning on or after January 1, 2019 with early adoption permitted. The Corporation expects that IFRS 16 will have a significant impact on the presentation and classification of leases in the Corporations financial statements when adopted.

4. Disposal of Subsidiary:

On September 8, 2016 the Corporation entered into an agreement to sell Discovery Air Fire Services Inc. ("Fire Services"). The transaction was completed on January 31, 2017, for proceeds of $16.0 million. The Corporation incurred $0.9 million in transaction costs and recorded a pre-tax gain of $0.3 million, in Other (gains) and losses in the Consolidated Statements of Loss.

The transaction included the following assets and liabilities:

(thousands of Canadian dollars)	January 31, 2017
Assets	
Current assets	$ 1,508
Property and equipment	14,902
Total Assets	$ 16,410
Liabilities	
Trade and other payables	373
Loans and borrowings	15
Deferred income taxes	1,251
Total Liabilities	$ 1,639

5. Inventory:

The Corporation's inventory is substantially comprised of consumable spare aircraft parts and supplies. Inventory expensed in continuing operations in the Consolidated Statement of Loss for the year ended January 31, 2017 was $11.7 million (January 31, 2016 - $10.0 million). During the year ended January 31, 2017 there were $0.3 million of inventory write-downs (January 31, 2016 – $0.5 million) to net realizable value and no reversals of previously recorded write-downs.

The Corporation has provided a first charge over certain assets (including inventory), under a general security agreement, as security for the Corporation's operating line of credit (see note 13). That first charge does not extend to inventory of DA Defence, which has been pledged to the holders of the Secured Debentures (see note 12(a)).

6. Assets held for sale:

The Corporation has committed to a plan to dispose of four aircraft. Accordingly, at January 31, 2017, the aircraft were valued at a cost of $2.3 million, which was the lower of cost and fair value less cost to sell. Two of these aircraft were sold in April 2017.

7. 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.

Results of Technical Services discontinued operations are as follows:

(thousands of Canadian dollars)	**January 31, 2017**	January 31, 2016
Revenue	**$ 318**	$ 18,391
Expenses	**153**	17,936
	165	455
Depreciation of property and equipment	**-**	425
Finance costs	**99**	(410)
Other (gains) and losses	**-**	2,272
	99	2,287
Income (loss) before income taxes	**66**	(1,832)
Income tax expense (recovery):		
Current	**-**	-
Deferred	**39**	(648)
	39	(648)
Income (loss)	**$ 27**	$ (1,184)

Cash flows from Technical Services discontinued operations are as follows:

(thousands of Canadian dollars)	**January 31, 2017**	January 31, 2016
Net cash provided by (used in) operating activities	**$ (414)**	$ 1,179
Net cash provided by investing activities	**-**	919
Net cash used in financing activities	**-**	(107)
Net cash flow for the year	**$ (414)**	$ 1,991

8. Property and Equipment:

(thousands of Canadian dollars)

Cost	Land and Buildings	Furniture, Equipment, Leaseholds	Aircraft and Components	Vehicles	Total
Balance January 31, 2016	$ 24,078	$ 27,393	$ 278,346	$ 2,345	$ 332,162
Additions	76	2,990	12,287	62	15,415
Disposals	(237)	(159)	(4,635)	-	(5,031)
Disposal of subsidiary	(2,927)	(632)	(20,657)	(153)	(24,369)
Transfers from inventory	-	-	3,080	-	3,080
Foreign exchange	10	246	(1,810)	186	(1,368)
Assets held for sale	-	-	(2,271)	-	(2,271)
Balance January 31, 2017	$ 21,000	$ 29,838	$ 264,340	$ 2,440	$ 317,618
Depreciation and Impairment					
Balance January 31, 2016	$ (9,106)	$ (17,575)	$ (103,728)	$ (1,884)	$ (132,293)
Depreciation	(1,118)	(2,522)	(15,942)	(166)	(19,748)
Disposals	56	159	4,232	-	4,447
Disposal of subsidiary	1,471	597	7,285	113	9,466
Foreign exchange	(22)	(155)	390	(176)	37
Impairment	-	-	(1,408)	-	(1,408)
Balance, January 31, 2017	(8,719)	(19,496)	(109,171)	(2,113)	(139,499)
Net book value - January 31, 2017	12,281	10,342	155,169	327	178,119

Cost	Land and Buildings	Furniture, Equipment, Leaseholds	Aircraft and Components	Vehicles	Total
Balance January 31, 2015	$ 27,750	$ 27,371	$ 235,750	$ 2,505	$ 293,376
Additions	378	1,977	46,940	484	49,779
Disposals	(4,015)	(2,093)	(9,188)	(641)	(15,937)
Foreign exchange	(35)	138	1,882	(3)	1,982
Reclassification	-	-	2,962	-	2,962
Balance January 31, 2016	$ 24,078	$ 27,393	$ 278,346	$ 2,345	$ 332,162
Depreciation and Impairment					
Balance January 31, 2015	$ (8,289)	$ (16,408)	$ (86,082)	$ (2,209)	(112,988)
Depreciation	(1,200)	(2,591)	(16,265)	(186)	(20,242)
Disposals	376	1,440	3,390	499	5,705
Foreign exchange	7	(16)	(120)	12	(117)
Impairment	-	-	(4,959)	-	(4,959)
Reclassification	-	-	308	-	308
Balance, January 31, 2016	(9,106)	(17,575)	(103,728)	(1,884)	(132,293)
Net book value - January 31, 2016	14,972	9,818	174,618	461	199,869

Included in property and equipment are assets capitalized under finance lease arrangements. During the year ended January 31, 2017, there were no additions acquired under these arrangements (January 31, 2016 - $0.3 million). At January 31, 2017, the net book values of aircraft and components under finance lease arrangements were nil (January 31, 2016 – $1.1 million), and $0.1 million (January 31, 2016 - $0.3 million) of vehicles. Total net book value of property and equipment under finance lease, for the year ended January 31, 2017, was $0.1 million (January 31, 2016 - $1.4 million).

The Corporation has assigned $145.6 million of aircraft and components and land and buildings as security in debt arrangements, and has floating charges over the Corporation's other classes of assets through general security agreements in favour of the debts identified in notes 12 and 13.

9. Goodwill:

For the purposes of testing the impairment of goodwill, the aggregate amount of goodwill arising on acquisition has been assigned to the CGU of DA Defence. The recoverable amount of the DA Defence CGU is based on value in use using a discounted cash flow model based on management's assessment of future cash flows from continued use of the CGU. Management assessments are based on industry trends in which the CGUs operate, and other external and internal sources, including historical trend data. For the years ended January 31, 2017 and 2016 the analysis reflected recoverable amounts in excess of carrying values in the DA Defence CGU and the Corporation believes that reasonable changes in key assumptions used in the analysis would not cause the recoverable amount of goodwill to fall below its carrying value.

10. Intangible assets:

(thousands of Canadian dollars)

Cost	Customer Relationships	Trade Names	Other	Total
Balance, January 31, 2016	$ 35,385	$ 1,363	$ -	$ 36,748
Foreign exchange	-	10	-	10
Balance, January 31, 2017	$ 35,385	$ 1,373	$ -	$ 36,758
Amortization and Impairment				
Balance, January 31, 2016	$ (35,385)	$ -	$ -	$ (35,385)
Amortization	-	-	-	-
Balance, January 31, 2017	$ (35,385)	$ -	$ -	$ (35,385)
Net book value, January 31, 2017	$ -	$ 1,373	$ -	$ 1,373

Cost	Customer Relationships	Trade Names	Other	Total
Balance, January 31, 2015	$ 35,385	$ 1,371	$ -	$ 36,756
Foreign exchange	-	(8)	-	- 8
Balance, January 31, 2016	$ 35,385	$ 1,363	$ -	$ 36,748
Amortization and Impairment				
Balance, January 31, 2015	$ (33,938)	$ -	$ -	$ (33,938)
Amortization	(1,447)	-	-	(1,447)
Balance, January 31, 2016	$ (35,385)	$ -	$ -	$ (35,385)
Net book value, January 31, 2016	$ -	$ 1,363	$ -	$ 1,363

The Corporation evaluated indefinite life intangible assets for impairment related to the DA Defence CGU and Great Slave Helicopters Ltd. ("**GSH**") Chilean CGU as at January 31, 2017. No impairment loss was required to be recorded.

11. Investments in Associates:

(thousands of Canadian dollars)		
Investment balance, January 31, 2015	$	4,715
Distributions		(585)
Share of profit		1,553
Investment balance, January 31, 2016	$	5,683
Reclassification		(238)
Share of profit		798
Investment balance, January 31, 2017	$	6,243

The Corporation has the following investments in Associates:

i) 49% interest in Gwich'in Helicopters Limited ("**Gwich'in**"), a corporate venture incorporated in Canada; Gwich'in contracts helicopter aviation services to the government and corporate sectors within the Gwich'in settlement area of the Northwest Territories;

ii) 49% interest in Denendeh Helicopters Ltd. ("**Denendeh**"), a corporate venture incorporated in Canada; Denendeh provides helicopter charter services to the government and corporate sectors within the South Mackenzie District of the Northwest Territories;

iii) 49% interest in 3542564 Canada Inc., operating as Sahtu Helicopters ("**Sahtu**"), a corporate venture incorporated in Canada; Sahtu provides helicopter charter services to the government and corporate sectors within the Tulita district within the Sahtu settlement area of the Northwest Territories;

iv) 35% interest in K'ahsho Got'ine Helicopters Ltd. ("**K'ahsho Got'ine**"), a corporate venture incorporated in Canada; K'ahsho Got'ine provides helicopter charter services to the government and corporate sectors within the Kitikmeot region of Nunavut;

v) 48% interest in Tli Cho Air Inc. ("**Tli Cho**"), a corporate venture incorporated in Canada; Tli Cho provides fixed wing charter services to the mining, corporate and government sectors within the Tli Cho region of the Northwest Territories. In January 2012, the Corporation sold an aircraft to Tli Cho for $5.3 million, of which $2.5 million will be repaid over 8 years. The long term portion of this receivable is reflected in long term notes receivable. For the year ended January 31, 2017 the long term note receivable balance was $0.8 million (January 31, 2016 - $1.1 million). The note bears interest at a rate of 7%. The Corporation has entered into a leaseback arrangement for this aircraft;

vi) 49% interest in Aqsaqniq Airways Ltd. ("**Aqsaqniq**"), a corporate venture incorporated in Canada; Aqsaqniq provides fixed wing charter services to the mining, corporate and government sectors within the Kitikmeot region of Nunavut; and

vii) 49% interest in Global Aviation Tools and Equipment (GATE) Inc. ("**GATE**"), a corporate venture incorporated in Canada; GATE provides supplies and repairs aircraft parts.

viii) 49% interest in Nunavut Expediting Services Ltd. ("**NES**"), a corporate venture incorporated in Canada; NES provides expediting services in Nunavut.

12. Loans and borrowings:

(thousands of Canadian dollars)	Note	**January 31, 2017**	January 31, 2016
10.00% secured convertible debentures, maturing March 31, 2018 (**"Secured Debentures"**)	12(a)	$ 104,152	$ 98,895
8.375% unsecured convertible debentures, maturing June 30, 2018 (**"Unsecured Debentures"**)	12(b)	33,927	33,573
Long-term secured debt bearing interest at prime rate plus 3.05%, maturing April 1, 2023	12(c)	14,598	16,043
Long-term secured debt bearing interest at the BA rate plus 5.15%, maturing April 1, 2019	12(d)	13,783	15,302
Long-term secured debt bearing interest of lender's base rate plus 4.00%, maturing April 15, 2018	12(e)	6,955	11,716
Short-term secured debt bearing a fixed interest rate of 8.00%, maturing June 15, 2017	12(f)	2,300	2,300
Long-term secured debt bearing interest at the BA rate plus 4.55%, maturing March 1, 2019	12(g)	1,278	1,343
Various long-term secured debt bearing fixed and floating interest rates		422	457
Finance leases		210	983
Loans and borrowings		**$ 177,625**	$ 180,612
Less current portion of loans and borrowings		**$ 7,691**	$ 8,181
		$ 169,934	$ 172,431

(a) On September 23, 2011, the Corporation closed the private placement of $70.0 million principal amount of Secured Debentures. Transaction costs of $2.0 million and the $3.3 million fair value of the conversion feature at inception are netted against the carrying value of the Secured Debentures and are being accreted to their face value based on the effective interest rate of 11.61% per annum. The Secured Debentures mature on March 31, 2018, subject to adjustment by the holders of the Secured Debentures. The Corporation may redeem the Secured Debentures, provided the weighted average trading price of Class A Shares exceeds 116% of the then-applicable conversion price of the Secured Debentures over a specified trading period prior to issuance of the redemption notice. Further, if the Corporation undergoes a change of control (as defined in the Secured Debentures), the Corporation is required to offer to purchase all of the Secured Debentures. Interest on the Secured Debentures accrues at a rate of 10% per annum and is added to the adjusted principal amount of Secured Debentures on March 22 of each year. The initial conversion price of the Secured Debentures of $7.50 per Share increases at 10% per annum, and as a result, the original face amount of the Secured Debentures plus all accrued interest would be convertible into 8,375,570 Shares (previously 8,814,148 Shares with the reduction related to the interest repayment on January 31, 2017 mentioned below). The Secured Debentures have a first-lien security interest in all assets of the Corporation and its subsidiaries, except with respect to accounts receivable, certain inventory, and certain equipment.

The Secured Debentures require the Corporation to comply with several financial covenants, including: a debt leverage covenant, which requires the Corporation to maintain a total debt to EBITDA, as specifically defined in the Secured Debentures (the **"Debt Leverage Covenant"**), and a pledged asset ratio covenant, which requires the Corporation to provide the holders of the Secured Debentures with a first-lien security interest over assets having an appraised value equal to a prescribed ratio of the adjusted principal amount of the Secured Debentures (the "PAR Covenant").

The Corporation has obtained amendments to the Secured Debentures to waive or amend the Debt Leverage Covenant and the PAR covenant for the quarters ended January 31, 2017 through to October 31, 2017. In the event the Corporation requires additional amendments in the future, the Corporation expects to obtain amendments as needed. However, no assurances can be provided that additional amendments can be obtained.

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 January 31, 2017, the loan balance included accrued interest of $3.3 million (January 31, 2016 - $8.0 million).

On January 31, 2017, the Corporation repaid $5.5 million of accrued interest.

(b) In May, 2011, the Corporation raised $34.5 million through the issuance of 8.375% convertible unsecured subordinated debentures at a price of $1,000 per debenture. The Unsecured Debentures accrue interest at the rate of 8.375% per annum payable semi-annually and the principal balance is due at maturity on June 30, 2018. At the holders' option, the Unsecured Debentures may be converted into 6,804,734 Class A Shares at any time prior to the maturity date at a conversion price of $5.07 per Share, subject to standard anti-dilution and adjustment provisions. The Corporation may, at its option and subject to notice period requirements, redeem the Unsecured Debentures, in whole or in part, at par plus accrued and unpaid interest, provided that the weighted average trading price of the Class A Shares on the TSX during a specified period prior to redemption is not less than 125% of the conversion price. Further, if the Corporation undergoes a change of control, the Corporation is required to offer to purchase all of the Unsecured Debentures. Transaction costs of $0.8 million and the $1.4 million fair value of the conversion feature at inception are netted against the carrying value of the Unsecured Debentures and are being accreted to their face value based on an effective interest rate of 11.86% per annum.

(c) On April 1, 2015, the Corporation entered into three loan agreements, each for $5.8 million, to purchase three new aircraft and related modifications. The loans mature on April 1, 2023. From the commencement of the loan to August 1, 2015 the Corporation made interest only payments. The loans bear interest at the Canadian prime rate plus 3.05% per annum. Two of the loans are repayable commencing August 1, 2015 with estimated blended monthly instalments of $75,000 for twenty four months, and estimated payments of $62,000 per month thereafter, with the balance due at maturity. The third loan is repayable commencing August 1, 2015 with estimated blended monthly instalments of $80,000 for five months, followed by four months of interest only payments while modifications to the aircraft are completed, then returning to estimated blended payments of $80,000 commencing May 1, 2016 for fifteen months, and estimated payments of $64,000 per month thereafter, with the balance due at maturity. In addition, commencing on August 1, 2015 the Corporation will make monthly payments of $13,000 per aircraft to the lender for engine reserves. Transaction costs of $0.3 million are netted against the carrying value of the loan and are being accreted to the loan's face value based on an effective interest rate of 6.27% per annum. The loans are secured by a first charge on the aircraft purchased. The agreement requires that the Corporation observe a variety of non-financial covenants.

(d) On March 31, 2014, the Corporation entered into a $21.5 million term loan agreement. The loan matures on April 1, 2019 with current payment terms of $0.1 million per month for the period April 1, 2016 to March 31, 2017, then monthly payments of $0.2 million thereafter. The loan bears interest at a rate equal to the three-month Canadian dollar bankers' acceptance rate ("**BA rate**") plus 5.15% per annum. The loan is secured by charges on specific aircraft, as well as certain subsidiary guarantees and general security agreements. Transaction costs of $0.2 million are netted against the carrying value of the loan and are being accreted to the loan's face value based on the loan's effective interest rate of 6.59% per annum. The agreement requires that the Corporation observe a variety of nonfinancial covenants, maintain a minimum fixed charge coverage ratio, and not exceed a specified level of total liabilities to tangible net worth (see note 12(h)).

(e) On March 26, 2012, the Corporation entered into a $20.0 million term loan agreement. The loan matures on April 15, 2018 and is currently repayable in monthly instalments of $0.1 million plus interest for the period April 15, 2016 through to March 15, 2017, and $0.2 million thereafter with the balance due at maturity. The loan bears an interest rate equal to the lender's floating base rate plus 4.00% per annum. The loan is secured by a charge on specific aircraft, as well as certain subsidiary guarantees and general security agreements. Transaction costs of $0.2 million are netted against the carrying value of the loan and are being accreted to the loan's face value based on an effective interest rate of 4.99% per annum. The agreement requires that the Corporation observe a variety of non-financial covenants and maintain a minimum fixed charge coverage ratio.

(f) On June 2, 2015, the Corporation entered into an unsecured short term loan with Clairvest Group Inc. for the purchase of two new aircraft. The maturity was extended to June 15, 2017 and bears interest at 8% per annum.

(g) On January 31, 2014, the Corporation entered into a $1.6 million term loan. The loan matures on March 1, 2019 and is currently repayable in monthly instalments of $11,000 through to March 1, 2017, and monthly installments of $20,000 thereafter with the balance due at maturity. The loan bears interest at a rate equal to the three-month Canadian dollar BA rate plus 4.55% per annum. The loan is secured by charge on the aircraft, as well as certain subsidiary guarantees and general security agreements. Transaction costs of $0.1 million are netted against the carrying value of the loan and are being accreted to the loan's face value based on the loan's effective interest rate of 7.06% per annum. The agreement requires that the Corporation observe a variety of nonfinancial covenants, maintain a minimum fixed charge coverage ratio, and not exceed a specified level of leverage.

(h) 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, (iii) the value of the security pledged to its lenders in relation to its debt levels, and (iv) its continued ability to obtain waivers or amendments in the event of non-compliance with its covenants in the future. As interest on the Secured Debentures is paid in kind (i.e. accrues and is added to the principal amount of the Secured Debentures), 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 January 31, 2017.

Repayments on or in respect of the outstanding loans and borrowings as at January 31, 2017 for each of the next five years and thereafter are as follows:

(thousands of Canadian dollars)		
Within 1 year	$	7,691
Within 2 years		146,941
Within 3 years		12,721
Within 4 years		1,675
Within 5 years		1,775
Thereafter		6,822
Total	$	177,625

Interest expense on or in respect of loans and borrowings for the years ended January 31, 2017, was $16.9 million (January 31, 2016 - $16.8 million).

13. Operating line of credit:

On May 26, 2015, the Corporation entered into an operating line of credit ("**Operating Line**") agreement. The Operating Line matures on June 30, 2017, and increases the borrowing limit to $30.0 million during the Corporation's peak season and $20.0 million outside of the peak season. Aggregate borrowings are limited to eligible accounts receivable, inventory and aircraft parts, and an amount (no greater than $5.0 million) guaranteed by Clairvest Group Inc., subject to an allowance for specific reserves. The Operating Line also 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., at 103% of the amount drawn. This additional credit facility matures on May 26, 2017. The Corporation is compliant with all applicable covenants as of January 31, 2017. Total transactions costs for this facility were $0.4 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 bore interest of 12% and was payable monthly. The balance was repaid on December 20, 2016.

On December 20, 2016, DA Defence entered into a $25.0 million convertible secured revolving loan agreement ("**Credit Agreement**") with Clairvest. The loan bears interest of 12% and is payable on February 15, 2017, May 15, 2017 and at maturity on June 30, 2017. Interest payable on February 15, 2017 was paid in full. Prior to the maturity date, the Corporation expects the Credit Agreement to be extended at similar terms and conditions, or that it will be converted into DA Defence common shares, as per the terms of the agreement.

As at January 31, 2017, $1.0 million of the Operating Line was applied to letters of credit (January 31, 2016 - $1.4 million), resulting in a combined unused borrowing capacity of $19.9 million under the Operating Line and the Credit Agreement. Although the Corporation believes it can renew or extend the Operating Line and the Credit Agreement prior to maturity, there can be no assurance that the Operating Line and Credit Agreement will be renewed or extended.

14. Finance leases:

The Corporation has leases of various facilities, equipment and vehicles, which are classified as finance leases. The interest rates on these leases range from 2% to 10% per annum and remaining lease terms range from 1 to 3 years. The obligations under these leases are secured by the related assets associated with the leases.

(thousands of Canadian dollars)

Minimum lease payment due	Within one year	One to five years	After five years	Total
January 31, 2017:				
Future minimum lease payments	$ 84	$ 138	$ -	**$ 222**
Interest	(8)	(4)	-	**(12)**
Present value of minimum payments	$ 76	$ 134	$ -	**$ 210**

The present value of finance lease obligations, in total, for the year ended January 31, 2016 was $1.0 million.

15. Income taxes:

Income tax expense (recovery) is comprised of:

(thousands of Canadian dollars)

	January 31, 2017	January 31, 2016
Current income tax expense (recovery) from continuing operations:		
Current period	$ (332)	$ 423
Change in prior period estimates	249	(16)
	$ (83)	$ 407
Deferred Income tax expense (recovery) from continuing operations:		
Origination and reversal of temporary differences	(2,945)	(3,262)
Change in prior period estimates	10	35
	(2,935)	(3,227)
Total income tax recovery	$ (3,018)	$ (2,820)

Reconciliation of effective tax rate:

Income tax recovery differs from the amounts that would be computed by applying the federal and provincial statutory income tax rates of 27% (January 31, 2016 – 27%) to loss before income tax. The reasons for the differences are as follows:

(thousands of Canadian dollars)	**January 31, 2017**	January 31, 2016
Loss before income taxes	**$ (21,093)**	$ (17,647)
Federal and provincial statutory income tax rate	**27%**	27%
Expected tax recovery	**$ (5,695)**	$ (4,765)
Increase (decrease) resulting from:		
Losses and other deferred tax assets for which the benefit has not been recognized	**3,238**	1,979
Unrecognized loss on sale of subsidiary, net of non-taxable portion of gain	**312**	-
Differences in tax rates in foreign jurisdictions	**(941)**	(572)
Differences in expected effective tax rates	**90**	110
Other permanent differences	**(22)**	428
	$ (3,018)	$ (2,820)

The significant components of deferred income tax assets/liabilities are as follows:

(thousands of Canadian dollars)	**January 31, 2017**	January 31, 2016
Deferred tax liabilities:		
Property and equipment	**$ 26,697**	$ 27,837
Intangible assets	**(112)**	(201)
Conversion feature on Unsecured Debentures	**69**	111
Deferred tax assets:		
Non-capital loss carryforwards	**(17,319)**	(14,124)
Other	**(1,143)**	(1,284)
	$ 8,192	$ 12,339

As at January 31, 2017, the Corporation has accumulated approximately $83.5 million (January 31, 2016 - $63.1 million) in non-capital losses that are available to reduce taxable income in future years. These losses have the following dates of expiry:

(thousands of Canadian dollars)

Year of expiry	Canada	USA	Taxable losses
2030	$ 455	$ -	$ 455
2031	344	-	344
2032	2,485	-	2,485
2033	10,095	-	10,095
2034	5,973	125	6,098
2035	6,448	4,120	10,568
2036	17,683	6,850	24,533
2037	22,132	6,809	28,941
	$ 65,615	$ 17,904	$ 83,519

Deferred tax assets are recognized for these non-capital loss carry forwards to the extent that the realization benefit through future taxable profits is probable. The ability of the Corporation to realize the tax benefits of the loss carry forwards is contingent on many factors including the ability to generate future taxable profits in the jurisdictions in which the tax losses arose.

The non-capital losses include $17.9 million of losses which are not recognized as a deferred tax asset. These losses expire in 2034 to 2037.

16. Share capital and share-based compensation:

(a) Authorized:

The Corporation is authorized to issue an unlimited number of Class A Shares and an unlimited number of Class B Shares.

The Canada Transportation Act (the "CTA") requires that holders of licences to operate a domestic air service be "Canadian" within the meaning of the CTA. In order to comply with certain requirements of the CTA, Class A Shares may be beneficially owned and controlled, directly or indirectly, only by persons who are Canadians, and Class B Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are not Canadians. The CTA defines a "Canadian", among other criteria, as a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians citizens or a permanent resident and of which at least 75% (or such lesser percentage as the Governor in Council may by regulation specify) of the voting interests are owned and controlled by Canadians.

The holders of both Class A Shares and Class B Shares are entitled to receive dividends, as declared from time-to-time, and are entitled to one vote per share at meetings of the shareholders of the Corporation provided that the Class B Shares as a class are entitled to exercise no greater than 25% (or such higher percentage as the Governor in Council may by regulation specify) of all votes attached to the Shares. All Shares rank equally with regard to the Corporation's residual assets.

(b) Issued and outstanding:

(thousands of Canadian dollars, except for shares)

	January 31, 2017		January 31, 2016	
	Shares	**Amount**	Shares	Amount
Class A Shares				
Outstanding, beginning of year	**79,286,721**	**$ 92,294**	31,510,148	$ 81,622
Issued from Rights Offering (net of transaction costs)	**-**	**-**	50,000,000	10,672
Transfer to Class B	**-**	**-**	(2,223,427)	-
Outstanding, end of period	**79,286,721**	**$ 92,294**	79,286,721	$ 92,294
Class B Shares				
Outstanding, beginning of year	**2,710,754**	**$ 1,419**	487,327	$ 1,419
Transfer from Class A	**-**	**-**	2,223,427	-
Outstanding, end of period	**2,710,754**	**$ 1,419**	2,710,754	$ 1,419
	81,997,475	**$ 93,713**	81,997,475	$ 93,713

A rights offering announced on January 19, 2015 ("**Rights Offering**"), was completed on March 13, 2015. The Corporation raised $10.7 million in net proceeds from the issuance of 50.0 million Shares. As a result of the Rights Offering Clairvest became the Corporation's majority shareholder (see note 24(a)).

(c) Share-based compensation:

Employee Stock Options (equity settled)

As at January 31, 2017, the Corporation had stock options outstanding that were granted to the officers and employees of the Corporation under three different employee stock option plans. The employee stock option plan created in January 2006 (the "**2006 plan**") was terminated in June 2008, terminating any additional grants under this plan. All outstanding stock options granted under the January 2006 plan are fully vested.

In June 2010, a new employee stock plan (the "**2010 plan**") was approved by the shareholders. Stock options granted under the 2010 plan have an exercise price set at the closing market price of the Class A Shares on the day preceding the date of grant, are exercisable for up to 10 years, and have vesting periods of three to five years, as determined by the Corporation's board of directors. All outstanding stock options granted under the January 2010 plan are fully vested.

On June 11, 2013, a new employee stock plan (the "**2013 plan**") was approved by shareholders. Stock options granted under the 2013 plan have an exercise price set by the board of directors provided that it may not be less than the weighted average market price of the common shares on the TSX on the five trading days prior to such date. The board of directors will have authority to determine the expiry date for each option, provided that it may not be more than 10 years from the grant date as well as the authority to determine the vesting schedule for each grant. Any options granted after the effective date of the 2013 plan will be issued under, and will be governed by the terms of the 2013 plan.

At January 31, 2017, 7,867,043 Shares have been reserved for stock options as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.01 - $0.50	5,669,475	8.27	$ 0.30	2,267,790	$ 0.30
$0.51 - $2.49	2,113,063	7.75	$ 0.86	1,267,838	$ 0.86
$2.50 - $4.99	30,000	0.62	$ 2.56	30,000	$ 2.56
$5.00 - $10.00	-	0.00	$ -	-	$ -
$10.10 - $15.00	15,075	1.06	$ 12.37	15,075	$ 12.37
$15.01 - $17.50	23,350	0.59	$ 15.52	23,350	$ 15.52
$17.51 - $18.50	16,080	0.05	$ 18.50	16,080	$ 18.50
	7,867,043			3,620,133	

Stock option transactions for the periods ended January 31, 2017 and January 31, 2016 were as follows:

	January 31, 2017		**January 31, 2016**	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**8,023,398**	**$ 1.45**	2,496,613	$ 1.45
Granted	**-**	**0.30**	5,744,475	0.30
Expired/Forfeited	**(156,355)**	**1.91**	(217,690)	1.23
Outstanding, end of period	**7,867,043**	**$ 0.61**	8,023,398	$ 1.45

For the year ended January 31, 2017, the Corporation recognized a net share based compensation expense of $0.3 million (January 31, 2016 – $0.5 million), relating to the estimated fair value of vesting employee stock options.

(d) Deferred share units (cash settled):

At January 31, 2017, there were 604,463 (January 31, 2015 – 534,763) DSUs held by the directors of the Corporation. Each DSU entitles a director, upon ceasing to be a director or (in the case of U.S. resident directors) upon a separation from service, to a cash distribution equal to the market value of the Class A Shares. During the year ended January 31, 2017, the Corporation granted 69,696 (January 31, 2016 – 273,144) DSUs, and had no cancellations (January 31, 2016 – 101,753). For the years ended January 31, 2017 and 2016 the Corporation recognized a nominal amount of net compensation expense related to DSUs.

The carrying amount of the liability at January 31, 2017 in respect of the DSUs was $0.1 million (January 31, 2016 - $0.1 million).

17. Expenses:

(thousands of Canadian dollars)

	January 31, 2017	January 31, 2016
Wages and related benefits	$ **75,045**	$ 78,636
Crew related expenses including travel	**12,586**	13,131
Repairs and maintenance	**14,216**	14,934
Fuel	**11,280**	12,309
Aircraft lease expense	**9,068**	10,988
Facility and related support costs	**14,358**	13,985
Other expenses	**13,532**	13,099
	$ **150,085**	$ 157,082

18. Finance costs:

(thousands of Canadian dollars)

	Note	January 31, 2017	January 31, 2016
Interest and fees payable in cash		$ **8,227**	$ 7,425
Interest payable in kind	12(a)	**10,017**	9,196
Accretion of discounts on loans and borrowings		**1,525**	1,772
Net foreign exchange gain (loss)		**(422)**	947
Impairment loss on trade receivables	23(b)	**1,084**	336
		$ **20,431**	$ 19,676

19. Earnings per share:

(thousands of Canadian dollars, except per share amounts)

	January 31, 2017	January 31, 2016
Basic and Diluted loss per share:		
Income (loss) attributable to shareholders		
Continuing operations	$ **(18,075)**	$ (14,827)
Discontinued operations	**27**	(1,184)
Weighted average number of Shares outstanding	**81,997**	76,669
Basic and Diluted loss per share from continuing operations	$ **(0.22)**	$ (0.19)
Basic and Diluted loss per share from discontinued operations	**0.00**	(0.02)

For the year ended January 31, 2017, 18,800,437 (January 31, 2016 – 17,756,662) 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 January 31 2017, and 2016 was below the conversion price of the Unsecured Debentures and Secured Debentures, IAS 33,

Earnings per share, considers these debentures dilutive only if the interest savings per share (net of tax) is less than the basic earnings per share.

20. Other (gains) and losses:

(thousands of Canadian dollars)	For the year ended	
	January 31, 2017	January 31, 2016
(Gain) Loss on disposal of property and equipment	**$ 85**	$ (1,734)
Impairment loss	**1,788**	5,084
Gain on disposal of subsidiary	**(303)**	-
Restructuring provision	**1,112**	-
	$ 2,682	$ 3,350

21. Change in non-cash operating working capital:

(thousands of Canadian dollars)	For the year ended	
	January 31, 2017	January 31, 2016
Restricted cash	**$ 4**	$ 935
Trade and other receivables	**1,061**	1,375
Inventory	**(1,825)**	(7,730)
Prepaid expenses and other	**(3,824)**	(1,202)
Trade and other payables	**(5,820)**	2,175
	$ (10,404)	$ (4,447)

22. Capital disclosures:

The Corporation's capital structure consists of long-term debt (see note 12) and shareholders' equity (see note 16). Management's primary objective of capital structure oversight is to maintain a strong financial profile for investor, creditor, and customer confidence, and to support the growth of the Corporation's businesses. Management seeks to maintain a capital structure that will allow the Corporation to cover its funding requirements through the capital markets and asset-backed lending markets at reasonable conditions, and in so doing, ensure an adequate level of financial flexibility.

Capital is managed in accordance with polices and financial plans that are approved and regularly reviewed by senior management and the Corporation's board of directors and take into account forecasted capital needs, actual performance and market conditions. The reviews take into consideration many factors including:

1) the growth of the Corporation;
2) current and anticipated capital market conditions;
3) a general desire to reduce complexity;
4) reduction of costs of capital; and
5) return of capital targets across all asset groups.

The Corporation's board of directors also reviews and approves any material transactions outside the ordinary course of business.

Certain of the Corporation's debt agreements include affirmative and negative covenants which restrict the Corporation's ability to deal with its assets and operations in the normal course of business including, but not limited to, issuing equity securities, borrowing money or issuing guarantees, incurring liens to secure indebtedness, undertaking investments or disposing of assets, paying dividends, redeeming capital stock, or making other restricted payments, and merging with another company or selling substantially all of its assets. Certain of the Corporation's debt agreements also require that the Corporation maintain specified financial ratios and satisfy specified financial tests. The Corporation monitors these covenants regularly (see note 12 and 13). Other than covenants in its credit facilities or shareholders' agreement (which was entered into in connection with the Secured Debentures) and

CTA restrictions related to Canadian ownership (see note 16), the Corporation is not subject to any other externally-imposed capital restrictions.

23. 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.

The fair value of the Secured Debentures and Unsecured Debentures as at January 31, 2017 was $115.7 million (January 31, 2016 - $112.3 million) as compared to a carrying value of $138.1 million (January 31, 2016 - $132.5 million). At January 31, 2017 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.

(b) Financial risk management:

The Corporation is exposed to a number of different financial risks arising from normal business operations as well as through the Corporation's financial instruments comprised of cash, trade and other receivables, trade and other payables, accrued liabilities, Operating Line and loans and borrowings. These risk factors include market, credit and liquidity risks. The Corporation's overall risk management process is designed to identify, manage and mitigate business risk which includes financial risk, among others. The Corporation's management and the board of directors review the principal business risks of the Corporation discussed in the Corporation's Annual Information Form dated April 13, 2017 and accompanying Management's Discussion and Analysis. The Corporation's board of directors expects management to develop a formal, disciplined and integrated enterprise risk management process that enables management to identify, assess, monitor, and manage the Corporation's strategic, operational, reporting and compliance risks. Such a process is intended to provide reasonable assurance that the Corporation's principal risks are managed having regard to the Corporation's business objectives and risk tolerance. Certain risks by their nature do not lend themselves to mitigation over a reasonable time frame and/or at an appropriate cost. The Corporation's focus with respect to such risks is to ensure that they are properly identified and assessed, and that the Corporation earns a reasonable risk-adjusted return for bearing such risks. The Corporation's primary financial risk management objective is to achieve an optimal balance between maximizing return for its shareholders and minimizing the volatility of its cash flows.

The risks associated with the Corporation's financial instruments and the way in which such risk exposures are managed are as follows:

i) Market risk:

Market risk is the risk of loss that could result from changes in market factors such as foreign currency exchange rates and interest rates. The level of market risk to which the Corporation is exposed at any point in time varies depending on market conditions, market rate movements and the composition of the Corporation's financial assets and liabilities held. The Corporation's management is responsible for determining the acceptable level of risk and may utilize hedging instruments to the extent it believes it is prudent to manage existing or anticipated risks, commitments or obligations based on its past experiences and expectations for the future.

ii) Currency Risk:

The Corporation's revenues and expenses are primarily in Canadian dollars; however, the Corporation's foreign operations (whose expenses and revenues are primarily incurred in U.S. dollars, Euros and Chilean Pesos, therefore creating a natural hedge on changes in the U.S. dollar and Chilean Peso) increase its exposure to foreign currency risk. Changes in exchange rates will result in fluctuations in the Corporation's operating results; the impact on the Corporation's continuing operations for the year ended January 31, 2017 was a loss of $0.4 million (January 31, 2016 a gain of $0.9 million).

As at January 31, 2017, the Corporation evaluated the currency risk on unhedged foreign currency liabilities by assessing the impact of a 5.00% rise or fall in the Canadian dollar against the foreign currencies, with all other variables unchanged. Such an exchange rate change would have a $0.4 million impact on the Corporation's profit or loss and equity for the year ended January 31, 2017 (January 31, 2016 - $0.3 million). This impact would be offset by the change in foreign currency accounts receivables, netting to an immaterial impact in current and prior year's profit or loss and equity.

iii) Interest rate risk:

The Corporation's cash flow and net earnings are exposed to interest rate fluctuations due to the Corporation's variable interest rate long term instruments.

As at January 31, 2017, the Corporation had $36.6 million in loans and borrowings subject to variable interest rates and as a result may be exposed to future financial risk from fluctuations in interest rates and the resulting interest expense associated with its short-term and long-term debt. A 25 basis point increase or decrease in interest rates on such obligations will increase or decrease the Corporation's annual interest expense for the next twelve months by $0.1 million.

iv) Credit risk:

Some of the Aviation segment's revenues are derived from services provided to mining and oil & gas exploration companies. These customers are exposed to changes in the related commodities market. The customers' ability to pay for the services provided could deteriorate if commodity prices decline. In addition, in some cases the Aviation segment provides services through an intermediary, therefore the Corporation may be delayed in receiving payment if the ultimate customer delays paying the Corporation's customer.

Payment terms are generally net 30 days. As at January 31, 2017, and 2016 the gross aging of trade and other receivables was as follows:

(thousands of Canadian dollars)

	January 31, 2017	January 31, 2016
Current	**$ 19,209**	$ 20,935
31-60 days	**2,999**	2,904
61-90 days	**1,537**	1,214
> 90 days	**3,160**	4,078
	$ 26,905	$ 29,131

Changes in the Corporation's provision for impairment of trade and other receivables are as follows:

(thousands of Canadian dollars)		
Balance, January 31, 2015	$	(285)
Provision for receivables impairment		(336)
Receivables written off as uncollectible		373
Balance, January 31, 2016	$	(248)
Provision for receivables impairment		**(1,091)**
Receivables written off as uncollectible		**1,132**
Balance, January 31, 2017	**$**	**(207)**

The carrying amount of the Corporation's trade and other receivables are denominated in the following currencies:

(thousands of Canadian dollars)	**January 31, 2017**	January 31, 2016
Canadian dollars	**$ 15,553**	$ 22,339
United States dollars	**387**	2,924
Chilean Pesos	**10,965**	3,868
	$ 26,905	$ 29,131

The maximum exposure to credit risk at each reporting date is the carrying amount of trade and other receivables.

v) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to satisfactorily meet its financial obligations as they fall due or will not be in a position to refinance maturing obligations at a reasonable price or credit structure. The Corporation's management is responsible for ensuring that there is sufficient capital in order to meet the short-term and medium-term business requirements, after taking into account cash flows from operations and the Corporation's cash position. The Corporation's liquidity is monitored through a daily assessment of both a detailed four-week forward cash forecast of cash balances and non-cash working capital, and the use of annual budgets with updated projections during the fiscal year. Such projections identify cash funding requirements for operating and capital investment purposes and also provide advance visibility of potential covenant violations.

The Corporation has financial covenants that are required by its lenders to meet on a quarterly and annual basis. These covenants require that the Corporation maintain specified financial ratios and satisfy specified financial tests. As well, there are other non-financial covenants that could affect the Corporation's ability to grow organically and by acquisition or to make distributions. The Corporation was in compliance with all other financial covenants in its debt agreements for the year ended January 31, 2017 (see note 12).

The Corporation requires working capital to fund its operations generally and, in particular, to meet increased cash flow requirements associated with seasonal operations. The Corporation has a committed Operating Line of Credit (see note 13) to finance its working capital requirements with a borrowing limit of up to $20.0 million and increased availability of up to $30.0 million during the Corporation's peak operating period. The Operating Line also 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., at 103% of the amount drawn. The Corporation expects that its cash from operations, the existing Operating Line and Credit Agreement, will be sufficient to meet its anticipated working capital requirements.

The Secured Debentures mature on March 31, 2018. Upon the maturity of the Secured Debentures, the Corporation is required to repay the principal amount of such Secured Debentures together with all accrued and unpaid interest and any other amounts owing pursuant to the terms of the Secured Debentures.

The expected contractual principal repayments of trade and other payables and loans and borrowings are below. The contractual principal repayment amount for loans and borrowings assumes the Corporation makes scheduled repayments to maturity and in the case of the Secured Debentures includes the future accrued payment in kind interest that would be added to the principal balance throughout the term of this facility. The payments for the Unsecured Debentures and Secured Debentures assume there is no early redemption or conversion to equity.

(thousands of Canadian dollars)

January 31, 2017	**Due within 1 year**	**Due between 1 & 2 years**	**Due between 2 & 3 years**	**Due between 3 & 4 years**	**Due between 4 & 5 years**	**Due after 5 years**	**Total**
Trade and other payables	$ 25,672						**$ 25,672**
Loans and borrowings	7,730	160,613	12,699	1,711	1,813	6,873	**191,439**
	$ 33,402	$ 160,613	$ 12,699	$ 1,711	$ 1,813	$ 6,873	**$ 217,111**

24. Related party transactions:

(a) Loans and borrowings:

The Secured Debentures held by Clairvest would represent, on a post-conversion basis, approximately 9% of the issued and outstanding Shares of the Corporation. The interest on the Secured Debentures for year ended January 31, 2017 was $10.0 million (January 31, 2016 - $9.2 million). The Corporation also incurs a merchant bank fee of $250,000 per annum, payable to Clairvest Group Inc. on a monthly pro-rata basis.

As a result of the shares acquired in the Rights Offering completed March 13, 2015 (see note 16), Clairvest acquired the majority of the issued and outstanding Shares of the Corporation.

During the year ended January 31, 2016, the Corporation borrowed on an unsecured commercial terms basis $2.3 million from Clairvest Group Inc. The loan bears interest at 8% with a maturity date of June 15, 2017 (see note 12(f)). On December 20, 2016, DA Defence entered into a $25.0 million Credit Agreement with Clairvest (see note 13).

(b) Key management compensation:

Key management includes members of the executive management team. The compensation paid or payable to key management for employee services is shown below:

(thousands of Canadian dollars)	For the year ended	
	January 31, 2017	January 31, 2016
Salaries and other short-term employee benefits	**$ 2,574**	$ 2,780
Retirement allowance	**72**	69
Share based compensation	**219**	411
	$ 2,865	$ 3,260

(c) Transactions with associates:

For the year ended January 31, 2017, the Corporation's revenues include $15.4 million (January 31, 2016 - $19.9 million), and the Corporation's expenses include $3.7 million (January 31, 2016 - $3.9 million), from transactions with the Corporation's associates. As at January 31, 2017, $2.5 million (January 31, 2016 - $3.9 million) of the Corporation's accounts receivable were due from associates, and $0.5 million (January 31, 2016 - $3.0 million) of the Corporation's accounts payable were due to associates. As at January 31, 2017, $0.8 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.

25. Commitments and contingencies:

The Corporation has annual lease obligations for aircraft and premises. During the year ended January 31, 2017, the Corporation incurred $10.8 million (January 31, 2016 - $13.2 million) in operating lease expenses. Future minimum lease payments under non-cancellable leases are due as follows:

(thousands of Canadian dollars)		
Within 1 year	$	6,368
Within 2 years		4,199
Within 3 years		3,122
Within 4 years		1,510
Within 5 years		1,426
Thereafter		556
	$	17,181

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.

26. Segmented information:

The Corporation's reportable segments are "**Aviation**", which includes GSH, DA Defence, Air Tindi Ltd. ("**Air Tindi**"), and 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 year ended January 31, 2017, there was $0.2 million of inter-segment revenues that was eliminated (January 31, 2016 - nil).

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; although 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 year ended January 31, 2017			For the year ended January 31, 2016		
	Aviation	Corporate Support and Other	Total	Aviation	Corporate Support and Other	Total
Revenue	$ 167,090	$ 3,965	$ 171,055	$ 178,332	$ 3,849	$ 182,181
Expenses	138,184	11,901	150,085	144,299	12,783	157,082
	28,906	(7,936)	20,970	34,033	(8,934)	25,099
Depreciation and amortization	18,972	776	19,748	20,336	937	21,273
Share of profit from associates (net of income tax)	(621)	(177)	(798)	(1,403)	(150)	(1,553)
	10,555	(8,535)	2,020	15,100	(9,721)	5,379
Finance costs			20,431			19,676
Other (gains) and losses			2,682			3,350
Loss before income taxes			(21,093)			(17,647)
Income tax provision (recovery):						
Current			(83)			407
Deferred			(2,935)			(3,227)
			(3,018)			(2,820)
Loss from continuing operations			(18,075)			(14,827)
Income (loss) from discontinued operations			27			(1,184)
Loss			$ (18,048)			$ (16,011)
Segment assets	$ 294,550	$ 3,154	$ 297,704	$ 314,890	$ 4,931	$ 319,821
Capital expenditures	$ 15,447	$ 247	$ 15,694	$ 28,052	$ 567	$ 28,619
Investments in associates	$ 5,910	$ 333	$ 6,243	$ 5,527	$ 156	$ 5,683

27. Subsequent events:

On March 24, 2017 the Corporation announced that certain funds managed by Clairvest Group Inc. have entered into a definitive agreement which will result in Clairvest, along with certain management shareholders of the Corporation, holding all of the issued and outstanding shares in the capital of the Corporation by way of a plan of arrangement pursuant to the Canada Business Corporations Act. This transaction would not constitute a change of control, as it relates to the Unsecured Debentures.

Exhibit "C"

This is Exhibit "C" referred to in the affidavit of Paul Bernards sworn before me at Toronto this 21 day of March 2018

A Commissioner for taking Affidavits for Ontario

Discovery Air Inc.

Consolidated Statements of Financial Position

As at January 31

(thousands of Canadian dollars)	January 31, 2018 *	January 31, 2017
Assets		
Current assets:		
Cash	872	329
Restricted cash	13	16
Trade and other receivables	17,402	26,698
Income taxes receivable	219	603
Inventory	13,820	26,435
Prepaid expenses and other	5,473	17,153
Assets held for sale	1,160	2,271
	38,959	73,505
Property and equipment	123,808	178,119
Long term receivables	413	797
Goodwill	-	37,861
Intangible assets	535	1,373
Deferred tax assets	18,723	-
Investments and investments in associates	11,872	6,243
	194,310	297,898
Liabilities and Shareholders' equity		
Current liabilities:		
Operating line of credit	5,347	34,084
Trade and other payables	18,832	25,672
Income taxes payables	3,433	-
Current portion of loans and borrowings	113,478	7,691
	141,090	67,447
Loans and borrowings	20,599	169,934
Deferred income taxes	13,223	8,192
	33,822	178,126
Shareholders equity:		
Share capital	93,713	93,713
Contributed surplus	6,332	12,400
Deficit	(80,222)	(55,886)
Accumulated other comprehensive income	(425)	2,098
Total equity	19,398	52,325
	194,310	297,898

*** subject to normal course year end adjustments**

Discovery Air Inc.

Consolidated Statements of Loss

Years ended January 31

(thousands of Canadian dollars)	January 31, 2018 *	January 31, 2017
Revenue	143,117	171,055
Expenses	136,740	150,085
	6,377	20,970
Depreciation and amortization	17,379	19,748
Finance costs	21,506	20,431
Share of profit from associate (net of tax)	(858)	(798)
Other (gains) and losses	6,010	2,682
	44,037	42,063
Loss before income taxes	(37,660)	(21,093)
Income tax provision (recovery)	(8,704)	(3,018)
Loss from continuing operations	(28,956)	(18,075)
Income from discontinued operations, net of tax	-	27
Loss	(28,956)	(18,048)

*** subject to normal course year end adjustments**

Exhibit "D"

This is Exhibit "D" referred to in the affidavit of Paul Bernards sworn before me at Toronto this 21 day of March 20 18.

A Commissioner for taking Affidavits for Ontario

Discovery Air announces issuance of $70 million of senior secured convertible debentures and 10:1 share consolidation

NOT FOR DISSEMINATION IN THE UNITED STATES OR OVER UNITED STATES NEWSWIRE SERVICES

YELLOWKNIFE, NT, September 23, 2011 - Discovery Air Inc. ("Discovery Air" or the "Corporation") (www.discoveryair.com) announced today that it has closed the Cdn $70,000,005 private placement of senior secured convertible debentures (the "Debentures") announced in its press release of July 21, 2011. Net proceeds will be used to repay certain of the Corporation's existing lenders and for working capital purposes. The Debentures were issued to investors (the "Investors") including Clairvest Equity Partners IV Limited Partnership, Clairvest Equity Partners IV Co-Investment Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership (hereinafter the "Clairvest Entities"), DA Holdings Limited Partnership and a private investor, all of whom acted at arm's length to Discovery Air.

Before giving effect to the Corporation's share consolidation discussed below, the Debentures are convertible into 93,333,333 Class A common shares ("Common Shares") of Discovery Air for an initial effective issue price of $0.75 per Common Share, subject to anti-dilution adjustment provisions. Additional details regarding the Debenture terms are provided in "Other Debenture Provisions" below, and in the Corporation's press release dated July 21, 2011. With closing of the Debenture issuance, the Corporation's Board will be increased by two directors. Clairvest intends to nominate Ken Rotman and John Krediet as directors. Clairvest will also have the right to nominate one additional director to the Corporation's Board at the Corporation's 2012 annual general meeting, thereby increasing the Board to nine directors.

Dave Jennings, President and CEO of Discovery Air, commented, "This investment represents a significant milestone in our ongoing efforts to structure a balance sheet that is appropriate for our aggressive growth objectives. The valuation represented by the conversion feature of this investment is much closer to what we feel is an appropriate valuation, but more importantly, we now have substantially improved financial flexibility going forward. We are very pleased to have the Clairvest team and board nominees as partners, and are confident their experience, skills, and alignment with our objectives will contribute to our ultimate success."

Ken Rotman, Co-CEO of Clairvest, commented, "The Company is on a strong upward trajectory and has tremendous growth opportunities. However, it is the management, many of whom are significant shareholders and thereby our partners, that make us most excited about this investment and Discovery Air's future."

Discovery Air also announced that it has received TSX approval to effect a share consolidation (the "Consolidation") on the basis of 10 "old" Common Shares for every 1 "new" Common Share. The Shareholders of the Corporation approved the Consolidation on June 7, 2011 at the Corporation's annual and special meeting of shareholders. It is currently anticipated that the Common Shares will commence trading on a post-consolidated basis on or about September 30, 2011. The consolidation will reduce the number of shares outstanding from approximately 145,556,150 to approximately 14,555,615. No fractional shares will be issued as a result of the Consolidation. If the Consolidation results in a registered shareholder having a fractional interest

of less than .5 of a share, such fractional interest will be rounded down to the nearest whole number. Registered shareholders of Discovery Air will receive instructions by mail (via a letter of transmittal) on how to obtain a new share certificate representing their consolidated common shares. Discovery Air shares held through a broker, bank, trust company, nominee or other financial intermediary will be adjusted by that firm. Note that the disclosure in this document of the terms of the Debenture issuance does not reflect the Consolidation.

Other Debenture Provisions

The Debentures will mature on March 23, 2017, subject to earlier redemption rights in favour of the Investors relating to certain milestone events by Discovery Air's Top Aces Inc. subsidiary. The Corporation may redeem the debentures three years after issuance provided the Common Share weighted average trading price exceeds 116% of the then-applicable conversion price during a defined trading period prior to issuance of the redemption notice. Interest on the Debentures will accrue at a rate of 10% per annum and will be payable annually commencing 12 months after closing on an "in kind" basis through the issuance of additional Debentures. The original conversion price of the Debentures, $0.75 per Common Share, will also increase at 10% per annum, and as a result, the original face amount of the Debentures plus all paid-in-kind interest will continue to be convertible into 93,333,340 Common Shares (subject to customary anti-dilution adjustments).

On closing of the Debenture issuance, the Clairvest Entities will hold, in the aggregate, $55,000,005 principal amount of Debentures. As of the date hereof, affiliates of the Clairvest Entities, own directly and indirectly, 595,207 Common Shares of the Corporation. The Debentures held by the Clairvest Entities are, before giving effect to the Consolidation, convertible into 73,333,340 Common Shares. The 595,207 Common Shares held by affiliates of the Clairvest Entities, together with the 73,333,340 Common Shares issuable on conversion of the Debentures, represent 50.8% of the Corporation's current issued and outstanding shares and, on a "as converted" basis, represents 25.8% of the Corporation's issued and outstanding shares.

Pursuant to agreements amongst the Investors, Clairvest Group Inc. or its affiliates will exercise control and direction over the Debentures (and any Common Shares issued upon conversion of the Debentures) held by such other Investors. As a result, for the purposes of National Instrument 62-103, such other Investors may be considered "joint actors" of the Clairvest Entities. After giving effect to the issuance of Debentures, the Clairvest Entities and their affiliates, together with such other Investors, hold 595,207 Common Shares and $70,000,005 of Debentures, convertible into an aggregate of 93,333,340 Common Shares (prior to giving effect to the Consolidation), representing in aggregate 64.5% of the Corporation's current issued and outstanding shares and, on a "as converted" basis, representing 32.8% of the Corporation's issued and outstanding shares.

The Debentures are being purchased by the Investors for investment purposes. The address of the Clairvest Entities is 22 St. Clair Avenue East, Suite 1700, Toronto, Ontario.

In connection with the Closing and other than documents relating to the lending arrangements, the Corporation also entered into: (i) a merchant banking agreement with Clairvest in respect of which the Corporation will pay an annual fee for the provision of certain advisory services by

Clairvest (which agreement can be terminated by Discovery Air after two years), (ii) an investor liquidity agreement which provides the Investors certain "demand" and "piggy back" registration rights should they wish to sell their Common Shares by way of prospectus, and (iii) a shareholders agreement ("Shareholders Agreement") among the Investors and certain management shareholders of the Corporation. Among other things, the Shareholders Agreement provides the Investors with the right to have certain nominees appointed to the Discovery Air Board, committee participation, expense reimbursement and the benefit of certain negative covenants for so long as the Investors hold Debentures or Common Shares representing at least 10% of the outstanding Common Shares (calculated on a fully-diluted basis). In addition, the parties to the Shareholders Agreement have certain "rights of first offer" and "rights of first refusal" in the event they propose to transfer any of their Common Shares. The Shareholders Agreement also provides "pre-emptive" rights and "liquidity rights" commencing after the fifth year anniversary of the Shareholders Agreement.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

Founded in 2004, Discovery Air is a specialty aviation services company operating across Canada and in select locations internationally. With over 130 aircraft, it is one of the largest air operators in Canada, employing more than 600 flight crew, maintainers and support staff to deliver a variety of air transport, maintenance and logistics solutions to a wide range of government, airline and business customers. Discovery Air's subsidiaries include Top Aces, which delivers airborne training and special mission services to the Canadian military; Hicks & Lawrence, a supplier of airborne fire management services to the Ontario government and charter services to government agencies and corporate customers; Discovery Air Technical Services, which provides a range of aircraft maintenance, repair, overhaul, modification, engineering and certification services; Great Slave Helicopters, one of the largest VFR helicopter operator in the country; Air Tindi, the largest fixed-wing aircraft charter provider based in Northern Canada; Discovery Mining Services, which supplies all-weather exploration camps as well as expediting and logistics support services; and Discovery Air Innovations, the innovations arm of Discovery Air that identifies and captures large, new market opportunities.

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 the Existing Debentures currently trade on the Toronto Stock Exchange (Symbols "DA.A" and "DA.DB.A" respectively).

For further information, please contact:

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Discovery Air Announces Completion of Rights Offering

THIS PRESS RELEASE IS NOT FOR DISTRIBUTION TO ANY UNITED STATES NEWSWIRE SERVICES OR OTHERWISE FOR DISTRIBUTION IN THE UNITED STATES.

Toronto, ON, April 29, 2014 – Discovery Air Inc. (DA.A) ("Discovery Air" or the "Corporation") announced today the completion of its rights offering (the "Offering") which was first announced on February 24, 2014. A total of 1,952,009 Class A common voting shares (the "Class A Shares") and no Class B common variable voting shares (the "Class B Shares", and together with the Class A Shares, the "Common Shares") were subscribed for at a price of $0.86 per Class A Share for gross proceeds of $1,678,727.74.

Clairvest Group Inc. ("Clairvest") has agreed, subject to certain conditions, to purchase from the Corporation such number of Common Shares that were available to be purchased, but were not otherwise subscribed for under the Offering, up to a predetermined cap. Based on the number of Common Shares subscribed for under the Offering, it is expected that Clairvest and/or certain of its funds and co-investors will subscribe for a further 15,489,851 Common Shares on or before May 5, 2014 in accordance with the terms of the standby purchase agreement between Clairvest and the Corporation (the "Standby Purchase Agreement"). Since the Corporation expects to raise gross proceeds of $15,000,000 from the sale of Common Shares pursuant to the Offering and the Standby Purchase Agreement, the Corporation will not require a secured, subordinated loan from Clairvest as contemplated in the Corporation's short form prospectus for the Offering dated March 21, 2014 (the "Prospectus"). A copy of the Standby Purchase Agreement and the Prospectus can be found on SEDAR at www.sedar.com.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any securities, nor will there be any offer, solicitation or sale of any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification of the securities under the securities laws of such jurisdiction.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release includes forward-looking statements (as defined in applicable securities laws) regarding Discovery Air and/or its subsidiaries. Forward-looking statements by definition are based on assumptions and, as a result, are subject to risks and uncertainties. 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.

With respect to the matters described in this news release, specific risks include the risk that the conditions precedent to Clairvest's purchase of Common Shares pursuant to the Standby Purchase Agreement are not satisfied.

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.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

Discovery Air is a Canadian specialty aviation company operating over 160 aircraft with approximately 850 team members. Its subsidiaries provide airborne training to the Canadian military, helicopter operations, air ambulance services, airborne fire services, fixed-wing air charter services, expediting and logistics support, and a range of maintenance, repair, overhaul, modification, engineering and certification services.

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

For further information, please contact:
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Discovery Air Announces Completion of Common Share Issuance Pursuant to Standby Purchase Agreement with Clairvest

THIS PRESS RELEASE IS NOT FOR DISTRIBUTION TO ANY UNITED STATES NEWSWIRE SERVICES OR OTHERWISE FOR DISTRIBUTION IN THE UNITED STATES.

Toronto, ON, May 2, 2014 – Discovery Air Inc. (DA.A) ("Discovery Air" or the "Corporation") announced today the issuance of a total of 15,047,284 Class A common voting shares (the "Class A Shares") and 442,567 Class B common variable voting shares (the "Class B Shares", and together with the Class A Shares, the "Common Shares") to certain funds and co-investors of Clairvest Group Inc. ("Clairvest") at a price of $0.86 per Common Share for gross proceeds of $13,321,271.86. The Common Shares were issued pursuant to the terms of a Standby Purchase Agreement entered into by the Corporation and Clairvest on February 24, 2014 (the "Standby Purchase Agreement") in connection with the Corporation's rights offering which concluded on April 28, 2014 (the "Offering"). A copy of the Standby Purchase Agreement and the Corporation's short form prospectus for the Offering dated March 21, 2014 can be found on SEDAR at www.sedar.com.

As a result of this transaction, Clairvest and persons acting jointly and in concert with Clairvest now own, or exercise control or direction over, approximately 15,614,426 Common Shares representing 48.8% of the aggregate number of Common Shares issued and outstanding.

In connection with the closing of this transaction, the holders of the Corporation's 10.00% senior secured convertible debentures (the "Secured Debentures") – consisting of funds or co-investors of Clairvest – have irrevocably agreed to waive their right to direct (in certain circumstances) the manner in which 50% of the Common Shares held by certain current and former management shareholders are voted. The holders of the Secured Debentures have also provided to the Corporation waivers of the debt leverage and pledged asset ratio covenants in the Secured Debentures for the third and fourth quarters of fiscal year 2015 ending October 31, 2014 and January 31, 2015 (the "Q3/Q4 Waivers"). The terms of the Q3/Q4 Waivers are substantially the same as the terms of the waivers granted by the holders of the Secured Debentures on February 24, 2014 for the first and second quarters of fiscal year 2015 (the "Q1/Q2 Waivers"). Additional information concerning the terms of the Q1/Q2 Waivers may be found in the Corporation's Material Change Report dated February 28, 2014.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any securities, nor will there be any offer, solicitation or sale of any securities in any jurisdiction in

which such offer, solicitation or sale would be unlawful prior to the registration or qualification of the securities under the securities laws of such jurisdiction.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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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.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

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

For further information, please contact:
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Discovery Air Announces Completion of Rights Offering

THIS PRESS RELEASE IS NOT FOR DISTRIBUTION TO ANY UNITED STATES NEWSWIRE SERVICES OR OTHERWISE FOR DISTRIBUTION IN THE UNITED STATES.

Toronto, ON, March 13, 2015 – Discovery Air Inc. (DA.A) ("**Discovery Air**" or the "**Corporation**") announced today the completion of its rights offering (the "**Offering**") which was first announced on January 19, 2015. A total of 50,000,000 Class A common voting shares (the "**Class A Shares**") and no Class B common variable voting shares (the "**Class B Shares**", and together with the Class A Shares, the "**Common Shares**") were issued at a price of $0.22 per Common Share for aggregate gross proceeds of $11,000,000.

In aggregate, 46,267,443 Class A Shares were issued to certain funds and co-investors of Clairvest Group Inc. ("**Clairvest**") for gross proceeds of $10,178,837. As a result of the Offering, Clairvest now owns, or exercises control or direction over, approximately 61,881,869 Common Shares representing approximately 75.5% of the aggregate number of issued and outstanding Common Shares. Prior to the Offering, Clairvest owned, or exercised control or direction over, 15,614,426 Common Shares, representing approximately 48.8% of the then issued and outstanding Common Shares.

The net proceeds of the Offering will be used by Discovery Air to fund discretionary growth initiatives and working capital and, for partial repayment of the Corporation's secured debentures. A copy of the Corporation's short form prospectus for the Offering dated January 30, 2015 (the "**Prospectus**") can be found on SEDAR at www.sedar.com.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any securities, nor will there be any offer, solicitation or sale of any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification of the securities under the securities laws of such jurisdiction.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release includes forward-looking statements (as defined in applicable securities laws) regarding Discovery Air and/or its subsidiaries, the Offering and the Corporation's proposed use of proceeds. Forward-looking statements by definition are based on assumptions and, as a result, are subject to risks and uncertainties. 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. For a more detailed discussion of forward-looking statements and the risks associated therewith,

please refer to the Prospectus under the heading "Note Regarding Forward-Looking 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.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

Discovery Air is a Canadian specialty aviation company operating over 160 aircraft and employing 850 team members in every region of Canada. Its subsidiaries provide contracted air training services, helicopter operations, medevac equipped aircraft services, airborne fire services, fixed-wing air charter services, expediting and logistics support, and a range of maintenance, repair, overhaul, modification, engineering and certification services.

Discovery Air's Class A common voting shares and unsecured convertible debentures trade on the TSX (symbols DA.A and DA.DB.A, respectively).

For further information, please contact:

Sheila Venman
Investor Relations
sheila.venman@discoveryair.com
(866) 903-3247

A copy of the Early Warning Report pursuant to NI 62-103 required to be filed with the applicable securities commissions in connection with Clairvest's acquisition of Common Shares may be obtained from Clairvest at the following contact:

Maria Klyuev
Director, Investor Relations and Marketing Clairvest Group Inc.
mariak@clairvest.com
Tel: (416) 925-9270
Fax: (416) 925-5753

DISCOVERY AIR

Discovery Air Announces Revolving Credit Facility from Clairvest

Toronto, ON, March 30, 2016 – Discovery Air Inc. (DA.A) ("**Discovery Air**" or the "**Corporation**") announced today that it has entered into a credit agreement with certain funds or co-investors (such lenders, collectively "**Clairvest**") of Clairvest Group Inc., the majority shareholder of the Corporation, providing for a revolving credit facility in the aggregate principal amount of $12,000,000 (the "**Revolving Credit Facility**"), $2,000,000 of which will be subject to the prior consent of Clairvest. All borrowings under the Revolving Credit Facility bear interest at a rate of 12% per annum payable on a monthly basis, mature on December 31, 2016 and are secured. The Corporation may repay and re-borrow the principal under the Revolving Credit Facility on customary conditions. Proceeds from the Revolving Credit Facility will be used to finance aircraft upgrades in support of certain growth initiatives and for business development activities at certain subsidiaries. A material change report will be filed less than 21 days before the closing date of the transaction. This shorter period is reasonable and necessary in the circumstances to allow the Corporation to obtain financing for working capital. In connection with the Revolving Credit Facility, the Corporation also obtained certain adjustments to its existing debt arrangements, including principal repayment adjustments and covenant waivers.

The Revolving Credit Facility is a "related party transaction" within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("**MI 61-101**"). The Corporation is not required under MI 61-101 to obtain a formal valuation in respect of the Revolving Credit Facility and will be relying upon the exemption from the minority approval requirement in section 5.7(f) of MI 61-101 as a result of (i) the Revolving Credit Facility being provided on reasonable commercial terms that are not less advantageous to the Corporation than if the Revolving Credit Facility was obtained from an arm's length party and (ii) the Revolving Credit Facility not containing any equity component.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release includes forward-looking statements (as defined in applicable securities laws) regarding Discovery Air and/or its subsidiaries and the Corporation's proposed use of proceeds of the Revolving Credit Facility. Forward-looking statements by definition are based on assumptions and, as a result, are subject to risks and uncertainties. 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.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

Discovery Air Inc. is a global leader in specialty aviation services. We deliver exceptional air combat training; medevac equipped aircraft services; airborne firefighting services; air charter services; helicopter operations; and transport and logistics support to ensure operational readiness, health, safety, and vital lifelines for our clients and the communities we serve.

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

For further information, please contact:

Sheila Venman
VP, HR & Communications
sheila.venman@discoveryair.com
866-903-3247

DISCOVERY AIR

Discovery Air Announces Revolving Credit Facility from Clairvest

Toronto, ON, December 20, 2016 – Discovery Air Inc. (DA.A) ("**Discovery Air**" or the "**Corporation**") announced today that its subsidiary, Discovery Air Defence Services Inc. ("**DA Defence**"), has entered into a credit agreement (the "**Credit Agreement**") with certain funds or co-investors (such lenders, collectively "**Clairvest**") of Clairvest Group Inc., the majority shareholder of the Corporation, providing for a revolving credit facility in the aggregate principal amount of up to $25,000,000 (the "**Revolving Credit Facility**"). All borrowings under the Revolving Credit Facility are secured, bear interest at a rate of 12% per annum payable on February 15, 2017 and May 15, 2017 and mature on June 30, 2017 subject to acceleration in the event of certain refinancing transactions. DA Defence may repay and re-borrow the principal under the Revolving Credit Facility on customary conditions. Proceeds from the Revolving Credit Facility will be used to (i) refinance an existing equipment loan in favour of the Corporation pursuant to a credit agreement dated as of March 30, 2016 among the Corporation and Clairvest (including by way of repayment of certain existing intercompany indebtedness between DA Defence and the Corporation) and (ii) to re-leverage the German Aircraft (as defined in the Credit Agreement) in support of certain growth initiatives and for business development activities at certain affiliates.

The Revolving Credit Facility also contains an optional conversion feature (the "**Conversion Feature**"), which provides Clairvest with an option, subject to certain conditions described below, to convert the outstanding balance under the Revolving Credit Facility into common shares ("**DAD Shares**") of DA Defence at a conversion price (the "**Conversion Price**") to be determined on the basis of the value of the DA Defence business, after the application of certain agreed upon adjustments between Clairvest and the Corporation, as determined by an independent and qualified valuator pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). In the event Clairvest elects to exercise the Conversion Feature, its exercise is subject to the prior satisfaction of all of the following conditions (the "**Conversion Conditions**"): (i) if required under applicable securities law, approval of the Corporation's shareholders of the Conversion Feature and a unanimous shareholders' agreement (the "**Shareholders' Agreement**") in respect of DA Defence, in each case, in accordance with the requirements of applicable securities laws (including MI 61-101 and the TSX Company Manual); (ii) receipt of all necessary approvals in connection with the Conversion Feature and the Shareholders' Agreement under applicable securities laws (including M1 61-101 and under the TSX Company Manual); (iii) the Shareholders' Agreement shall be entered into on or immediately prior to the time of conversion. In the event Clairvest seeks to exercise the Conversion Feature and shareholder approval is required pursuant to applicable securities laws, the Corporation, acting at the direction of a special committee of independent directors, will retain a valuator to prepare a formal valuation in accordance with MI 61-101.

A material change report will be filed less than 21 days before the closing date of the transaction. This shorter period is reasonable and necessary in the circumstances to allow the Corporation to obtain financing for working capital.

The Revolving Credit Facility is a "related party transaction" within the meaning of MI 61-101. The Corporation is not required under MI 61-101 to obtain a formal valuation in respect of the Revolving Credit Facility and will be relying upon the exemption from the minority approval requirement in section 5.7(f) of MI 61-101 as a result of (i) the Revolving Credit Facility being provided on reasonable commercial terms that are not less advantageous to the Corporation than if the Revolving Credit Facility was obtained from an arm's length party and (ii) the Revolving Credit Facility not containing any equity component; provided that, as described above, if the Conversion Feature is exercised by Clairvest such exercise is contingent on the Conversion Conditions which include, among other things, satisfying the requirements of MI 61-101 and the TSX Company Manual.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release includes forward-looking statements (as defined in applicable securities laws) regarding Discovery Air and/or its subsidiaries (including DA Defence) that relate to, among other things: the proposed use of proceeds of the Revolving Credit Facility; the Conversion Feature; the terms, conditions and timing of draws under the Revolving Credit Facility; and, the shareholder and regulatory approval process if the Conversion Feature is exercised. Forward-looking statements by definition are based on assumptions and, as a result, are subject to risks and uncertainties. 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.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

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

For further information, please contact:

Sheila Venman
Investor Relations
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866-903-3247

DISCOVERY AIR CLAIRVEST

Discovery Air and Clairvest Enter Into Definitive Agreement for Going Private Transaction

- Equity privatization transaction unanimously recommended by a Special Committee of the Board of Directors of Discovery Air Inc. comprised of four independent directors, and unanimously approved by Discovery Air Inc.'s board of directors, excluding directors not eligible to vote;
- Cash consideration of $0.20 per share to be paid to public shareholders of Discovery Air Inc.;
- Transaction will provide liquidity to public shareholders;
- Unsecured convertible debentures to remain outstanding/listed and treated in accordance with their terms;
- Following closing, Discovery Air Inc. will be wholly-owned by certain funds and affiliates of Clairvest Group Inc. and certain management shareholders of Discovery Air Inc.; and
- Over 90% of the shareholders of Discovery Air Inc. have indicated their intent to vote in favour of the equity privatization transaction at the special meeting of shareholders held to consider such transaction, the implication of which is (i) minority approval under securities laws is not required and (ii) the result of the special meeting of shareholders is assured.

Toronto, ON – March 24, 2017 – Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") (TSX: DA.A) and Clairvest Group Inc. (TSX: CVG) announced today that the Corporation and certain funds managed by Clairvest Group Inc. (collectively "**Clairvest**") have entered into a definitive agreement (the "**Arrangement Agreement**") which will result in Clairvest, along with certain management shareholders of the Corporation (the "**Rolling Shareholders**" and, together with Clairvest, the "**Purchaser Group**"), acquiring all the issued and outstanding shares in the capital of the Corporation by way of a plan of arrangement (the "**Arrangement**") pursuant to the *Canada Business Corporations Act*.

Pursuant to the terms of the Arrangement, Clairvest will indirectly acquire from the shareholders of the Corporation (the "**Corporation Shareholders**") all of the issued and outstanding Class A shares (the "**Class A Shares**") and Class B shares (the "**Class B Shares**", and together with the Class A Shares, the "**Corporation Shares**") of Discovery Air not already held by the Purchaser Group for $0.20 per Corporation Share (the "**Cash Consideration**"). The total transaction Cash Consideration is approximately $1.5 million.

Jacob (Koby) Shavit, the President and CEO of Discovery Air Inc. stated "the proposed transaction is a logical evolution for Discovery Air given our current ownership structure. Our management team and employees look forward to continuing to work with Clairvest as we maintain our ongoing focus on delivering skillful and efficient specialty aviation and logistics services to our customers".

The members of the Purchaser Group, acting jointly and in concert, currently own over 90% of the Corporation Shares and have indicated their intent to vote in favour of the Arrangement at the special meeting of Corporation Shareholders held to consider the Arrangement, as further described below.

The Arrangement will provide holders of the Corporation Shares (other than the Purchaser Group and their affiliates) (the "**Public Shareholders**") with liquidity and the opportunity to realize immediate and certain value for their Corporation Shares. On the basis of, among other things, the valuation and fairness opinion provided by the special committee's financial advisor, Capital Canada Limited, the special committee and disinterested members of the Corporation's board of directors (the "**Board**") believe that the Cash Consideration to be received by the Public Shareholders pursuant to the Arrangement is fair, from a financial point of view, and that the Arrangement is in the best interests of the Corporation.

The Arrangement will enhance the Corporation's ability to meet future financing needs in an efficient and timely manner, which will allow the Corporation to reduce the risks associated with its business, improving the operations and future prospects of the Corporation.

The special committee also determined that it is unlikely that a competing offer for equal or greater consideration could emerge given the Corporation's ownership structure together with the fact that Clairvest advised the Corporation, and subsequently publicly announced, that it has no interest in selling its holdings in the Corporation. The Arrangement will not result in a change in the effective control of the Corporation, which would have resulted had any third party acquirer effected a similar transaction, including associated implications for and potential costs arising from the Corporation's contractual commitments.

Transaction Details

Unanimously recommended to the Corporation Shareholders by all of the independent directors of the Corporation, the Arrangement will be completed by way of a plan of arrangement pursuant to the *Canada Business Corporations Act* through which Public Shareholders will receive the Cash Consideration.

Fairness Opinion and Formal Valuation

The special committee of the Board has unanimously recommended that Corporation Shareholders approve the Arrangement. The special committee received a formal valuation from its financial advisor, Capital Canada Limited, valuing the Corporation Shares at a range of nil to $0.07. The special committee also received a fairness opinion from Capital Canada Limited that the Cash Consideration to be received by the Public Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Public Shareholders.

Process of Approval

The Arrangement is subject to, among other things, the approval by 66 2/3% of the votes cast by Corporation Shareholders at a special meeting of Corporation Shareholders to be held to approve the Arrangement. As the Purchaser Group holds over 90% of the Corporation Shares and have indicated their intent to vote in favour of the Arrangement at the special meeting, minority approval under securities laws is not required. The Arrangement is also subject to receipt of court and any necessary regulatory approvals. On closing of the Arrangement, it is anticipated that the Corporation Shares will be de-listed from the Toronto Stock Exchange ("**TSX**").

The Arrangement is expected to close once all of the approvals have been obtained, which is expected to occur no later than June 2017. Certain holders of Corporation Shares who are directors, officers or employees of the Corporation have entered into voting and support agreements (the "**Voting and Support Agreements**") pursuant to which they have agreed, among other things, to vote in favour of

the Arrangement and, in lieu of receiving the Cash Consideration, to exchange their Corporation Shares on a one-for-one basis for shares in, and continue as shareholders of, the successor entity to the Corporation.

Secured and Unsecured Debentures

Discovery Air's outstanding senior secured convertible debentures in an initial aggregate principal amount of $70,000,005 issued by the Corporation on September 23, 2011, and the 8.375% convertible unsecured subordinated debentures issued by the Corporation pursuant to a convertible debenture indenture dated as of May 12, 2011, as amended by a first supplemental convertible debenture indenture dated as of November 27, 2014 (the "**Listed Debentures**", and together, the "**Debentures**"), will be treated in accordance with their terms. The Listed Debentures will not be de-listed from the TSX and, as such, the Corporation will remain a reporting issuer subsequent to the completion of the Arrangement. The Debentures will remain outstanding in accordance with their terms and will not be included in the Arrangement.

Corporation Shareholders and other interested parties are advised to read the materials relating to the proposed Arrangement that will be filed with or furnished to securities regulatory authorities in Canada when they become available, as they will contain important information. Additional details regarding the Arrangement will be disclosed in the Management Information Circular to be mailed to Corporation Shareholders and filed in due course. Anyone may obtain copies of these documents when available free of charge under the Corporation's profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

This announcement is for informational purposes only and does not constitute an offer to purchase, a solicitation of an offer to sell the shares of the Corporation or a solicitation of a proxy.

Early Warning Report Filed for Clairvest

Clairvest has filed an updated early warning report in connection with entering into the Voting and Support Agreements and the Arrangement Agreement. A copy of the report can be obtained under the Corporation's profile at www.sedar.com, or by contacting the Director, Investor Relations and Marketing for Clairvest at (416) 925-9270.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements made in this press release are forward-looking statements. These statements include, without limitation, statements relating to the proposed equity privatization of the Corporation pursuant to the Arrangement, approval of the Arrangement by shareholders and regulatory authorities and the timing thereof, the subsequent ownership structure of the Corporation, the Cash Consideration, the expected timing and impact of the Arrangement, certain strategic, operational and financial benefits expected to result from the Arrangement, the Corporation's business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. For a description of relevant assumptions and risks, please consult the Corporation's 2016 Annual

Information Form dated April 28, 2016 and the Corporation's 2016 Third Quarter MD&A dated December 7, 2016, all filed with the Canadian provincial securities regulatory authorities (available at sedar.com) and which are also available on the Corporation's website at www.discoveryair.com. Additional details regarding the Arrangement will be disclosed in the Management Information Circular to be filed in due course.

The forward-looking statements contained in this press release describe our expectations at March 24, 2017, and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this press release, whether as a result of new information, future events or otherwise.

About Discovery Air

Discovery Air is a global leader in specialty aviation services. We deliver exceptional air combat training, medevac equipped aircraft services, air charter services, helicopter operations, and transport and logistics support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve.

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

For further information, please contact:

Sheila Venman
Investor Relations
Sheila.venman@discoveryair.com
866-903-3247

About Clairvest

Clairvest Group Inc. is a private equity investor which invests its own capital, and that of third parties through the Clairvest Equity Partners ("CEP") limited partnerships, in businesses that have the potential to generate superior returns. In addition to providing financing, Clairvest contributes strategic expertise and execution ability to support the growth and development of its investee partners. Clairvest realizes value through investment returns and the eventual disposition of its investments.

For further information, please contact:

Maria Klyuev
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Clairvest Group Inc.
Tel: (416) 925-9270
Fax: (416) 925-5753

DISCOVERY AIR

Discovery Air Announces Voting Results of Special Meeting of Shareholders

Toronto, ON – May 23, 2017 – Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") (TSX: DA.A) announced today that the shareholders of the Corporation (the "**Corporation Shareholders**") have voted in favour of the arrangement resolution (the "**Arrangement Resolution**") approving the previously announced statutory plan of arrangement under section 192 of the *Canada Business Corporations Act*, pursuant to which, among other things, all of the shares of the Corporation will be acquired by 10123200 Canada Inc., a wholly owned subsidiary of an investment fund managed by Clairvest Group Inc. (the "**Arrangement**").

The Arrangement Resolution was approved by 99.84% of the 74,821,302 votes cast by Corporation Shareholders, present in person or represented by proxy at the special meeting of shareholders held earlier today. The Corporation has therefore satisfied its shareholder approval requirements in respect of the Arrangement Resolution, being approved by not less than 66 2/3% of the votes cast by the Corporation Shareholders voting together as a single class.

The Arrangement is expected to close following receipt of the approval of the Ontario Superior Court of Justice (Commercial List) (the "**Court Approval**") and the satisfaction or waiver of other customary closing conditions to the Arrangement.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements made in this press release are forward-looking statements (as defined in applicable securities laws). These statements include, without limitation, statements relating to the Arrangement, the expected timing of the closing of the Arrangement, obtaining the Court Approval, satisfaction of closing conditions to the Arrangement and other statements that are not historical facts.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. For a description of relevant assumptions and risks, please consult the management information circular of Discovery Air dated April 20, 2017 (the "**Circular**"), Discovery Air's 2017 Annual Information Form dated April 13, 2017, and Discovery Air's 2017 MD&A for the period ended January 31, 2017, all filed with the Canadian provincial securities regulatory authorities (available at www.sedar.com) and which are also available on Discovery Air's website at www.discoveryair.com. Additional details regarding the Arrangement are disclosed in the Circular. The forward-looking statements contained in this press release describe our expectations as of the date hereof, and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this press release, whether as a result of new information, future events or otherwise.

About Discovery Air

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support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve.

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

For further information, please contact:

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866-903-3247

DISCOVERY AIR

Discovery Air Inc. Receives Court Approval for Going Private Transaction

Toronto, ON – May 24, 2017 – Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") (TSX: DA.A) is pleased to announce that the Ontario Superior Court of Justice (Commercial List) has issued a final order approving the previously announced statutory plan of arrangement under section 192 of the *Canada Business Corporations Act*, pursuant to which, among other things, all of the shares of the Corporation will be acquired by 10123200 Canada Inc., a wholly owned subsidiary of an investment fund managed by Clairvest Group Inc. (the "**Arrangement**"). Closing of the Arrangement is scheduled to take place on May 26, 2017.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements made in this press release are forward-looking statements (as defined in applicable securities laws). These statements include, without limitation, statements relating to the expected timing of the closing of the Arrangement and other statements that are not historical facts.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. For a description of relevant assumptions and risks, please consult the management information circular of Discovery Air dated April 20, 2017 (the "**Circular**"), Discovery Air's 2017 Annual Information Form dated April 13, 2017, and Discovery Air's 2017 MD&A for the period ended January 31, 2017, all filed with the Canadian provincial securities regulatory authorities (available at www.sedar.com) and which are also available on Discovery Air's website at www.discoveryair.com. Additional details regarding the Arrangement are disclosed in the Circular. The forward-looking statements contained in this press release describe our expectations as of the date hereof, and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this press release, whether as a result of new information, future events or otherwise.

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For further information, please contact:

Paul Bernards
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Paul.bernards@discoveryair.com
866-903-3247

DISCOVERY AIR CLAIRVEST

Discovery Air Inc. and Clairvest Announce Completion of Going Private Transaction

Toronto, ON – May 26, 2017 – Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") (TSX: DA.A) and Clairvest Group Inc. ("**Clairvest**") (TSX: CVG) announced today the closing of the previously announced statutory plan of arrangement under section 192 of the *Canada Business Corporations Act*, pursuant to which, among other things, all of the common shares of the Corporation (the "**Shares**") were acquired by 10123200 Canada Inc., a wholly owned subsidiary of an investment fund managed by Clairvest (the "**Arrangement**").

The Arrangement, which was announced on March 24, 2017, was approved by shareholders of the Corporation at the special meeting of shareholders held on May 23, 2017, and by the Ontario Superior Court of Justice (Commercial List) on May 24, 2017.

Corporation shareholders who hold their Shares through a broker or intermediary may contact that broker or intermediary for instructions and assistance in receiving the consideration for their Shares. Shareholders who hold their Shares in certificated form are required to complete and sign a letter of transmittal and deliver it, together with their share certificates and the other required documents to the depositary, Computershare Trust Company of Canada. Further information concerning these processes is outlined in the Corporation's management information circular dated April 20, 2017 (the "**Circular**"), a copy of which is available, along with the letter of transmittal, under the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.discoveryair.com. All questions regarding the cash consideration, including any request for another letter of transmittal, should be directed to the depositary, Computershare Trust Company of Canada at 1-800-564-6253.

The Corporation has applied to delist its Class A common voting shares (the "**Class A Shares**") from the Toronto Stock Exchange and expects such delisting to be completed within 3 business days.

Clairvest will file an early warning report on SEDAR at www.sedar.com with respect to the closing of the Arrangement, which will also be available by contacting the Director, Investor Relations and Marketing for Clairvest at (416) 925-9270.

In connection with the Arrangement, the amalgamated entity, "**Discovery Air Amalco**", has agreed to assume the Corporation's obligations under the convertible debenture indenture dated as of May 12, 2011 (as amended by a first supplemental convertible debenture indenture dated as of November 27, 2014) (the "**Convertible Debenture Indenture**"), pursuant to a second supplemental convertible debenture indenture entered into by Computershare Trust Company of Canada and Discovery Air Amalco. A copy will be filed on SEDAR. In accordance with the terms of the Convertible Debenture Indenture, as amended, the debentureholders' right of conversion is adjusted so that each debentureholder, upon exercising its right of conversion, shall only be entitled to receive and shall accept, in lieu of the number of Shares then sought to be acquired by it, $0.20 per Share pursuant to any such conversion. The Corporation's 8.375% convertible unsecured subordinated debentures will continue to be listed for trading on the Toronto Stock Exchange under the symbol "DA.DB.A".

Cautionary Statement Regarding Forward-Looking Statements

Certain statements made in this press release are forward-looking statements (as defined in applicable securities laws). These statements include, without limitation, statements relating to the expected timing

of the delisting of the Class A Shares, the listing status of the convertible debentures and other statements that are not historical facts.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. For a description of relevant assumptions and risks, please consult the Circular, Discovery Air's 2017 Annual Information Form dated April 13, 2017, and Discovery Air's 2017 MD&A for the period ended January 31, 2017, all filed with the Canadian provincial securities regulatory authorities (available at www.sedar.com) and which are also available on Discovery Air's website at www.discoveryair.com. Additional details regarding the Arrangement are disclosed in the Circular. The forward-looking statements contained in this press release describe our expectations as of the date hereof, and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this press release, whether as a result of new information, future events or otherwise.

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For further information, please contact:

Paul Bernards
Chief Financial Officer
Paul.bernards@discoveryair.com
866-903-3247

About Clairvest

Clairvest Group Inc. is a private equity investor which invests its own capital, and that of third parties through the Clairvest Equity Partners limited partnerships, in businesses that have the potential to generate superior returns. In addition to providing financing, Clairvest contributes strategic expertise and execution ability to support the growth and development of its investee partners. Clairvest realizes value through investment returns and the eventual disposition of its investments.

For further information, please contact:

Maria Klyuev
Director, Investor Relations and Marketing
Clairvest Group Inc.
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Fax: (416) 925-5753

DISCOVERY AIR

Discovery Air Announces New Revolving Credit Facility from Clairvest

Toronto, ON, June 5, 2017 – Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") announced today that its subsidiary, Discovery Air Defence Services Inc. ("**DA Defence**"), has entered into a subordinated credit agreement with certain funds or co-investors (such lenders, collectively "**Clairvest**") of Clairvest Group Inc., the controlling shareholder of the Corporation, providing for a revolving subordinated credit facility in the aggregate principal amount of up to $13,000,000 (the "**Revolving Credit Facility**"). All borrowings under the Revolving Credit Facility are secured on a subordinated basis, bear interest at a rate of 12% per annum, compounded, payable quarterly, and maturing on July 31, 2017, subject to acceleration in the event of certain refinancing transactions and extensions by Clairvest, acting reasonably. Proceeds from the Revolving Credit Facility will be used for general corporate purposes, including, without limitation, support of certain growth initiatives and for business development activities at certain affiliates.

The Revolving Credit Facility is in addition to an existing credit facility between DA Defence and Clairvest for a principal amount of $25,000,000, originally to come due on June 30, 2017 (the "**Original DADS Credit Facility**" and, together with the Revolving Credit Facility, the "**DADS Credit Facilities**"). A copy of the credit agreement for each of the DADS Credit Facilities will be available on the system for electronic document analysis and retrieval (SEDAR).

The Revolving Credit Facility also contains an optional conversion feature (the "**Conversion Feature**"), which provides Clairvest with an option, subject to the condition described below, to convert the outstanding balance (or a portion thereof) under the DADS Credit Facilities, together with up to $18,400,000 principal amount of the Corporation's senior secured convertible debentures, into common shares of DA Defence at a conversion price to be determined on the basis of the value of the DA Defence business, after the application of certain agreed upon adjustments between Clairvest and the Corporation. In the event Clairvest elects to exercise the Conversion Feature, its exercise is subject to the prior satisfaction of certain conditions, including the following condition (the "**Conversion Condition**"): if required under Applicable Securities Law (as defined in the Revolving Credit Facility), the Corporation shall have obtained a "formal valuation" (as defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**")) of DA Defence in accordance with the applicable requirements of Applicable Securities Laws (including MI 61-101). In the event Clairvest seeks to exercise the Conversion Feature, and a "formal valuation" is required under Applicable Securities Laws, the Corporation, acting at the direction of a special committee (the "**Special Committee**") of the board of directors of the Corporation (the "**Board**"), will retain a valuator to prepare a formal valuation in accordance with MI 61-101. The Conversion Condition is in addition to the conversion conditions in the Original DADS Credit Facility, as more fully described in the press release of the Corporation dated December 20, 2016, announcing the Original DADS Credit Facility.

A material change report will be filed less than 21 days before the closing date of the transaction. This shorter period is reasonable and necessary in the circumstances to allow the Corporation to obtain financing for working capital.

The Revolving Credit Facility is a "related party transaction" within the meaning of MI 61-101. The Corporation is not required under MI 61-101 to obtain a formal valuation in respect of the Revolving Credit Facility and will be relying upon the exemption from the minority approval requirement in section 5.7(f) of MI 61-101 as a result of (i) the Revolving Credit Facility being provided on reasonable commercial terms that are not less advantageous to the Corporation than if the Revolving Credit Facility was obtained from an arm's length party; and (ii) the Revolving Credit Facility not containing any equity component; provided that, as described above, if the Conversion Feature is exercised by Clairvest, such exercise is contingent on the Conversion Condition satisfying the requirements of MI 61-101.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release includes forward-looking statements (as defined in applicable securities laws) regarding Discovery Air and/or its subsidiaries (including DA Defence) that relate to, among other things: the proposed use of proceeds of the Revolving Credit Facility; the Conversion Feature; the terms, conditions and timing of draws under the Revolving Credit Facility; and, the regulatory approval process if the Conversion Feature is exercised. Forward-looking statements by definition are based on assumptions and, as a result, are subject to risks and uncertainties. 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.

ABOUT DISCOVERY AIR AND ITS SUBSIDIARIES

Discovery Air is a global leader in specialty aviation services. We deliver exceptional air combat training, medevac equipped aircraft services, air charter services, helicopter operations, and transport and logistics support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve.

Discovery Air's unsecured convertible debentures trade on the Toronto Stock Exchange (symbol DA.DB.A).

For further information, please contact:

Paul Bernards Chief Financial Officer
Paul.bernards@discoveryair.com
866-903-3247

DISCOVERY AIR

Discovery Air Inc. Announces Credit Update

Toronto, ON – December 1, 2017 – Discovery Air Inc. ("**Discovery Air**" or the "**Corporation**") (TSX: DA.DB.A) announced today that it has extended its operating credit facility with the Canadian Imperial Bank of Commerce ("**CIBC**") for a term ending January 31, 2018.

Discovery Air also announced today that its subsidiary, Air Tindi Ltd. has entered into a subordinated credit agreement with Clairvest Group Inc. and its affiliates (such lender, "**Clairvest**"), the controlling shareholder of the Corporation, providing for a revolving subordinated credit facility in the aggregate principal amount of up to $8,000,000 (the "**ATL Revolving Credit Facility**"). All borrowings under the ATL Revolving Credit Facility are secured on a subordinated basis, bear interest at a rate of 12% per annum, compounded, payable quarterly, and maturing on January 31, 2018, subject to acceleration in the event of certain refinancing transactions and extensions by Clairvest, acting reasonably. Proceeds from the ATL Revolving Credit Facility were used to repay debt and for general corporate purposes.

Discovery Air further announced today that its subsidiary, Discovery Air Defence Services Inc. ("**DA Defence**"), has entered into a second subordinated credit agreement with Clairvest, providing for a revolving subordinated credit facility in the aggregate principal amount of up to $8,000,000 (the "**Additional DADS Revolving Credit Facility**" and collectively with the ATL Revolving Credit Facility, the "**Additional Credit Facilities**"). All borrowings under the Additional DADS Revolving Credit Facility are secured on a subordinated basis, bear interest at a rate of 12% per annum, compounded, payable quarterly, and maturing on January 31, 2018, subject to acceleration in the event of certain refinancing transactions and extensions by Clairvest, acting reasonably. Proceeds from the Additional DADS Revolving Credit Facility will be used for general corporate purposes. The Additional DADS Revolving Credit Facility is in addition to existing credit facilities between DA Defence and lenders related to Clairvest for an aggregate principal amount of $38,000,000, to come due on February 15, 2018.

The Additional Credit Facilities are a "related party transaction" within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Corporation is not required under MI 61-101 to obtain a formal valuation in respect of the Additional Credit Facilities, since the requirement to obtain a formal valuation in section 5.4(1) of MI 61-101 does not apply to a related party transaction where an issuer enters into a credit facility with the related party. As well, the Corporation will be relying upon the exemption from the minority approval requirement in section 5.7(f) of MI 61-101 as a result of (i) the Additional Credit Facilities being provided on reasonable commercial terms that are not less advantageous to the Corporation than if the Additional Credit Facilities was obtained from an arm's length party; and (ii) the Additional Credit Facilities not containing any equity component.

Discovery Air further announced today that it has amended and restated both of the aircraft loan agreements with ECN Aviation Inc. to provide, *inter alia*, for the repayment of an aggregate principal amount not exceeding $5,000,000 and the release of its subsidiary DA Defence from its obligations and the security provided by it in connection with each of the original aircraft loan agreements.

Additional details can be found on SEDAR at www.sedar.com.

A material change report will be filed less than 21 days before the closing date of the transaction. This shorter period is reasonable and necessary in the circumstances to allow Discovery Air to obtain financing for working capital. A copy of the credit agreement for each of the Additional Credit Facilities will be available on the system for electronic document analysis and retrieval (SEDAR).

Cautionary Statement Regarding Forward-Looking Statements

Certain statements made in this press release are forward-looking statements (as defined in applicable securities laws). These statements include, without limitation, statements relating to the use of proceeds of the Additional Credit Facilities, the terms, conditions and timing of draws under the Additional Credit Facilities and other statements that are not historical facts.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. For a description of relevant assumptions and risks, please consult Discovery Air's 2017 Annual Information Form dated April 13, 2017, and Discovery Air's 2017 MD&A for the Three-Month and Six-Month Period ended July 31, 2017, all filed with the Canadian provincial securities regulatory authorities (available at www.sedar.com) and which are also available on Discovery Air's website at www.discoveryair.com. The forward-looking statements contained in this press release describe our expectations as of the date hereof, and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this press release, whether as a result of new information, future events or otherwise.

About Discovery Air

Discovery Air is a global leader in specialty aviation services. We deliver exceptional air combat training, medevac equipped aircraft services, air charter services, helicopter operations, and transport and logistics support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve. Discovery Air's unsecured convertible debentures trade on the Toronto Stock Exchange (symbol DA.DB.A).

For further information, please contact Investor Relations at 866-903-3247.

Exhibit "E"

DISCOVERY AIR CLAIRVEST

Discovery Air Inc. Announces Securities Conversion

Toronto, ON – December 14, 2017 – Discovery Air Inc. ("**Discovery Air**") (TSX: DA.DB.A) and Clairvest Group Inc. ("**Clairvest**") (TSX: CVG) announced today that affiliates of Clairvest have exercised (i) the pre-existing optional conversion feature pursuant to the terms of outstanding credit facilities between, among others, affiliates of Clairvest, Discovery Air and Discovery Air Defence Services Inc. ("**DA Defence**") to convert amounts outstanding under such credit facilities to common shares of DA Defence and (ii) the swap option pursuant to a letter agreement between Discovery Air, DA Defence and affiliates of Clairvest, to exchange senior secured convertible debentures of Discovery Air for common shares of DA Defence (collectively, the "**Conversion Transaction**").

Following the completion of the Conversion Transaction, Discovery Air will have approximately $60 million less of secured debt and will continue to own 26% of DA Defence. The future capital required to finance the upgrade of DA Defence's aircraft pursuant to its obligations on the recently awarded contract with the Canadian government will be raised at the DA Defence level and will not increase debt levels at Discovery Air.

For more information regarding the Conversion Transaction, please refer to previous disclosures from Discovery Air, all of which can be found on SEDAR at www.sedar.com.

About Discovery Air

Discovery Air is a global leader in specialty aviation services including medevac equipped aircraft services, air charter services, helicopter operations, and transport and logistics support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve. Discovery Air's unsecured convertible debentures trade on the Toronto Stock Exchange (symbol DA.DB.A).

For further information, please contact Investor Relations at 866-903-3247.

About Discovery Air Defence Services Inc.

DA Defence and its U.S. subsidiary, Top Aces Corp., have the world's largest privately-held operating fleet of fighter aircraft. The training provided supports the operational readiness of both current and future generation fighter aircraft. Discover more on how DA Defence is changing the face of air combat training at experiencematters.ca.

About Clairvest

Clairvest Group Inc. is a private equity investor which invests its own capital, and that of third parties through the Clairvest Equity Partners limited partnerships, in businesses that have the potential to generate superior returns. In addition to providing financing, Clairvest contributes strategic expertise and execution ability to support the growth and development of its investee partners. Clairvest realizes value through investment returns and the eventual disposition of its investments.

For further information, please contact:

Maria Klyuev
Director, Investor Relations and Marketing
Clairvest Group Inc.

This is Exhibit "E" referred to in the affidavit of Paul Bernards sworn before me at Toronto this 21 day of March 20 18.

A Commissioner for taking Affidavits for Ontario

Tel: (416) 925-9270
Fax: (416) 925-5753

DISCOVERY AIR

Discovery Air Announces Equity Financing for Defence Business

Toronto, ON – December 22, 2017 – Discovery Air Inc. ("**Discovery Air**") (TSX: DA.DB.A) announced today that Discovery Air Defence Services Inc. ("**DA Defence**") closed an equity financing transaction with a large third party institutional investor, pursuant to which, among other things, such third party institutional investor purchased $25 million of common shares of DA Defence from Discovery Air. Discovery Air continues to own approximately 10% of DA Defence. Discovery Air will use the proceeds of such transaction to, among other things, reduce its secured debt.

DA Defence also recently completed its own senior debt financing transaction with a syndicate of large Canadian financial institutions.

About Discovery Air

Discovery Air is a global leader in specialty aviation services including medevac equipped aircraft services, air charter services, helicopter operations, and transport and logistics support to ensure operational readiness, health, safety and vital lifelines for our clients and the communities we serve. Discovery Air's unsecured convertible debentures trade on the Toronto Stock Exchange (symbol DA.DB.A).

For further information, please contact Investor Relations at 866-903-3247.

About Discovery Air Defence Services Inc.

DA Defence and its U.S. subsidiary, Top Aces Corp., have the world's largest privately-held operating fleet of fighter aircraft. The training provided supports the operational readiness of both current and future generation fighter aircraft. Discover more on how DA Defence is changing the face of air combat training at experiencematters.ca.

Exhibit "F"

DURIG CAPITAL, INC.
11600 SW 69th Ave., Tigard, OR 97223

This is Exhibit "....F....." referred to in the affidavit of ....Paul Bernards.....
sworn before me at ....Toronto.....
this 21 day of ....March..... 2018.
.....
A Commissioner for taking Affidavits for Ontario

December 19, 2017

Paul Bernards
Discovery Air, Inc.
170 Attwell Drive, Suite 370
Etobicoke, Ontario. Canada
M9W 5Z5

To the Board of Directors of Discovery Air Inc:

We at Durig Capital Inc. and the Distressed Debt 1LP Hedge Fund are writing to inform you that Discovery Air Inc. has technically defaulted on its unsecured debentures, and we are demanding an immediate remedy or payment in full for the debt and its accrued interest.

[redacted]

[redacted]

[redacted] Hence, it became plainly evident that the Board of Directors of Discovery Air were not upholding their fiduciary duty. We could not conceive of any way possible that Discovery Air could make an offer, which was essentially only about 10% of its actual marked to market value, while claiming a fiduciary role and being in bondholders best interests. [redacted]

[redacted] This calculated risk involved whether or not the Board of Directors could separate the highly desirable business of Discovery Air Defense Services long enough or far enough from Discovery Air so that when and if Discovery Air defaulted on its debt, unsecured debentures of Discovery Air would be eliminated and bondholders would have no recourse. In my 30 years of investing, this was the most blatant premeditated failure by a company's Board of Directors fiduciary duty that I can ever recall.

After recognizing this as a failure at the Board of Directors level, being represented by Mr. Bernards, we took a closer look at the construct of the BOD and discovered what appears to be a number of ethical and legal securities violations. On the surface and at first glance, it is made to look like only three members of the board are representing the interests of the Clairvest Group, while four of its members appear to be outside. However, upon further investigation, two of those four members (that do not disclose any prior dealings with Clairvest) were each a principle executive in other companies previously acquired by Clairvest Group. Therefore, it is evident that Clairvest is inherently responsible for a very significant portion of their wealth and wellbeing. Consequently, over 70% of the Board of Directors would have had a direct financial conflict of interests in representing Discovery Air bondholders in the process of negotiating the sale or transfer of its prime asset to other affiliates of Clairvest Group. Furthermore, the expertise of the two remaining members on the BOD appears to be essential and inextricably woven into the specific and growing needs of Discovery Air Defense Services more than what might reasonably thought to be necessary for the other remaining (and struggling) subsidiaries of Discovery Air.

In hindsight, perhaps the prolonged years of focused efforts and expense that it took to bring Discovery Air Defense Services to the forefront of Discovery Air's operations and future success is a direct reflection of the foremost interest of all seven of its board members. Judging by the reaction to the recently announced conversion of DADS equity and Discovery Air's loss of control over DADS to other affiliates of Clairvest Group, evidently the market's decline in pricing for the debentures is a reflection of what many other bondholders see as a significant loss from what had been a similar high priority and valuation for the fully owned DADS subsidiary, from well *before* being awarded the prized and highly valuable CATS contract. Even with such shockingly large representation of Clairvest on the board, we are still amazed that they would not abide by the clearly stated terms of the indenture.

As a major bondholder, we believe that Durig Capital is in a position to represent a significant percentage of the outstanding unsecured debentures. We are writing this letter to inform you that we not only believe that Discovery Air has breached

its debt covenants, but we see that the Clairvest led Board of Directors for Discovery Air have failed in their fiduciary duties, both in systemic design of the board, and in the execution of a breach of the company's debt covenants in a very blatant manor. We also notify you that the perceivable activity to damage or defraud Discovery Air's debenture holders in your concentrated efforts to further advance the position of affiliates of Clairvest Group and Discovery Air Defense Services jeopardizes not only DADS winning government contracts, but the very future of Discovery Air itself in illegal corporate and securities action, as we see it as being criminal.

Sincerely,

Randy Durig
CEO, Durig Capital, Inc.

CC: Kenneth Rotman
Admiral Michael G. Mullen
G. John Krediet
Rod Phillips
Michael Grasty
Adrian Pasricha
Thomas Hickey
Paul Bernards

Durig Capital, Inc. | 11600 SW 69th Avenue | Tigard, OR 97223
971.327.8847 office | 877.720.3010 toll-free | 971.732.5120 fax
Durig.com | Bond-Yields.com | Investment-Income.net

Exhibit "G"

DISCOVERY AIR

Discovery Air Inc.
170 Attwell Drive, Suite 370
Toronto, ON M9W 5Z5
T: (416) 246-2684
F: (416) 679 0410
www.discoveryair.com

January 4, 2018

BY REGISTERED MAIL

Durig Capital, Inc.
11600 SW 69th Ave
Tigard, OR 97223
USA

Attn: Randy Durig

Dear Sir:

Re: Discovery Air Inc. and Durig Capital, Inc.

We are writing in response to your letter of December 19, 2017, which was addressed to the Board of Directors of Discovery Air but sent to the attention of the undersigned. Please note that a copy of your letter has been provided to each member of the Board, together with a copy of this response.

We do not intend to debate the matters raised in your letter through exchange of correspondence. That said, we disagree with the factual assertions you have made and the conclusions you have drawn. Having reviewed your letter, Discovery Air remains confident it is compliant with its obligations under the Convertible Debenture Indenture dated May 12, 2011, as supplemented, and otherwise relating to the 8.375% convertible unsecured subordinated debentures due June 30, 2018; and that there is no basis to demand repayment of any of the Debentures. Discovery Air has similarly complied with its obligations under relevant corporate and securities laws in relation to the composition of its Board of Directors. Moreover, it is clear that the Board of Directors has satisfied its fiduciary duties in relation to the matters described in your letter, including by giving such matters full consideration with the benefit of advice from its legal and other advisors.

As you know, Durig Capital remains subject to the September 29, 2017 Confidentiality Agreement entered into with Discovery Air that governs certain of the information and communications referenced in your letter. Discovery Air will hold Durig Capital to its obligations under that agreement and cautions you against disclosing information to third parties that was communicated to Durig Capital in confidence.

Yours Truly,

DISCOVERY AIR INC.

Paul Bernards
Chief Financial Officer

This is Exhibit "G" referred to in the affidavit of Paul Bernards
sworn before me at Toronto
this 21 day of March 20 18

A Commissioner for taking Affidavits for Ontario

Exhibit "H"

Discovery Air Inc.
Cash Flow Forecast
For the Period Ending June 30, 2018
(Unaudited; C$)

	Notes	25-Mar-18	1-Apr-18	8-Apr-18	15-Apr-18	22-Apr-18	29-Apr-18	6-May-18	13-May-18	20-May-18	27-May-18	3-Jun-18	10-Jun-18	17-Jun-18	24-Jun-18	30-Jun-18	Total
Receipts																	
Collections from Non-Applicant Subsidiaries	2	1,040,384	1,151,933	1,044,782	2,111,239	955,782	1,100,782	900,782	1,392,512	2,161,239	1,567,512	1,225,782	1,422,275	2,399,912	1,627,275	1,522,275	21,624,466
HST collections	3	-	-	-	28,000	-	-	-	-	28,000	-	-	270,000	28,000	-	-	354,000
Total Receipts		1,040,384	1,151,933	1,044,782	2,139,239	955,782	1,100,782	900,782	1,392,512	2,189,239	1,567,512	1,225,782	1,692,275	2,427,912	1,627,275	1,522,275	21,978,466
Disbursements																	
Payments to Non-Applicant Subsidiaries for operations	4	2,693,459	2,676,992	2,321,066	1,693,755	1,892,688	812,190	3,835,250	1,013,602	2,579,685	876,417	2,780,359	2,051,266	1,562,191	1,820,897	1,986,167	30,595,984
Payroll costs	5	-	10,000	-	10,000	-	-	10,000	-	10,000	-	10,000	-	10,000	-	10,000	70,000
Occupancy costs	6	-	13,373	-	-	-	-	13,373	-	-	-	13,373	-	-	-	-	40,119
Other sundry expenses	7	50,000	50,000	50,000	100,000	50,000	50,000	50,000	50,000	100,000	50,000	50,000	50,000	50,000	50,000	50,000	850,000
Debt service payments	8	-	73,105	-	204,000	-	-	116,711	-	39,000	-	147,685	-	39,000	-	-	619,501
Professional fees	9	-	325,000	-	-	-	-	235,000	-	-	-	225,000	-	-	-	-	785,000
Total Disbursements		2,743,459	3,148,470	2,371,066	2,007,755	1,942,688	862,190	4,260,334	1,063,602	2,728,685	926,417	3,226,417	2,101,266	1,661,191	1,870,897	2,046,167	32,960,603
Net Cash Flow		(1,703,075)	(1,996,536)	(1,326,284)	131,484	(986,906)	238,592	(3,359,552)	328,910	(539,446)	641,095	(2,000,635)	(408,991)	766,721	(243,622)	(523,892)	(10,982,137)

DIP Funding Requirement		25-Mar-18	1-Apr-18	8-Apr-18	15-Apr-18	22-Apr-18	29-Apr-18	6-May-18	13-May-18	20-May-18	27-May-18	3-Jun-18	10-Jun-18	17-Jun-18	24-Jun-18	30-Jun-18
Opening funding requirement		11,426,956	13,130,031	15,126,568	16,452,851	16,321,368	17,308,273	17,069,681	20,429,233	20,100,323	20,639,769	19,998,675	21,999,309	22,408,300	21,641,579	21,885,201
Net cash flow		(1,703,075)	(1,996,536)	(1,326,284)	131,484	(986,906)	238,592	(3,359,552)	328,910	(539,446)	641,095	(2,000,635)	(408,991)	766,721	(243,622)	(523,892)
Closing funding requirement		13,130,031	15,126,568	16,452,851	16,321,368	17,308,273	17,069,681	20,429,233	20,100,323	20,639,769	19,998,675	21,999,309	22,408,300	21,641,579	21,885,201	22,409,093
Permitted borrowings under CIBC facility	10	11,794,280	10,364,456	10,364,456	10,364,456	10,364,456	10,364,456	10,347,456	10,582,072	10,582,072	10,582,072	10,007,072	11,001,072	11,001,072	11,001,072	11,001,072
DIP funding requirement		(1,335,751)	(4,762,111)	(6,088,395)	(5,956,911)	(6,943,817)	(6,705,225)	(10,081,777)	(9,518,251)	(10,057,697)	(9,416,602)	(11,992,237)	(11,407,228)	(10,640,507)	(10,884,129)	(11,408,021)

This is Exhibit "H" referred to in the affidavit of Paul Bernards sworn before me at Toronto this 21 day of March 20 18.

A Commissioner for taking Affidavits for Ontario

Discovery Air Inc.
Notes to Cash Flow Forecast
For the Period Ending June 30, 2018
(Unaudited; $C)

Purpose and General Assumptions

1. The purpose of this analysis is to present a cash flow forecast for Discovery Air Inc. (the "Company") for the period March 19, 2018 to June 30, 2018 in respect of its proceedings under the Companies' Creditors Arrangement Act. The Company is the only applicant in the proposed proceedings. The cash flow reflects the cash management system used by the Company and the Non-Applicant Subsidiaries (the "Non-Applicant Subsidiaries"), being Great Slave Helicopter Ltd ("GSH"), Air Tindi Ltd. ("ATL") and Discovery Mining Services Ltd ("DMS").

   The cash flow forecast has been prepared based on hypothetical assumptions developed and prepared by the Company's management.

Hypothetical Assumptions

2. Represents projected accounts receivable collections for GSH, ATL and DMS, which are assumed to be collected in accordance with existing customer payment terms and practices.

3. Represents net HST refundable.

4. Represents funding by the Company for the operating expenses of the Non-Applicant Subsidiaries, including payroll costs, aircraft maintenance and equipment purchases, fuel, occupancy costs, insurance, travel, employee training, aircraft and vehicle leases and debt service costs in respect of ATL's loan facility with Textron Financial Corporation. All such expenses are projected to be paid in the normal course in accordance with existing terms and payment practices.

5. Represents net payroll for the Company's employees.

6. Represents rent for the Company's head office in Toronto, Ontario and for a leased office premises in London, Ontario.

7. Represents costs related to telecommunications, technology, office supplies, utilities, accounting and other sundry expenses incurred by the Company.

8. Represents debt service payments on the Company's secured credit facilities, as follows:

   (a) interest to ECN Aviation Inc.;

   (b) interest, standby letter of credit fees and a standby overdraft fee to Canadian Imperial Bank of Commerce ("CIBC");

   (c) final scheduled principal payment ($189,000) owing to Roynat Inc. ("Roynat"), which facility matures on April 15, 2018. The projection contemplates continued interest payments to Roynat during the projection period; and

   (d) interest on the DIP facility (10%).

9. Represents payment of the estimated professional fees of the Monitor, its legal counsel and the Company's legal counsel.

10. Net assets available for borrowing is calculated in accordance with CIBC's existing lending formula. The DIP facility is structured to fund any amounts required in excess of the Company's borrowing base.

Exhibit "I"

This is Exhibit "F" referred to in the affidavit of Paul Bernards sworn before me at Toronto this 21 day of March, 20 18

A Commissioner for taking Affidavits for Ontario

Execution Version

DIP TERM SHEET

Dated as of March 21, 2018

WHEREAS the Borrower (as defined below) has requested and the DIP Lender (as defined below) has agreed to provide funding in order to fund certain obligations of the Borrower in the context of its proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**", and such proceedings, the "**CCAA Proceedings**") before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") in accordance with the terms set out herein;

NOW THEREFORE the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1.	**DIP BORROWER:**	Discovery Air Inc. (the "**Borrower**").
2.	**DIP LENDER:**	CEP IV Co-Investment Limited Partnership (the "**DIP Lender**").
3.	**PURPOSE:**	As set out in Section 13(c) below.
4.	**DIP FACILITY AND MAXIMUM AMOUNT**	A non-revolving, secured credit facility (the "**DIP Facility**") in the amount of $12,600,000 (the "**Maximum Amount**"). Advances under the DIP Facility (a "**DIP Advance**") made in accordance herewith shall be deposited to the Borrower's current account with Canadian Imperial Bank of Commerce (the "**Bank**") or such other account with a financial institution approved in advance by the DIP Lender (the "**Borrower's Account**") and withdrawn by the Borrower in accordance with the terms hereof.
5.	**REPAYMENT:**	The aggregate principal amount owing under the DIP Facility, all accrued and unpaid interest, prepayment penalties, if applicable, and all fees and expenses incurred by the DIP Lender in connection with the DIP Facility (the "**DIP Obligations**") shall be repaid in full on the earlier of: (i) the occurrence of any Event of Default hereunder that is continuing and has not been cured or waived in writing by the DIP Lender, in its sole discretion; (ii) the closing of one or more sale transactions for all or substantially all of the assets of the Borrower; and (iii) December 21, 2018 (the "**Maturity Date**"). The Maturity Date may be extended at the request of the Borrower and with the prior written consent of the DIP Lender, in its sole discretion, for such period and on such terms and conditions as the Borrower and the DIP Lender may agree. The commitment in respect of the DIP Facility shall expire on the Maturity Date and all DIP Obligations shall be repaid in full on the Maturity Date, without the DIP Lender being required to make demand upon the Borrower or to give notice that the DIP Facility has expired and/or that the DIP Obligations are due and payable.

All payments received by the DIP Lender shall be applied first to any fees and expenses due hereunder, then to accrued and unpaid interest and then, after all such fees, expenses and interest are brought current, to principal.

It is acknowledged that some or all of the DIP Obligations may be satisfied by the making of a credit bid for the assets of the Borrower pursuant to the sale and solicitation process to be implemented in the CCAA Proceedings, in the DIP Lender's sole discretion.

6. CASH FLOW PROJECTIONS:

The Borrower, with assistance of KSV Kofman Inc., in its capacity as court-appointed monitor (the "**Monitor**") in the CCAA Proceedings, has provided to the DIP Lender the cash flow projections attached at Schedule "A" hereto, which are in form and substance satisfactory to the DIP Lender and which have been filed with the Court, reflecting the projected cash requirements of the Borrower from March 19, 2018, through the period ending June 30, 2018, calculated on a weekly basis (the "**CCAA Cash Flow Projection**").

The Borrower shall keep the DIP Lender apprised on a weekly basis of its cash flow requirements by providing: (i) an updated cash flow projection for the same period as the CCAA Cash Flow Projection, such updated cash flow projection to be in a form consistent with the CCAA Cash Flow Projection (a "**Proposed Amended Cash Flow Projection**"); (ii) actual cash flow results from the immediately preceding week; and (iii) a comparison of the actual cash flow results from the immediately preceding week as against the DIP Agreement Cash Flow Projection (as defined below) for such week, such information to be delivered to the DIP Lender by no later than 5:00 p.m. (Toronto time) on the Tuesday of each week.

The DIP Lender in its sole discretion may approve or object to any Proposed Amended Cash Flow Projection that varies from the DIP Agreement Cash Flow Projection by providing written notice to the Borrower and Monitor within two (2) business days of receipt of such Proposed Amended Cash Flow Projection. In the event that a Proposed Amended Cash Flow Projection is objected to by the DIP Lender, the Borrower may submit to the DIP Lender a further revised Proposed Amended Cash Flow Projection within one (1) business day of receipt of such a written notice of objection, or such other time as the DIP Lender may agree to in writing. Unless and until a Proposed Amended Cash Flow Projection has been approved by the DIP Lender in accordance herewith, the then-current DIP Agreement Cash Flow Projection shall remain the DIP Agreement Cash Flow Projection.

If the DIP Lender approves a Proposed Amended Cash Flow Projection, such Proposed Amended Cash Flow Projection will supersede the CCAA Cash Flow Projection and any previously approved Proposed Amended Cash Flow Projection.

At any given time, the cash flow projection in force and effect (whether the CCAA Cash Flow Projection or any subsequent Proposed Amended Cash Flow Projection that has been approved by the DIP Lender in accordance herewith) shall be the "**DIP Agreement Cash Flow Projection**".

For greater certainty, the DIP Lender shall not be required to initiate any DIP Advances pursuant to a Proposed Amended Cash Flow Projection, nor is the Borrower entitled to utilize any DIP Advances to make payments set out in a Proposed Amended Cash Flow Projection, unless and until it has been approved in writing by the DIP Lender in accordance herewith and become the DIP Agreement Cash Flow Projection.

7. AVAILABILITY UNDER DIP FACILITY:

DIP Advances drawn by the Borrower shall be in increments in the principal amount of $500,000 and are to be funded within two business days following delivery of the drawdown certificate for the related DIP Advance in accordance with paragraph 7(d) below, unless within one (1) business day of delivery of such drawdown certificate the DIP Lender delivers to the Borrower and the Monitor a notice of non-consent to such DIP Advance as a result of one or more of the conditions precedent not being met or the occurrence of an Event of Default that is continuing and such notice shall include reasonable details outlining any such unsatisfied condition precedent or Event of Default. The DIP Lender may also consent to the making of a DIP Advance prior to the second business day following delivery of the drawdown certificate by providing its written consent to same to the Monitor and the Borrower.

The proceeds of each DIP Advance shall be applied by the Borrower solely in accordance with the DIP Agreement Cash Flow Projection, or as may be otherwise agreed to in writing by the DIP Lender, in its sole discretion, from time to time.

The following conditions precedent shall be satisfied, or waived in writing by the DIP Lender, in its sole discretion, prior to each DIP Advance hereunder:

(a) Each DIP Advance (together with all previous DIP Advances) must be no greater in the aggregate than the Maximum Amount and shall be subject to the terms and conditions hereof;

(b) The Court shall have issued an initial order in substantially the form attached as Schedule "B" hereto (the "**Initial Order**") on or before March 21, 2018, the effect of which, among other things, is to authorize and approve the DIP Facility on the terms and conditions hereof and creating the DIP Charge (as defined below) with the priority contemplated herein, and such Initial Order shall have been obtained on notice to all parties entitled thereto pursuant to the CCAA or otherwise identified for such service by the DIP Lender;

(c) Neither the Initial Order nor any other Court order pertaining to the DIP Facility has been vacated, stayed or otherwise caused to become ineffective or is amended in a manner prejudicial to the DIP Lender;

(d) Delivery to the DIP Lender with a copy to the Monitor of a drawdown certificate, in substantially the form set out in Schedule "C" hereto, executed by an officer on behalf of the Borrower,

certifying, *inter alia*, that the proceeds of the DIP Advance requested thereby will be applied solely in accordance with the DIP Agreement Cash Flow Projection and Section 3 of the DIP Term Sheet, and that the Borrower is in compliance with the CCAA Court Orders (as defined below) and that no Default or Event of Default has occurred or is continuing;

(e) There is no Default or Event of Default that has occurred and is continuing, nor will any such event occur as a result of the DIP Advance;

(f) No material adverse change in the financial condition or operation of the Borrower or otherwise affecting the Borrower shall have occurred after the date of the issue of the Initial Order;

(g) There are no pending motions for leave to appeal, appeals, injunctions or other legal impediments relating to the DIP Facility, or pending litigation seeking to restrain, vary or prohibit the operation of all or any part of this DIP Term Sheet;

(h) The DIP Lender has received, as and when required hereunder, all information to which it is entitled hereunder (including, without limitation, the information and cash flow projections required pursuant to Section 7 herein); and

(i) Each of the representations and warranties made in this DIP Term Sheet shall be true and correct as of the date made or deemed made.

The following conditions precedent shall be satisfied, or waived in writing by the DIP Lender, in its sole discretion, prior to the Borrower lending any proceeds of DIP Advances to the Subsidiary Borrowers (as defined below):

(a) The Borrower and any such Subsidiary Borrower shall have entered into loan agreements and/or promissory notes and general security agreements, in forms satisfactory to the DIP Lender (collectively, the "**Subsidiary Loan and Security Documents**");

(b) The Subsidiary Loan and Security Documents shall have been assigned by the Borrower to the DIP Lender such that the DIP Lender shall be capable of enforcing the obligations of the Subsidiary Borrower thereunder; and

(c) The Initial Order shall: (i) authorize and approve the lending of proceeds of DIP Advances by the Borrower to the Subsidiary Borrowers; (ii) grant a Court-ordered charge to secure any such intercompany borrowings (each, an "**Intercompany Loan Charge**") over all present and after-acquired property, assets and undertakings of the applicable Subsidiary Borrower (including for greater certainty and without limitation, insurance proceeds, any tax refunds and those assets set forth on the financial statements of such Subsidiary Borrowers), including all proceeds therefrom and all

causes of action of such Subsidiary Borrower; and (iii) grant such priority to the Intercompany Loan Charges as may be required by the DIP Lender.

All proceeds of DIP Advances shall be deposited by the DIP Lender by way of wire transfer into the Borrower's Account using the following wire instructions (subject to any change approved by the DIP Lender):

BENEFICIARY ADDRESS: 195 DUFFERIN AVE, SUITE 400, LONDON ONTARIO, N6A 1K7

BENEFICIARY BANK ADDRESS: UNIT 177 - 355 WELINGTON STREET, LONDON, ONTARIO, N6A 3N7

CAD BANK ACCOUNT:

INSTITUTION #: 010

TRANSIT #: 00082ACCOUNT #: 71-02216

SWIFTCODE: CIBCCATT0010

The DIP Lender shall initiate wire transfers as and when required in accordance with this DIP Term Sheet, but the DIP Lender shall have no liability for any delay in the receipt of such wired funds by the Borrower.

Notwithstanding the foregoing or any other provisions of this DIP Term Sheet, to the extent that an emergency cash need arises in the Borrower's business that is not contemplated in the DIP Agreement Cash Flow Projection, the Borrower may request a DIP Advance from the DIP Lender by providing written particulars relating to such emergency cash need to the DIP Lender and the Monitor, which DIP Advance shall only be permitted with the prior written consent of the DIP Lender delivered to the Borrower and the Monitor, in its sole and absolute discretion, and provided further that in no case shall the Maximum Amount be exceeded.

8. VOLUNTARY PREPAYMENTS:

The Borrower may prepay the DIP Obligations at any time prior to the Maturity Date in minimum amounts of $500,000 and in increments of $100,000 in excess thereof, without premium or penalty, and any amounts so prepaid may not be re-borrowed by the Borrower hereunder.

9. INTEREST RATE:

The outstanding principal amount of all DIP Advances shall bear interest at a rate per annum equal to ten percent (10%), and upon the occurrence and during the continuance of an Event of Default at a rate per annum equal to fourteen percent (14%), calculated and payable monthly in arrears on the last business day of each calendar month.

Interest on each DIP Advance shall accrue daily from and after the date of advance of such DIP Advance to the Borrower to, but excluding, the date of repayment, as well as before and after maturity, demand and default and before and after judgment, and shall be calculated and compounded on a

daily basis on the principal amount of such DIP Advance and any overdue interest remaining unpaid from time to time and on the basis of the actual number of days elapsed in a year of 365 days.

For the purposes of the *Interest Act* (Canada), the annual rates of interest referred to in this DIP Term Sheet calculated in accordance with the foregoing provisions of this DIP Term Sheet, are equivalent to the rates so calculated multiplied by the actual number of days in a calendar year and divided by 365.

If any provision of this DIP Term Sheet or any ancillary document in connection with this DIP Term Sheet would obligate the Borrower to make any payment of interest or other amount payable to the DIP Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the DIP Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)) then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the DIP Lender of interest at a criminal rate and any such amounts actually paid by the Borrower in excess of the adjusted amount shall be forthwith refunded to the Borrower.

10. DIP SECURITY:

All obligations of the Borrower under or in connection with the DIP Facility and this DIP Term Sheet shall be secured by a Court-ordered charge (the "**DIP Charge**") over all present and after-acquired property, assets and undertakings of the Borrower (including for greater certainty and without limitation, insurance proceeds, any tax refunds and those assets set forth on the financial statements of the Borrower), including all proceeds therefrom and all causes of action of the Borrower (collectively, the "**Collateral**"), provided that the DIP Charge shall rank ahead of the Existing Clairvest Debt (as defined herein) and behind: (A) the Permitted Encumbrances as defined on Schedule "D" hereto (other than the Existing Clairvest Debt), but only to the extent that such Permitted Encumbrances rank ahead of the Existing Clairvest Debt; (B) an administration charge (the "**Administration Charge**") in the maximum amount of $750,000 to secure payment of the fees, expenses and disbursements of: (I) the Borrower's counsel and its agents; and (II) the Monitor and its counsel and agents; (C) a charge in an amount not to exceed $100,000 in favour of the officers and directors of the Borrower (the "**D&O Charge**") to secure the customary obligations and liabilities that they may incur in such capacity from and after the filing date as a backstop to any available directors' and officers' insurance and to the extent that any funds in trust for such persons are not sufficient to satisfy such claims; (D) a charge in an amount not to exceed $1,650,000 in favour of certain key employees who are subject to a key employee retention plan (the "**KERP**", and such charge, the "**KERP Charge**", and together with the D&O Charge and the Administration Charge, collectively, the "**Court Ordered Charges**"); (E) any claims that would otherwise have priority to the foregoing debt claims including, for greater certainty, any purchase money security interests; and (F) claims having express priority ahead of the

DIP Charge pursuant to the Initial Order (the charges set out in the foregoing items (A) through (F) being collectively, the "**Priority Charges**").

11. MANDATORY REPAYMENTS:

The proceeds of any debt or equity issuance by the Borrower that occurs from and after the date hereof, and the proceeds of Collateral (for greater certainty, net of reasonable costs and closing adjustments, as applicable), including, without limitation, arising from: (i) any sale of Collateral out of the ordinary course of business (including for greater certainty, any sale of all or substantially all of the Collateral); or (ii) insurance proceeds in respect of any damage, loss or destruction of the Collateral (collectively, the "**Net Proceeds**") shall be paid: (i) first, to satisfy the Priority Charges in the manner and order set out in the applicable CCAA Order; (ii) second, to satisfy the DIP Obligations; and (iii) third, to the Borrower or such other persons as are entitled thereto in accordance with applicable law.

The Maximum Amount shall be permanently reduced in an amount equal to the Net Proceeds so paid to the DIP Lender. For greater certainty, any mandatory repayments shall not be subject to any premium or penalty.

12. REPRESENTATIONS AND WARRANTIES:

The Borrower represents and warrants to the DIP Lender, upon which the DIP Lender relies in entering into this DIP Term Sheet, that subject to the entry of the Initial Order:

(a) The Borrower is a corporation duly incorporated and validly existing under the laws of its governing jurisdiction and is duly qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary, except where the failure to have such qualification, license or registration would not have a Material Adverse Effect. For the purpose of this DIP Term Sheet, "**Material Adverse Effect**" means a material adverse effect on: (i) the financial condition, business or assets of the Borrower; or (ii) the ability of the Borrower to comply with its obligations hereunder or under any CCAA Court Order;

(b) Subject to the granting of the Initial Order, the Borrower has all requisite corporate or other power and authority to: (i) carry on its business; (ii) own property, borrow monies and enter into agreements therefor; and (iii) execute and enter into the DIP Term Sheet and observe and perform the terms and provisions thereof;

(c) Subject to the granting of the Initial Order, the execution and delivery of this DIP Term Sheet by the Borrower and the performance by the Borrower of its obligations hereunder has been duly authorized by all necessary corporate or other action and any actions required under applicable laws. Except as has been obtained and is in full force and effect, no registration, declaration, consent, waiver or authorization of, or filing with or notice to, any governmental body is required to be obtained in connection with the

performance by the Borrower of its obligations under this DIP Term Sheet;

(d) Subject to the granting of the Initial Order, this DIP Term Sheet has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, subject only to any limitation under applicable laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally; (ii) the fact that specific performance and injunctive relief may only be given at the discretion of the courts; and (iii) the equitable or statutory powers of the courts to stay proceedings before them and to stay the execution of judgments;

(e) The execution and delivery of this DIP Term Sheet by the Borrower and the performance by the Borrower of its obligations hereunder and compliance with the terms, conditions and provisions hereof, will not conflict with or result in a breach in any material respect of any of the terms, conditions or provisions of: (i) its constating documents (including any shareholders' agreements) or by-laws; (ii) any applicable laws; (iii) any contractual restriction binding on or affecting it or its material properties; or (iv) any material judgment, injunction, determination or award which is binding on it;

(f) The Borrower is in compliance with all applicable laws of each jurisdiction in which its business has been or is being carried on, non-compliance with which would reasonably be expected to have a Material Adverse Effect;

(g) There are no actions, suits or proceedings pending, taken or, to the Borrower's knowledge, threatened, before or by any governmental body or by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, which would reasonably be expected to have a Material Adverse Effect and have not been stayed pursuant to the CCAA Proceedings;

(h) The DIP Agreement Cash Flow Projection includes a provision for payment of all projected obligations of any kind whatsoever reasonably anticipated by the Borrower on the date hereof that, if not paid, could result in statutory liens ranking in priority to the DIP Charge, except for purchase money security interests;

(i) As at the date of the Initial Order, the Borrower has good and marketable title to all of the Collateral free from any liens except for: (i) Permitted Encumbrances; and (ii) title defects or irregularities that do not, individually or in the aggregate, materially affect the operation of the business of the Borrower;

(j) The Borrower has filed all material tax returns that are required to be filed and has in all material respects paid all taxes, interest and

penalties, if any, which have become due pursuant to such returns or pursuant to any assessment received by it, except any such assessment that is being contested in good faith by proper legal proceedings. Without limiting the foregoing, all employee source deductions (including in respect of income taxes, employment insurance and Canada Pension Plan) payroll taxes and workers' compensation dues are currently paid and up to date;

(k) There are no actions, suits or proceedings (including any tax-related matter) by or before any arbitrator or governmental authority or by any other person pending against or threatened against or affecting the Borrower that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect that have not been stayed pursuant to the CCAA Proceedings;

(l) The Borrower maintains insurance policies and coverage that: (i) is sufficient for compliance with any applicable law and all material agreements to which it is a party; and (ii) provide adequate insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons engaged in the same or similar business to the assets and operations of the Borrower;

(m) All factual information provided by or on behalf of the Borrower to the DIP Lender for the purposes of or in connection with this DIP Term Sheet or any transaction contemplated herein, is true and accurate in all material respects on the date as of which such information is dated or certified and remains true as of the date provided and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided. With respect to any projections, future business plans or forward looking financial statements, the Borrower is not guaranteeing in giving this representation and warranty that the actual future results will be as forecast or projected (but, for greater certainty, the DIP Lender has all of its rights hereunder in the event that such actual future results are not as forecast or projected, including, without limitation, as provided for in Section 17(e) herein);

(n) As of the date hereof, the Borrower does not administer any pension plans and does not have any outstanding payment obligations in respect of special payments or amortization payments, including without limitation, in respect of pension plans, payments related to post-retirement benefits, solvency deficiencies or wind-up shortfalls in relation to any pension plan; and

(o) As of the date hereof, each of the representations and warranties of the Borrower in the stalking horse asset purchase agreements remain true and correct in all material respects.

13. AFFIRMATIVE COVENANTS:

The Borrower covenants and agrees to do the following until such time as the DIP Obligations are repaid in full:

(a) Keep the DIP Lender apprised on a timely basis of all material developments with respect to the Collateral and the business and affairs of the Borrower and all of its direct and indirect wholly- and partially-owned subsidiaries (the "**Subsidiaries**");

(b) Perform its obligations hereunder as and when required and in the manner required;

(c) Use the proceeds of the DIP Facility (at all times solely in accordance with the terms hereof and the DIP Agreement Cash Flow Projections) only for the purpose of funding: (i) transaction costs and expenses incurred by the DIP Lender in connection with the DIP Facility, (ii) professional fees and expenses incurred by the Borrower and the Monitor in respect of the DIP Facility and the CCAA Proceedings, (iii) the operating costs, expenses, capital expenditures and ordinary course liabilities (including, without limitation, wages, bonuses, vacation pay, active employee benefits and entitlements under the KERP) of the Borrower; and (iv) the making of intercompany loans to any one or more of Great Slave Helicopters Ltd., Air Tindi Ltd. and Discovery Mining Services Ltd. (collectively, the "**Subsidiary Borrowers**") where such Subsidiary Borrowers require intercompany loans in order to fund their respective operating costs, expenses, capital expenditures and ordinary course liabilities;

(d) Comply with the provisions of the court orders made in connection with the CCAA Proceedings (collectively, the "**CCAA Court Orders**" and each a "**CCAA Court Order**");

(e) Preserve, renew and keep in full force Borrower's and Subsidiaries' respective corporate or other existence and all material licenses, permits, approvals, etc. required in respect of their respective business, properties, assets or any activities or operations carried out therein;

(f) Maintain the insurance in existence of the date hereof with respect to the Collateral;

(g) Conduct all activities in accordance with the DIP Agreement Cash Flow Projection and the credit limits established under the DIP Facility as set out hereunder, or as may be otherwise agreed to by the DIP Lender;

(h) Forthwith notify the DIP Lender and the Monitor of the occurrence of any Event of Default, or of any event or circumstance (a "**Default**") that may, with the passage of time or the giving of notice, constitute an Event of Default;

(i) Forthwith notify the DIP Lender and the Monitor of the commencement of, or receipt of notice of intention to commence, any action, suit, investigation, litigation or proceeding before any court, governmental department, board, bureau, agency or similar body affecting the Borrower or any Subsidiary;

(j) Promptly after the same is available, but in no event later than the day that is two (2) business days prior to the date on which the same is to be served, provide copies to the DIP Lender of all pleadings, motion records, application records, judicial information, financial information and other documents filed by or on behalf of the Borrower in the CCAA Proceedings;

(k) Subject to the CCAA and the CCAA Court Orders, comply and cause each Subsidiary to comply in all material respects with all applicable laws, rules and regulations applicable to its business, including, without limitation, health and safety, aviation and environmental laws;

(l) Except where a stay of proceedings applies, pay and cause each Subsidiary to pay when due all statutory liens, trust and other Crown claims including employee source deductions, GST, HST, PST, employer health tax, and work place safety and insurance premiums, but only with respect to: (i) payments that rank in priority to the DIP Charge; or (ii) payments that are otherwise authorized pursuant to the Initial Order;

(m) Treat as unaffected the DIP Obligations in any plan of compromise or arrangement, proposal or any other restructuring whatsoever;

(n) At all times be and remain subject to the CCAA Proceedings;

(o) Ensure that all motion records, pleadings, application records, orders and other documents (the "**Court Documents**") filed, proposed, sought, served, and obtained by the Borrower or in respect of which the Borrower consents or does not object, in or in connection with the CCAA Proceedings shall be in form and substance reasonably satisfactory to the DIP Lender, and provide to the DIP Lender copies of such Court Documents as soon as practicable prior to any filing or service in the CCAA Proceedings, but in no event later than the day that is two (2) business days prior to the date on which the same is to be served; and

(p) Grant the DIP Lender and its professional advisors reasonable access to the Collateral and to the Subsidiaries' business, properties, and books and records.

14. NEGATIVE COVENANTS: The Borrower covenants and agrees not to do the following or permit any Subsidiary to do the following while any DIP Obligations remain

outstanding, other than with the prior written consent of the DIP Lender or an Order of the Court:

(a) Transfer, lease or otherwise dispose of all or any part of its property, assets or undertaking except: (i) where permitted pursuant to the Initial Order; and (ii) where such transaction results in the repayment of DIP Obligations in accordance with the provisions herein under the paragraph entitled "Mandatory Repayments";

(b) Make any payment of principal or interest in respect of any indebtedness outstanding prior to the commencement of the CCAA Proceedings ("**Existing Indebtedness**") other than as may be permitted herein or by a CCAA Court Order, provided that it is acknowledged that the Borrower may make all payments owing to:

(i) the DIP Lender in its capacity as lender in respect of the Existing Clairvest Debt, as provided for herein; and

(ii) secured lenders that have security with express priority ahead of the DIP Charge pursuant to the Initial Order, but only to the extent that such payments are in respect of interest amounts and are not in respect of other amounts, including, without limitation, amounts in respect of maturity payments or amortization payments.

(c) Create or permit to exist indebtedness for borrowed money other than: (i) Existing Indebtedness; (ii) debt contemplated by this DIP Facility; (iii) post-filing trade credit obtained in the ordinary course of business, in accordance with the DIP Agreement Cash Flow Projection;

(d) Permit any new liens to exist on any Collateral other than the Priority Charges;

(e) Either: (i) change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity; or (ii) make any changes to its organizational documents that would be adverse to the DIP Lender;

(f) Make any acquisitions, investments or loans to any person or guarantee the obligations of any person, other than those in existence on the date hereof and disclosed to the DIP Lender in writing;

(g) Enter into any transaction with any Subsidiary or affiliate other than: (i) any transaction on terms and conditions at least as favourable to the Borrower as could reasonably be obtained in an

arms-length transaction, or (ii) those in existence on the date hereof and disclosed to the DIP Lender in writing;

(h) Pay any dividends, distributions or advances to shareholders of the Borrower, or any management bonus or similar payments, except to the extent provided for in the DIP Agreement Cash Flow Projection;

(i) Hold or use any bank accounts other than as disclosed to the DIP Lender in writing in advance of such holding or use;

(j) Engage in new businesses;

(k) Change its fiscal year or accounting practices;

(l) Issue any equity; and

(m) Take any action (or in any way support the taking of any action by another person) that has, or may have, a material adverse impact on the rights and interests of the DIP Lender, including, without limitation, any action in furtherance of challenging the validity, enforceability or amount of the obligations owing in respect of the DIP Facility.

15. EXISTING CLAIRVEST DEBT

The Borrower acknowledges its existing debt as at January 31, 2018, in the aggregate principal amount of $72,700,000, plus interest, fees, costs and expenses payable in addition to this amount (the "**Existing Clairvest Debt**") under the secured debentures issued by the Borrower to Clairvest Equity Partners IV Limited Partnership, CEP IV Co-Investment Limited Partnership, Clairvest Equity Partners IV-A Limited Partnership, DA Holdings Limited Partnership and G. John Krediet (as so amended and in effect immediately prior to the effectiveness of this Agreement, the "**Loan Agreement**"). The Borrower further acknowledges that the Existing Clairvest Debt is due and payable as at May 5, 2018.

The Borrower shall not contest, challenge or in any way oppose (or support any other person in contesting, challenging or opposing): (i) the amount of the DIP Lender's claim for the Existing Clairvest Debt as hereby acknowledged and agreed, together with all other amounts that may become due or payable in respect of the Existing Clairvest Debt following the date hereof; and (ii) the validity and enforceability of the Existing Clairvest Debt or of any loan, security or other documents relating thereto. The Borrower further covenants to, and does hereby, release the DIP Lender and its respective predecessors, successors, agents, advisors, representatives and assigns of and from all claims and liabilities relating to any act or omission prior to the date of this DIP Term Sheet and arising solely in respect thereof.

16. INDEMNITY AND RELEASE:

The Borrower agrees to indemnify and hold harmless the DIP Lender (in its capacity as DIP Lender) and each of its directors, officers, employees, agents, attorneys, advisors and affiliates (all such persons and entities being referred to hereafter as "**Indemnified Persons**") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against or involve any Indemnified Person as a result of or arising out of or in any way related to or resulting from any bankruptcy or insolvency proceedings, this DIP Term Sheet or any advance made hereunder, and, upon demand, to pay and reimburse any Indemnified Person for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including, without limitation, any inquiry or investigation) or claim (whether or not any Indemnified Person is a party to any action or proceeding out of which any such expenses arise); provided, however, the Borrower shall not be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability to the extent it resulted from the gross negligence or willful misconduct of such Indemnified Person as finally determined by a court of competent jurisdiction.

The indemnities granted under this DIP Term Sheet shall survive any termination of the DIP Facility.

17. EVENTS OF DEFAULT:

The occurrence of any one or more of the following events, without the prior written consent of the DIP Lender, shall constitute an event of default ("**Event of Default**") under this DIP Term Sheet:

(a) The issuance of an order terminating the CCAA Proceedings or lifting the stay in the CCAA Proceedings to permit the enforcement of any security against the Borrower or the Collateral, or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against the Borrower or any Subsidiary or the Collateral;

(b) The issuance of an order granting a lien of equal or superior status to that of the DIP Charge, other than as provided in section 10 hereof;

(c) The issuance of any CCAA Court Order: (i) staying, reversing, vacating or otherwise modifying the DIP Charge; or (ii) that adversely impacts or could reasonably be expected to adversely impact the rights and interests of the DIP Lender in connection with the Collateral or under this DIP Term Sheet or the Initial Order, as determined by the DIP Lender in its sole discretion; provided, however, that any such order that provides for payment in full forthwith of all of the obligations of the Borrower under the DIP Facility shall not constitute an Event of Default;

(d) Failure of the Borrower to pay any principal, interest, fees or any other amounts, in each case when due and owing hereunder;

(e) Any update to the DIP Agreement Cash Flow Projection required to be made in accordance with Section 6 hereof indicating that the Borrower would require additional funding above the Maximum Amount to meet its obligations at any time during the period of the DIP Agreement Cash Flow Projection;

(f) Any representation or warranty by the Borrower herein or in any certificate delivered by the Borrower to the DIP Lender shall be incorrect or misleading in any material respect as of the date made or deemed made;

(g) A court order is made (whether in the CCAA Proceedings or otherwise), a liability arises or an event occurs, including any change in the business, assets, or conditions, financial or otherwise, of the Borrower or any Subsidiary, that has or will have a Material Adverse Effect;

(h) Any material violation or breach of any CCAA Court Order upon receipt by the Borrower of notice from the DIP Lender of such violation or breach;

(i) Failure of the Borrower to perform or comply with any other term or covenant under this DIP Term Sheet and such default shall continue unremedied for a period of three (3) business days (irrespective of notice of such failure being given by the DIP Lender to the Borrower);

(j) Any change of control of the Borrower; or

(k) The seeking or support by the Borrower, or the issuance, of any court order (in the CCAA Proceedings or otherwise) that is adverse to the interests of the DIP Lender (including, without limitation, in respect of the validity, enforceability or quantum of the Existing Clairvest Debt).

18. REMEDIES: Upon the occurrence of an Event of Default, whether or not there is availability under the DIP Facility, without any notice or demand whatsoever, the right of the Borrower to receive any DIP Advance or other accommodation of credit from the DIP Lender shall be terminated, subject to the Initial Order. With the leave of the Court sought on not less than two (2) business days' notice to the Borrower and the Monitor, the DIP Lender shall have the right to enforce the DIP Charge and to exercise all other rights and remedies in respect of the DIP Obligations and the DIP Charge, including the right to realize on all Collateral and to apply to the Court for the appointment of a Court-appointed receiver (subject to the application of proceeds of realization to Priority Charges, as applicable). No failure or delay by the DIP Lender in exercising any of its rights hereunder or at law

shall be deemed a waiver of any kind, and the DIP Lender shall be entitled to exercise such rights in accordance with this DIP Term Sheet at any time.

19. FEES:

Except as provided for below regarding legal fees, the DIP Lender shall not charge any fees under the DIP Facility.

20. LEGAL FEES:

The Borrower shall pay all reasonable out-of-pocket expenses, including all reasonable legal expenses on a solicitor-client basis, incurred by the DIP Lender in connection with the CCAA Proceedings, this DIP Term Sheet and the transactions contemplated herein, including those with any respect to any enforcement of the terms hereof or of the DIP Charge or otherwise incurred in connection with the DIP Facility.

All fees shall be non-refundable under all circumstances.

For greater certainty, the fees above shall be paid as and when set out above by way of a deemed advance under the DIP Facility, and shall reduce by such amounts the total availability under the DIP Facility, without the need for the Borrower to draw down the funds in question in accordance with this DIP Term Sheet and then return the funds to the DIP Lender in payment of such fees.

21. DIP LENDER APPROVALS:

Any consent, approval, instruction or other expression of the DIP Lender to be delivered in writing may be delivered by any written instrument, including by way of email, by the DIP Lender pursuant to the terms hereof.

22. TAXES:

All payments by the Borrower under this DIP Term Sheet to the DIP Lender, including any payments required to be made from and after the exercise of any remedies available to the DIP Lender upon an Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country, but excluding any reduction for any amount required to be paid by the Borrower under subsection 224(1.2) of the *Income Tax Act* (Canada) or a similar provision of that or any other taxation statute (collectively "**Taxes**").

23. FURTHER ASSURANCES:

The Borrower shall, at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents and things as the DIP Lender may reasonably request for the purpose of giving effect to this DIP Term Sheet. Without limiting the foregoing, the Borrower agrees that if so requested by the DIP Lender, acting reasonably, it shall promptly execute and deliver to the DIP Lender any general security agreement or other security documents securing its obligations to the DIP Lender hereunder in forms reasonable and customary for debtor in possession financings, provided however that the execution of any such security document shall not be a condition precedent to funding the Maximum Amount or DIP Advances hereunder. Without limiting the foregoing, upon request of the DIP Lender the Borrower agrees to enter into

a formal credit agreement evidencing the terms hereof and containing such other terms and conditions as are customary for credit facilities of the type contemplated hereby and are reasonably requested by the DIP Lender (in which case the entering into of such credit agreement shall be a condition to the availability of future DIP Advances).

24. ENTIRE AGREEMENT; CONFLICT:

This DIP Term Sheet, including the schedules hereto constitutes the entire agreement between the parties relating to the subject matter hereof.

25. AMENDMENTS, WAIVERS, ETC.:

No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing and delivered in accordance with the terms of this DIP Term Sheet. Any amendment to the terms of this DIP Term Sheet shall be made in writing and signed by the parties hereto.

26. ASSIGNMENT:

The DIP Lender may assign this DIP Term Sheet and its rights and obligations hereunder, in whole or in part, to any party acceptable to the DIP Lender in its sole and absolute discretion, provided that the Monitor is satisfied that such assignee has the financial capacity to act as DIP Lender. Neither this DIP Term Sheet nor any right and obligation hereunder may be assigned by the Borrower.

27. SEVERABILITY:

Any provision in this DIP Term Sheet that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

28. COUNTERPARTS AND SIGNATURES:

This DIP Term Sheet may be executed in any number of counterparts and by electronic transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this DIP Term Sheet by signing any counterpart of it.

29. NOTICES:

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

(a) In the case of the Borrower:

Discovery Air Inc.
170 Attwell Drive, Suite 370
Toronto, Ontario M9W 5Z5

Attention: David Kleiman
Email: david.kleiman@discoveryair.com

With a copy to:

Goldman Sloan Nash & Haber LLP
480 University Ave Suite 1600
Toronto, Ontario M5G 1V2

Attention: Mario Forte / Michael Rotsztain
Email: forte@gsnh.com / rotsztain@gsnh.com

And with a copy to the Monitor:

KSV Kofman Inc.
150 King Street West, Suite 2308
Toronto, Ontario, M5H 1J9

Attention: Bobby Kofman / David Sieradzki
Email: bkofman@ksvadvisory.com / dsieradzki@ksvadvisory.com

And with a copy to the Monitor's Counsel:

Goodmans LLP
3400-333 Bay Street
Toronto, Ontario, M5H 2S7

Attention: L. Joseph Latham / Bradley Wiffen
Email: jlatham@goodmans.ca / bwiffen@goodmans.ca

(b) In the case of the DIP Lender:

c/o Clairvest Group Inc.
22 St. Clair Avenue East
Suite 1700
Toronto, Ontario
M4T 2S3

Attention: James H. Miller, General Counsel and Corporate Secretary
Email: jmiller@clairvest.com

With a copy to:

Torys LLP
79 Wellington Street East
Suite 3000
Toronto, ON M5K 1N2

Attention: David Bish / Adam Slavens
Email: dbish@torys.com / aslavens@torys.com

Any such notice shall be deemed to be given and received, when received, unless received after 5:00 EST or on a day other than a business day, in which case the notice shall be deemed to be received the next business day.

30. GOVERNING LAW AND JURISDICTION:

This DIP Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

- signature pages follow -

IN WITNESS HEREOF, the parties hereby execute this DIP Term Sheet as at the date first above mentioned.

DISCOVERY AIR INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

CEP IV CO-INVESTMENT LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GENERAL PARTNER IV L.P.**, by its general partner, **CLAIRVEST GP (GPLP) INC.**

By: _____
Name:
Title:

IN WITNESS HEREOF, the parties hereby execute this DIP Term Sheet as at the date first above mentioned.

DISCOVERY AIR INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

CEP IV CO-INVESTMENT LIMITED PARTNERSHIP, by its general partner, **CLAIRVEST GENERAL PARTNER IV L.P.**, by its general partner, **CLAIRVEST GP (GPLP) INC.**

By: _____
Name: B. Jeffrey Parr
Title: Vice Chairman and Managing Director

By: _____
Danlei Cheng
Chief Financial Officer

SCHEDULE "A"

CCAA Cash Flow Projection

SCHEDULE "B"

Initial CCAA Order

SCHEDULE "C"

Form of Drawdown Certificate

DRAWDOWN CERTIFICATE

TO: **CEP IV CO-INVESTMENT LIMITED PARTNERSHIP** (the "**DIP Lender**")

FROM: **DISCOVERY AIR INC.** (the "**Borrower**")

DATE: ■, 2018

1. This certificate is delivered to you, as DIP Lender, in connection with a request for a DIP Advance pursuant to the DIP Term Sheet made as of March 21, 2018, between the Borrower and the DIP Lender, as amended, supplemented, restated or replaced from time to time (the "**DIP Term Sheet**"). All defined terms used, but not otherwise defined, in this certificate shall have the respective meanings set forth in the DIP Term Sheet, unless the context requires otherwise.

2. The Borrower hereby requests a DIP Advance as follows:

   (a) Date of DIP Advance: _____

   (b) Aggregate amount of DIP Advance: $■

   to be transferred into the Borrower's Account using the following wire transfer instructions:

   BENEFICIARY ADDRESS: 195 DUFFERIN AVE, SUITE 400, LONDON ONTARIO, N6A 1K7

   BENEFICIARY BANK ADDRESS: UNIT 177 - 355 WELINGTON STREET, LONDON, ONTARIO, N6A 3N7

   CAD BANK ACCOUNT:

   INSTITUTION #: 010

   TRANSIT #: 00082ACCOUNT #: 71-02216

   SWIFTCODE: CIBCCATT0010

3. All of the representations and warranties of the Borrower as set forth in the DIP Term Sheet are true and correct as at the date hereof, as though made on and as of the date hereof (except for any representations and warranties made as of a specific date, which shall be true and correct as of the specific date made).

4. All of the covenants of the Borrower contained in the DIP Term Sheet and all other terms and conditions contained in the DIP Term Sheet to be complied with by the Borrower, and not properly waived in writing by or on behalf of the DIP Lender, have been fully complied with.

5. The Borrower is in compliance with the CCAA Court Orders.

6. The proceeds of the DIP Advance hereby requested will be applied solely in accordance with the DIP Agreement Cash Flow Projection, or as has been otherwise agreed to by the DIP Lender.

7. No Default or Event of Default has occurred and is continuing nor will any such event occur as a result of the DIP Advance hereby requested.

DISCOVERY AIR INC.

By: _____

Name:

Title:

cc: KSV Kofman Inc., in its capacity as the Court-appointed monitor of the Borrower in the CCAA Proceedings.

SCHEDULE "D"

Permitted Encumbrances

"Permitted Encumbrances" means:

(i) liens or hypothecs for taxes, assessments or governmental charges incurred in the ordinary course of business that are not yet due and payable or the validity of which is being actively and diligently contested in good faith by the Borrower or in respect of which the Borrower has established on its books reserves considered by it and its auditors to be adequate therefor;

(ii) construction, mechanics', carriers', repairers', storers' warehousemen's and materialmen's liens or hypothecs, and liens or hypothecs in respect of vacation pay, workers' compensation, unemployment insurance or similar statutory obligations, provided the obligations secured by such liens are not yet due and payable and, in the case of construction liens, have not yet been filed or for which the Borrower has not received written notice of a lien;

(iii) deposits to secure public or statutory obligations or in connection with any matter giving rise to a lien described in (ii) above;

(iv) any liens, security interests, encumbrances, hypothecs or other charges in favour of the DIP Lender;

(v) any lien or hypothec, other than a construction lien, payment of which has been provided for by deposit with a bank of an amount in cash, or the obtaining of a surety bond or letter of credit satisfactory to the DIP Lender, sufficient in either case to pay or discharge such lien or upon other terms satisfactory to the DIP Lender;

(vi) normal and customary rights of setoff or compensation upon deposits in favour of depository institutions, and liens of a collecting bank on cheques and other payment items in the course of collection;

(vii) as at the date hereof, any existing security interests, hypothecs, mortgages, pledges, encumbrances, liens and charges evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry in any provinces or territories in Canada or under the Civil Code of Quebec;

(viii) liens given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that person in the ordinary course of its business;

(ix) liens arising from: (A) operating leases, conditional sales agreements and financing leases and the precautionary PPSA or equivalent financing statement filings or similar registrations in respect thereof; and (B) equipment or other materials which are not owned by the Borrower located on the premises of the Borrower from time to time in the ordinary course of business of the Borrower and the precautionary PPSA or equivalent financing statement filings or similar registrations in respect thereof;

(x) any Priority Charges created under the CCAA Court Orders;

(xi) any other lien or hypothec that the DIP Lender approves in writing as a Permitted Encumbrance;

(xii) undetermined or inchoate liens and charges incidental to construction or repairs or operations which have not at such time been filed pursuant to law against the Borrower or which relate to obligations not due or delinquent;

(xiii) the right reserved to or vested in any municipality or government, or to any statutory or public authority, by the terms of any lease, license, franchise, grant or permit acquired by the Borrower or any statutory provision to terminate any such lease, license, franchise, grant or permit, or to require annual or other periodic payments as a condition to the continuance thereof;

(xiv) the reservations, limitations, provisos and conditions (if any) expressed in any original grant from the Crown;

(xv) servitudes, easements, rights of way or similar rights in land granted to or reserved by other persons; and

(xvi) post-Initial Order liens securing purchase money obligations, provided such liens charge only the assets subject to the purchase money obligation and the proceeds thereof and no other asset.

Exhibit "J"

[LETTERHEAD OF DISCOVERY AIR INC.]

March ____, 2018

This is Exhibit "J" referred to in the affidavit of Paul Bernards sworn before me at Toronto this 21 day of March 20 18

A Commissioner for taking Affidavits for Ontario

[name and address of employee]

Dear Sir/Madam,

Re: Retention Arrangements relating to Discovery Air Inc. ("DAI") and its Direct and Indirect Subsidiaries (such Direct and Indirect Subsidiaries collectively, the "DAI Subsidiaries")

We refer you to [your agreement with DAI dated ■ / the terms of your employment agreement with DAI] (the "**Employment Agreement**") in respect of your position as ■ (your "**Position**") of DAI pursuant to which, subject to the terms and conditions thereof, you are in certain circumstances entitled to be paid the amount set out therein **[at the times provided]** upon the termination of your employment (the "**Termination Payment**").

As you know, DAI is considering disposing all or substantially all of its assets and/or the assets of certain DAI Subsidiaries (the "**Disposition**"). DAI's assets include the remaining shares it owns of Top Aces Holdings Inc. ("**Top Aces Holdco**") and the shares of DAI's principal subsidiaries Great Slave Helicopters Ltd. ("**GSH**"), Air Tindi Ltd. ("**Air Tindi**") and Discovery Mining Services Ltd. ("**DMS**", and together with GSH and Air Tindi, collectively the "**Principal Subsidiaries**"). The Disposition may occur in proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") filed by DAI in the Ontario Superior Court of Justice (Commercial List) sitting in the City of Toronto (the "**Court**") and in which one or more of the Principal Subsidiaries may also be filing companies (the "**CCAA Case**"). No decision has yet been made on whether a CCAA Case will be commenced.

DAI regards you as a critical employee, crucial to the success of the Disposition, the CCAA Case, if filed, and related matters. However, upon the completion of the Disposition, it is unlikely that you will continue to be employed by DAI or any purchaser of or investor in DAI's assets. DAI is therefore entering into this letter agreement (the "**Agreement**") with you to induce you to continue to serve in your Position with DAI. You and DAI acknowledge that there is good and value consideration being exchanged by us in respect of this Agreement, the terms and conditions of which are as follows:

1. You and DAI acknowledge and agree that despite any agreements or arrangements to the contrary your Position is with DAI and not with any of the DAI Subsidiaries, Top Aces Holdco or Top Aces Inc. (together with Top Aces Holdco collectively, "**Top Aces**"), and unless otherwise agreed between us in writing you will remain in your Position until the termination of your

employment in accordance with the Employment Agreement and this Agreement.

2. You shall continue to serve in your Position in accordance with the provisions of the Employment Agreement until the earlier of (a) the termination of your employment by DAI in accordance with the provisions of the Employment Agreement, and (b) the completion of the final transaction effecting the Disposition. During such period of continuing service, DAI shall continue to pay you your regular compensation pursuant to the Employment Agreement.

3. In the event that a CCAA Case is commenced at a time when you continue to serve in your Position, DAI will include in its initial application to the Court a request for, and diligently pursue such application to the Court at its own expense, an order approving a Key Employee Retention Plan substantially in the form attached as Schedule "A" (the "**KERP**") or incorporating into the initial order sought in the CCAA Case approval of the KERP, including you as a Participant thereunder (in either case, the "**KERP Approval Order**"). The KERP Approval Order sought will, among other things, contain a charge against the assets of DAI (and any of the Principal Subsidiaries that may be filing parties), on terms substantially in the form of the Court-ordered charge terms contained in the Court's model Initial CCAA Order, such charge to be in favour of all Participants in the KERP on a *pari passu* basis and to rank in the priority ordered by the Court.

4. The particulars of your specific Retention Award (as defined in the KERP) to be paid in accordance with the provisions of the KERP are set out in Appendix "A" attached to the enclosed KERP (**Appendix "A"**).

5. Effective on (i) the issuance by the Court of the KERP Approval Order and the KERP Approval Order becoming a final order no longer subject to appeal or leave to appeal, and (ii) payment of the Retention Award to you as contemplated in accordance with the KERP or your resignation, and reserving all your rights under any applicable directors and officers insurance policy, any indemnity agreement with DAI, and any applicable by-laws of DAI, Top Aces Holdco and their respective subsidiaries, you:

   (a) will no longer be entitled under any circumstances to any Termination Payment under the Employment Agreement or otherwise, but instead your recourse against DAI and its successors and assigns and its former and current shareholders, officers, directors, employees and agents, (DAI and all such other foregoing parties collectively, the "**Released Parties**") shall be limited to your entitlement as a Participant in the KERP in accordance with the provisions thereof, and

   (b) absolutely, unconditionally and irrevocably remise, release and forever discharge all the Released Parties from any and all claims, demands, debts, obligations, liabilities, action, suits, promises, sums of money, damages and any and all other claims, counterclaims, defences and rights of set off whatsoever of

every nature and kind, known or unknown, suspected or unsuspected, both arising at law and in equity (collectively, the "**Claims**") which you or any of your successors, assigns or other legal representatives may now own, hold, have or claim to have against the Released Parties or any of them for, upon, by reason of or arising out of any matter, cause, thing or circumstance whatsoever which arises or occurs at any time on, prior to or subsequent to the date of execution of this Agreement upon, by reason of or arising out of the Employment Agreement, including the Termination Payment, save and except (i) DAI's obligation to continue to pay you your regular compensation pursuant to the Employment Agreement for the period you continued to be employed by DAI, (ii) DAI's obligations to you as a Participant in the KERP in accordance with the provisions thereof,

(c) agree not to assert any Claims against any person, corporation or other entity that may seek contribution, indemnity or other claim over against any of the Released Parties;

(d) acknowledge and agree that you have no recourse whatsoever against any person, corporation or other entity except, subject to the terms of this Agreement, DAI for any matter, cause, thing or circumstance whatsoever whether occurring before or after the date of this Agreement, including without limitation for or by reason of or arising out of the Employment Agreement, including the Termination Payment, your serving as in your Position or your serving as an employee or officer of any DAI Subsidiary or Top Aces, if despite the terms hereof you are found to have served as such. You therefore, on your own behalf and on behalf of your successors, assigns and other legal representatives hereby;

(e) absolutely, unconditionally and irrevocably remise, release and forever discharge all the DAI Subsidiaries and Top Aces and their successors and assigns and their former and current shareholders, officers, directors, employees and agents, (the DAI Subsidiaries, Top Aces and all such other foregoing parties collectively, the "**Releasees**") from any and all Claims which you or any of your successors, assigns or other legal representatives may now own, hold, have or claim to have against the Releasees or any of them for, upon, by reason of or arising out of any matter, cause, thing or circumstance whatsoever which arises or occurs at any time on, prior to or subsequent to the date of execution of this Agreement including, without limitation, upon, by reason of or arising out of the Employment Agreement, including the Termination Payment, or your serving as an employee or officer of any DAI Subsidiary or Top Aces, if despite the terms hereof you are found to have served as such, and

(f) agree not to assert any Claims against any person, corporation or other entity that may seek contribution, indemnity or other claim over against any of the Releasees.

If requested by any of the Released Parties or the Releasees, you shall execute separate full and final releases consistent with the foregoing, on terms satisfactory to you and the Released Parties.

6. Capitalized terms used but not defined herein shall have the meanings given to them in the KERP.

7. This Agreement, together with the KERP, constitutes the entire agreement of the parties and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied, relating to the subject matter hereof. This Agreement may not be amended or modified except by written consent executed by all the parties. No provision of this Agreement will be deemed waived by any course of conduct unless such waiver is in writing and signed by all the parties, specifically stating that it is intended to modify this Agreement.

8. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to any conflicts of law or principles of comity.

9. Each party hereto irrevocably attorns to the exclusive jurisdiction of the Court for all matters arising out of or in connection with this Agreement.

10. If the CCAA Case is commenced, DAI shall be entitled to publicly file this Agreement and the KERP, without Appendix "A", with the Court. Except as may be ordered by the Court or as otherwise may be required by law, Appendix "A" shall be treated as strictly confidential and no terms thereof shall be disclosed to any other person, corporation or other entity; provided that (a) DAI may file a sealed copy of Appendix "A" with the Court and shall diligently apply to the Court at its own expense for a sealing order in respect of Appendix "A"; (b) Appendix "A" and its terms may be disclosed by you to members of your immediate family and your professional counsel and financial advisors and by DAI to its principal senior secured creditors and to potential investors and/or purchasers, on a confidential basis; and (c) the total amount of the Retention Rewards may be publicly disclosed in the CCAA Case.

11. Without prejudice to any other method of giving notice, any notice required or permitted to be given to a party pursuant to this Agreement will be conclusively deemed to have been received by such party on the day of the sending of the notice by prepaid private courier to such party at its, his or her address noted below or by email at its, his or her email address noted below. Any party may change its, his or her address for service or address by notice given in the foregoing manner.

Notice to DAI shall be sent to:

Discovery Air Inc.
170 Atwell Drive
Etobicoke, ON M9W 5Z5

Attention: Alan Torrie

Email: alan.torrie@discoveryair.com

Notice to You shall be sent to:

_____

Email: _____

12. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and which taken together will be deemed to constitute one and the same instrument. Counterparts may be executed either in original, faxed or portable document format ("**PDF**") form and the parties adopt any signatures received by a receiving fax machine or by emailed PDF as original signatures of the parties, provided, however, that any party providing its signature in such manner will promptly forward to the other party an original of the signed copy of the Agreement which was so faxed or emailed.

13. You acknowledge and agree that you have obtained or have had the opportunity to obtain such independent legal advice as you deem appropriate prior to signing this Agreement, and that you have executed this agreement of your own free will and have not been subject to any pressure, duress or undue influence in respect of any matter relating to this Agreement or your execution thereof.

DISCOVERY AIR INC.

Per: _____
Name:
Title:
I have authority to bind the Corporation

I acknowledge having read and received a copy of the foregoing Agreement, and agree to be bound by its terms and conditions.

_____ _____

Witness:
Name:

Name:

SCHEDULE A

DISCOVERY AIR INC [AND CERTAIN OF ITS SUBSIDIARIES]
KEY EMPLOYEE RETENTION PLAN

CREATION OF THE PLAN

- Discovery Air Inc. ("**DAI**") intends to commence restructuring proceedings (the "**CCAA Case**") in the Ontario Superior Court of Justice (Commercial List) sitting in the City of Toronto (the "**Court**") under the *Companies' Creditors Arrangement Act* ("Canada") (the "**CCAA**"). In order to retain key critical employees of DAI, DAI hereby establishes a Key Employee Retention Program ("**Plan**"). In the event DAI commences the CCAA Case, it will include in its initial application to the Court a request for, and diligently pursue such application to the Court at its own expense, an order approving the Plan. The Plan as presented to the Court will be subject to the recommendation of the Monitor and approval by the Court. The Plan has been developed to provide employees who are critical to the success of the restructuring with sufficient incentive to remain with DAI through the completion of the final transaction effecting the disposition by DAI of all or substantially all its remaining assets and/or the assets of Great Slave Helicopters Ltd., Air Tindi Ltd., Discovery Mining Services Ltd. and Top Aces Holdings Inc. (collectively, the "**Subject Companies**") whether pursuant to or without a plan of compromise and/or arrangement (the "**Disposition**").

ELIGIBILITY

- Participation in the Plan will be limited to those employees (each a "**Participant**") who are considered by DAI in consultation with the Monitor to be integral to (i) the Disposition or any material part or parts thereof, and/or (ii) if pursued by DAI, the implementation of a plan of restructuring, reorganization, compromise or arrangement as approved by the requisite majorities of the Company's classes of creditors and the Court (the "**Restructuring**"), as the case may be. Both (i) and (ii) require the continued operation of DAI's business (including of certain of its Subsidiaries), the maintenance of data rooms and other due diligence sources and the uninterrupted maintenance of certain key management functions.
- For greater certainty, the Participants shall comprise each of the following employees who agrees to participate in the Plan on terms acceptable to DAI: (a) Paul Bernards, (b) David Kleiman, (c) John Asma, (d) Andrew Lowe, (e) Erin Smart, and (f) Ellen Deyell.

RETENTION AWARDS

- DAI will pay or provide Retention Awards (as defined below) to all Participants in accordance with the terms of this Plan.

- All Participants will be entitled to receive retention awards under the Plan (collectively, "**Retention Awards**" and, individually, a "**Retention Award**") on the terms and conditions herein. The purpose of the Retention Award is to provide a cash incentive to Participants to continue their employment with DAI through the full anticipated term of the Disposition or Restructuring. The particulars of your specific Retention Award are set out in Appendix "A" attached.
- Retention Awards will be paid or provided to each Participant who has complied with the provisions of his or her letter agreement with DAI in respect of the Plan on the earlier of: (a) the completion of the final transaction effecting the Disposition, (b) the implementation of the Restructuring, (c) the date on which the CCAA Case is terminated by an order of the Court that has become a final order no longer subject to appeal or leave to appeal, or (d) the commencement of a liquidation in respect of the assets of any of the Subject Companies, provided that at the time of such commencement the other Subject Companies shall each either (i) have been disposed of by way of a completed Disposition, or (ii) are (or were) the subject of a liquidation in respect of its assets (the date of such payment or provision, the "**Payment Date**").
- The Retention Award and its method of calculation will not necessarily be the same for each Participant.
- In the event that a Participant's employment is terminated without cause prior to the Payment Date, on the date on which such termination becomes effective the Participant will be entitled to receive, and shall be paid or provided, the full amount of such Participant's unpaid or not yet provided Retention Award, if any.
- Notwithstanding anything to the contrary herein, in the event that a Participant is terminated for cause or resigns before the Payment Date, then the Participant will not be entitled to receive any Retention Award.
- In the event that a Participant who has not been terminated for cause or who has not resigned dies or takes an authorized sick or any other leave before the Payment Date, then the Participant (or his or her estate) will be entitled to receive the full amount of such Participant's unpaid or not yet provided Retention Award, if any,

STATUTORY REMITTANCES

- All Retention Awards will be considered earnings from a Participant's employment and subject to income tax and other statutory deductions required by law, which deductions shall be administered by DAI unless otherwise agreed to by the Participant.

MISCELLANEOUS

- Retention Awards are inclusive of applicable vacation pay/allowance referable to Retention Awards earnings, and will not be considered earnings for the purpose of determining any earnings-based, employee benefits provided by DAI, including any savings, pension, supplemental deferred compensation or bonus plan.
- DAI shall be entitled to publicly file the Plan, without Appendix "A", with the Court. Except as may be ordered by the Court or as otherwise may be required by law, Appendix "A" shall be treated as strictly confidential and no terms thereof shall be disclosed to any other person, corporation or other entity; provided that (a) DAI may file a sealed copy of Appendix "A" with the Court and shall diligently apply to the Court at its own expense for a

sealing order in respect of Appendix "A; (b) Appendix "A" and its terms may be disclosed by a Participant to members of the Participant's immediate family and his or her professional counsel and financial advisors and by DAI to its principal senior secured creditors and to potential investors and/or purchasers on a confidential basis; and (c) the total amount of the Retention Rewards may be publicly disclosed in the CCAA Case.

- Notwithstanding the foregoing, the Monitor appointed by the Court shall have full access to Plan and related material.
- The Plan shall be administered by the Board of Directors of DAI (the "**Board**"), unless and to the extent that the Board determines to delegate the administration of this Plan, in whole or in part, to any committee of the Board. The Board shall have the full power and authority to take all actions, and to make all determinations, required or provided for under this Plan, and all such other actions and determinations not inconsistent with the specific terms and provisions of this Plan deemed by the Board to be necessary or appropriate to the administration of this Plan. The interpretation and construction by the Board of any provision of this Plan shall be final, binding and conclusive.
- In furtherance of the Plan, DAI may make or cause to be made individual arrangements with a Participant, provided that such arrangements are not materially inconsistent with the Plan and in such case, the provisions of the individual arrangements shall govern to the extent of any inconsistency.
- This Plan was approved by the Board on • and shall continue to be in effect until all amounts payable under the Plan have been paid and all other Retention Award obligations to the Participants have been fulfilled.
- Nothing in this Plan shall confer upon any Participant any right to continue in the employ or service of DAI or shall interfere with or restrict in any way the rights of DAI, which are hereby expressly reserved, to remove, terminate or discharge, as applicable, any Participant at any time for any reason whatsoever.

DEFINITIONS

- **Subsidiaries** means the plural of the definition of "Subsidiary body corporate" in the *Canada Business Corporations Act*.
- **Monitor** means KSV Kofman Inc.

APPENDIX "A"

[For each Appendix "A", insert only the Retention Award details and related information for the Participant with whom this cover letter agreement is being entered into]

CONFIDENTIAL EXHIBIT "K"

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

AFFIDAVIT OF PAUL BERNARDS
(sworn March 21, 2018)

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Lawyers for the Applicant

TAB 3

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY, THE 21st
	)	
JUSTICE HAINEY	)	DAY OF MARCH, 2018

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

APPLICANT

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Paul Bernards, sworn March 21, 2018, and the Exhibits thereto (the "**Bernards Affidavit**"), and on reading the consent of KSV Kofman Inc. ("**KSV**") to act as the Monitor (in such capacity, the "**Monitor**"), and upon reading the pre-filing report of KSV dated March 21, 2018, in its capacity as the proposed Monitor, and on hearing the submissions of counsel for the Applicant and those subsidiaries set out in Schedule "**A**" hereto (each a "**Non-Applicant Subsidiary**" and collectively the "**Non-Applicant Subsidiaries**", and together with the Applicant the "**Discovery Air Group**"), the proposed Monitor and Clairvest Group Inc., no one appearing for any other party although duly served as appears from the affidavit of service of Katie Parent sworn March 21, 2018,

SERVICE AND DEFINED TERMS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies. Although not Applicants, the Non-Applicant Subsidiaries shall enjoy certain benefits of the protections and authorizations provided by this Order, as set out herein.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system including, subject to the Definitive Documents (as hereinafter defined), the operating facility with Canadian Imperial Bank of Commerce ("**CIBC**") and borrowings that may be made under that facility as well as the cash pooling arrangements currently in place as described in the Bernards Affidavit or replace it with another substantially

similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Discovery Air Group of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Discovery Air Group, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System (and, in particular, in its capacity as the operating facility lender), an unaffected creditor under the Plan or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* R.S.C. 1985 c. B-3, as amended ("**BIA**") with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System. For greater certainty, any security held by CIBC in connection with the foregoing shall continue to retain its priority in respect of any usage or borrowings made from and after the date of this Order.

6. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course, prior to, on or after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, until a real property lease is disclaimed in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts

payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, once a month on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that the Applicant shall be entitled but not obligated to continue to make payments of interest at current rates in place as of the date of this Order (and, for greater certainty, not at any default rate) owing to each of Roynat Inc. ("**Roynat**") and ECN Aviation Inc. ("**ECN**") in connection with the secured credit facilities that it has with each such lender and, in the case of Roynat, its regularly scheduled payment of principal on April 15, 2018 provided, for greater certainty, that the maturity of the Roynat facility on such date is stayed as set out herein (all as contemplated by the cash flow forecast attached to the Bernards Affidavit).

10A **THIS COURT ORDERS** that the Applicant shall continue to make payments of interest at current rates in place as of the date of this Order (and, for greater certainty, not at any default rate) and other repayments of borrowings from time to time outstanding pursuant to the terms of the operating facility with CIBC provided, for greater certainty, that the maturity of and the final repayment of principal upon maturity or any acceleration under the CIBC facility is stayed as set out herein.

11. **THIS COURT ORDERS** that other than as set out in paragraphs 10 and 10A, and except as may otherwise specifically be permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $100,000 in any one transaction or $500,000 in the aggregate;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate;

(c) with the approval of the Monitor, enter into one or more agreements for the provision of shared services with any or all of Top Aces Inc. and/or the Non-Applicant Subsidiaries; and

(d) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "**Restructuring**").

13. **THIS COURT ORDERS** that the Applicant shall provide each of the relevant landlords with notice of the Applicant' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant' claim to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at

the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE DISCOVERY AIR GROUP OR THEIR PROPERTY

15. **THIS COURT ORDERS** that until and including April 20, 2018, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

16. **THIS COURT ORDERS** that during the Stay Period, except with the written consent of the Applicant and the Monitor, or with leave of this Court, no Proceedings shall be commenced or continued against or in respect of the Non-Applicant Subsidiaries, or any of their current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "**Non-Applicant Subsidiaries' Property**", and together with the Non-Applicant Subsidiaries' businesses, collectively, the "**Non-Applicant Subsidiaries' Property and Business**"), arising upon or as a result of (i) the insolvency of the Applicant; (ii) the making or filing of these proceedings or of any order in these proceedings; (iii) any default or event of default arising as a result of or pursuant to either of (i) or (ii) or any default under the terms of any document entered into in connection with any of Discovery's or the Non-Applicant Subsidiaries' secured debt facilities including any guarantee thereunder to which any of the Applicant or the Non-Applicant Subsidiaries are a party; or (iv) any default arising out of a contract or agreement to which the Applicant and one or more Non-Applicant Subsidiaries is a party (collectively the "**Non-Applicant Subsidiary Default Events**"). Without limitation, the operation of any provision of a contract or agreement between a Non-Applicant Subsidiary and any other Person that purports to effect or cause a

termination or cessation of any rights of the Non-Applicant Subsidiary, or to accelerate, terminate, discontinue, alter, interfere with, repudiate, cancel, suspend, amend or modify such contract or agreement, in each case as a result of one or more Non-Applicant Subsidiary Default Events, is hereby stayed and restrained during the Stay Period.

NO EXERCISE OF RIGHTS OR REMEDIES

17. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

17A **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of the Non-Applicant Subsidiaries, or affecting the Non-Applicant Subsidiaries' Property and Business, as a result of a Non-Applicant Subsidiary Default Event are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Non-Applicant Subsidiaries to carry on any business which the Non-Applicant Subsidiaries are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

18. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

18A **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any other party as a result of a Non-Applicant Subsidiary Default Event, except with the written consent of the Applicant and the Monitor, or leave of this Court.

18B. **THIS COURT ORDERS** that, notwithstanding paragraphs 15 to 18A or any other provisions of this Order, upon the occurrence of an event of default under the CIBC operating facility other than a default which may arise as a result of, or otherwise relate to, the insolvency of the Applicant, the commencement of the Applicant's proceedings under the CCAA or any relief granted in these proceedings occurring after the date hereof, CIBC shall immediately upon notice to the Applicant and the Monitor be entitled to cease making advances to the Applicant and, upon 2 days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant, the Non-Applicant Subsidiaries, the Property or the Non-Applicant Subsidiaries' Property under or pursuant to the CIBC operating facility and any and all security granted thereunder, including without limitation, set off and/or consolidate any amounts owing by CIBC to the Applicant against the obligations of the Applicant or the Non-Applicant Subsidiaries to CIBC under the operating facility, to make demand, accelerate payment and give other notices, provided however, that CIBC may not take any further steps to enforce its security without leave of this Court, including without limitation, applying for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and/or the Non-Applicant Subsidiaries and for the appointment of a trustee in bankruptcy of the Applicant and/or the Non-Applicant Subsidiaries; and the foregoing rights and remedies of CIBC shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant, the Non-Applicant Subsidiaries, the Property, the Business or the Non-Applicant Subsidiaries' Property and Business.

CONTINUATION OF SERVICES

19. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility

or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

19A **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with one or more Non-Applicant Subsidiaries or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to any Non-Applicant Subsidiaries, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Non-Applicant Subsidiaries as a result of a Non-Applicant Subsidiary Default Event, and that the Non-Applicant Subsidiaries shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Non-Applicant Subsidiaries in accordance with normal payment practices of the Non-Applicant Subsidiaries or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

20. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant or any Non-Applicant

Subsidiary. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant or of the Non-Applicant Subsidiaries with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant or of the Non-Applicant Subsidiaries whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

23. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of $100,000, as security for the indemnity provided in paragraph 22 of this Order. The Directors' Charge shall have the priority set out in paragraphs 48 and 50 herein.

24. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

APPOINTMENT OF MONITOR

25. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

26. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Discovery Air Group's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender (as defined herein) and its counsel and CIBC and its counsel on a periodic basis of financial and other information as agreed to between the Applicant and the DIP Lender that may be used in these proceedings, including reporting on a basis to be agreed with the DIP Lender;

(d) advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the DIP Lender or CIBC, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel and CIBC and its counsel on a periodic basis, as agreed to by the DIP Lender;

(e) advise the Applicant in its development of the Plan and any amendments to the Plan;

(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(h) conduct, supervise and carry out any sales process(es) with respect to the Property and the Business;

(i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(j) commence applications for recognition of these proceedings outside of Canada in its capacity as foreign representative without further Order of this Court; and

(k) perform such other duties as are required by this Order or by this Court from time to time.

27. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or the Non-Applicant Subsidiaries' Property and shall take no part whatsoever in the management or supervision of the management of the Business or the Non-Applicant Subsidiaries' Property and Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the foregoing, or any part thereof.

28. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property or the Non-Applicant Subsidiaries' Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure

imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property or the Non-Applicant Subsidiaries' Property within the meaning of any Environmental Legislation, unless it is actually in possession.

29. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicant and the DIP Lender with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

30. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements incurred prior to or following the date hereof, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis or at such other intervals as the Applicant and the Monitor may agree.

32. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

33. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $750,000, as

security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 48 and 50 hereof.

34. **THIS COUT ORDERS** that KSV in its capacity as Monitor in these proceedings be and hereby is authorized to act as a foreign representative of the Applicant and of these proceedings for the purpose of having these proceedings recognized outside of Canada.

INTERCOMPANY FINANCING

35. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant may advance funds to its Non-Applicant Subsidiaries after the date of this Order, whether through operation of the Cash Management System, an intercompany loan, including, without limitation, loans made pursuant to the DIP Term Sheet, or otherwise ("**Intercompany Advances**). The Applicant's accounts and records shall constitute, in the absence of manifest error, *prima facie* evidence of the balance of the Intercompany Advances.

36. **THIS COURT ORDERS** that the Intercompany Advances to each Non-Applicant Subsidiary shall be secured by a charge in favour of the Applicant (each, an "**Intercompany Charge**") over the applicable Non-Applicant Subsidiary's Property to the extent of each of their respective indebtedness to the Applicant for Intercompany Advances. The Intercompany Charges shall have the priority set out in paragraph 50 hereof.

DIP FINANCING

37. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from CEP IV Co-Investment Limited Partnership (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures and the Intercompany Advances, provided that borrowings under such credit facility shall not exceed $12.6 million unless permitted by further Order of this Court.

38. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Applicant and the DIP Lender dated as of March 21, 2018 (the "**DIP Term Sheet**"), filed.

39. **THIS COURT ORDERS** that the Applicant and the Non-Applicant Subsidiaries, as applicable, are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents, including, without limitation, in connection with the Intercompany Advances (collectively and including the DIP Term Sheet, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant and the Non-Applicant Subsidiaries, as applicable, are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 48 and 50 hereof. Without limiting the generality of the foregoing, the Applicant's obligations under the DIP Term Sheet and the Intercompany Advances shall also be secured by the assignment by the Applicant to the DIP Lender of the Intercompany Charges and the repayment obligations of the Non-Applicant Subsidiaries to the Applicant in respect of the Intercompany Advances, each of which are hereby assigned.

41. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge, the Intercompany Charges or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, the DIP Lender shall immediately

upon notice to the Applicant and the Monitor be entitled to cease making advances to the Applicant and, upon 2 days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant, the Non-Applicant Subsidiaries, the Property or the Non-Applicant Subsidiaries' Property under or pursuant to the DIP Term Sheet, Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, including without limitation, set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant or the Non-Applicant Subsidiaries to the DIP Lender under the DIP Term Sheet, the Definitive Documents, the DIP Lender's Charge or the Intercompany Charges, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and/or the Non-Applicant Subsidiaries and for the appointment of a trustee in bankruptcy of the Applicant and/or the Non-Applicant Subsidiaries; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant, the Non-Applicant Subsidiaries, the Property, the Business or the Non-Applicant Subsidiaries' Property and Business.

42. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any Plan or any proposal filed by the Applicant under the BIA, with respect to any advances made under the Definitive Documents.

KEY EMPLOYEE RETENTION PLAN

43. **THIS COURT ORDERS** that the Applicants' Key Employee Retention Plan ("**KERP**"), as described in the Bernards Affidavit is hereby approved.

44. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to enter into the KERP with KERP Employees (as defined in the Bernards Affidavit).

45. **THIS COURT ORDERS** that the amounts payable to the Key Employees pursuant to the KERP are hereby secured by a charge (the "**KERP Charge**") on the Property, in favour of

the Key Employees. The KERP Charge shall have the priority set out in paragraphs 48 and 50 hereof

46. **THIS COURT ORDERS** that the aggregate amount secured by the KERP Charge granted to secure the Applicants' obligations under the KERP shall be in an amount of no more than CDN$1.65 million.

47. **THIS COURT ORDERS** that Confidential **Exhibit "K"** to the Bernards Affidavit be and is hereby sealed pending further order of this Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

48. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge, the KERP Charge and the DIP Lender's Charge, as among them, against the Property shall be as follows:

First – Administration Charge (to the maximum amount of $750,000);

Second – Directors' Charge (to the maximum amount of $100,000);

Third – KERP Charge (to the maximum amount of $1.65 million); and

Fourth – DIP Lender's Charge.

49. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the KERP Charge, the DIP Lender's Charge or the Intercompany Charges (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

50. **THIS COURT ORDERS** that:

a) each of the Administration Charge, the Directors' Charge and the KERP Charge (all as constituted and defined herein) shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") of the Applicant in favour

of any Person other than (i) any Person with a properly perfected purchase money security interest under the *Personal Property Security Act* (Ontario) or similar provincial legislation or (ii) any statutory super priority deemed trusts and liens for unremitted employee source deductions;

b) the DIP Lender's Charge shall rank immediately in priority to Clairvest's Encumbrances granted by or against the Applicant or the Property and any other Encumbrances that rank behind such Clairvest Encumbrances; provided, for greater certainty, that the DIP Lender's Charge shall rank subordinate to any Encumbrances that have priority over such Clairvest Encumbrances; and

c) the Intercompany Charges shall rank immediately in priority to Clairvest's Encumbrances granted by or against any Non-Applicant Subsidiary or the Non-Applicant Subsidiaries' Property and any other Encumbrances that rank behind such Clairvest Encumbrances; provided, for greater certainty, that the Intercompany Charges shall rank subordinate to any Encumbrances that have priority over such Clairvest Encumbrances with respect to the Non-Applicant Subsidiaries' Property.

51. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant and the Non-Applicant Subsidiaries shall not grant any Encumbrances over any Property or Non-Applicants Subsidiaries' Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge, the KERP Charge, the DIP Lender's Charge or the Intercompany Charges, unless the Applicant also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge, the beneficiaries of the KERP Charge, and the Administration Charge, or further Order of this Court.

52. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the DIP Term Sheet, the Definitive Documents, the DIP Lender's Charge and the Intercompany Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for

bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant or the Non-Applicant Subsidiaries, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicant or the Non-Applicant Subsidiaries of any Agreement to which they are a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Applicant or the Non-Applicant Subsidiaries pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

53. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the interests of the Applicant or of the Non-Applicant Subsidiaries in such real property leases.

SERVICE AND NOTICE

54. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe & Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than $1000, and (C) prepare a list showing the

names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

55. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL 'http://www.ksvadvisory.com/insolvency-cases/discovery-air/'.

56. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

57. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

58. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

59. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any other jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

60. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as the foreign representative of the Applicant for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

61. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

62. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

Schedule "A" – Non- Applicant Subsidiaries

1. Great Slave Helicopters Ltd.
2. Air Tindi Ltd.
3. Discovery Mining Services Ltd.
4. Discovery Air Technical Services Inc.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC. (the "APPLICANT")

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

INITIAL ORDER

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Lawyers for the Applicant

TAB 4

Revised: January 21, 2014

Court File No. ———

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE ——MR.	)	WEEKDAYWEDNESDAY, THE #21st
	)	
JUSTICE ——HAINEY	)	DAY OF MONTHMARCH, 20YR2018

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF [DISCOVERY AIR INC.

APPLICANT[S NAME] (the "Applicant")

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the ""**CCAA**"") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of [NAME]Paul Bernards, sworn [DATE]March 21, 2018, and the Exhibits thereto, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice (the "**Bernards Affidavit**"), and on reading the consent of KSV Kofman Inc. ("**KSV**") to act as the Monitor (in such capacity, the "**Monitor**"), and upon reading the pre-filing report of KSV dated March 21, 2018, in its capacity as the proposed Monitor, and on hearing the submissions of counsel for [NAMES], no one appearing for [NAME][1]the Applicant and those subsidiaries set out in Schedule "**A**" hereto (each a "**Non-Applicant Subsidiary**" and collectively the "**Non-Applicant Subsidiaries**", and

[1] Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).

together with the Applicant the "**Discovery Air Group**"), the proposed Monitor and Clairvest Group Inc., no one appearing for any other party although duly served as appears from the affidavit of service of ~~[NAME] sworn [DATE] and on reading the consent of [MONITOR'S NAME] to act as the Monitor,~~ Katie Parent sworn March 21, 2018.

SERVICE AND DEFINED TERMS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated[2] so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies. Although not Applicants, the Non-Applicant Subsidiaries shall enjoy certain benefits of the protections and authorizations provided by this Order, as set out herein.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or

[2] ~~If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.~~

employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. ~~[~~**THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system[3] including, subject to the Definitive Documents (as hereinafter defined), the operating facility with Canadian Imperial Bank of Commerce ("**CIBC**") and borrowings that may be made under that facility as well as the cash pooling arrangements currently in place as described in the Bernards Affidavit ~~of [NAME] sworn [DATE]~~ or replace it with another substantially similar central cash management system (the ~~"~~"**Cash Management System**~~"~~") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Discovery Air Group of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Discovery Air Group, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System (and, in particular, in its capacity as the operating facility lender), an unaffected creditor under the Plan or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* R.S.C. 1985 c. B-3, as amended ("**BIA**") with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.~~]~~ For greater certainty, any security held by CIBC in connection with the foregoing shall continue to retain its priority in respect of any usage or borrowings made from and after the date of this Order.

6. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in

[3] ~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.~~

the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course, prior to, on or after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, until a real property lease is disclaimed ~~[or resiliated]~~[4] in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time (~~"~~"**Rent**"~~"~~), for the period commencing from and including the date of this Order, ~~twice monthly in equal payments~~once a month on the first ~~and fifteenth~~ day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that~~:~~ the Applicant shall be entitled but not obligated to continue to make payments of interest at current rates in place as of the date of this Order (and, for greater certainty, not at any default rate) owing to each of Roynat Inc. ("**Roynat**") and ECN Aviation Inc. ("**ECN**") in connection with the secured credit facilities that it has with each such lender and, in the case of Roynat, its regularly scheduled payment of principal on April 15, 2018 provided, for greater certainty, that the maturity of the Roynat facility on such date is stayed as set out herein (all as contemplated by the cash flow forecast attached to the Bernards Affidavit).

10A **THIS COURT ORDERS** that the Applicant shall continue to make payments of interest at current rates in place as of the date of this Order (and, for greater certainty, not at any default rate) and other repayments of borrowings from time to time outstanding pursuant to the terms of the operating facility with CIBC provided, for greater certainty, that the maturity of and the final repayment of principal upon maturity or any acceleration under the CIBC facility is stayed as set out herein.

[4] ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

11. **THIS COURT ORDERS** that other than as set out in paragraphs 10 and 10A, and except as may otherwise specifically be permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. ~~11.~~ **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents ~~(as hereinafter defined)~~, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, ~~[~~and to dispose of redundant or non-material assets not exceeding $•100,000 in any one transaction or $•500,000 in the aggregate~~]~~[5];

(b) ~~[~~terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate~~]~~;

(c) with the approval of the Monitor, enter into one or more agreements for the provision of shared services with any or all of Top Aces Inc. and/or the Non-Applicant Subsidiaries; and

(d) ~~(c)~~ pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the ~~"~~"**Restructuring**~~"~~").

13. ~~12.~~ **THIS COURT ORDERS** that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord

~~[5] Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims ~~[or resiliates]~~ the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~[or resiliation]~~ of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

14. ~~13.~~ **THIS COURT ORDERS** that if a notice of disclaimer ~~[or resiliation]~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~[or resiliation]~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~[or resiliation]~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~DISCOVERY AIR GROUP OR ~~THE~~THEIR PROPERTY

15. ~~14.~~ **THIS COURT ORDERS** that until and including ~~[DATE – MAX. 30 DAYS]~~,April 20, 2018, or such later date as this Court may order (the ~~"~~"**Stay Period**~~"~~"), no proceeding or enforcement process in any court or tribunal (each, a ~~"~~"**Proceeding**~~"~~") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

16. **THIS COURT ORDERS** that during the Stay Period, except with the written consent of the Applicant and the Monitor, or with leave of this Court, no Proceedings shall be commenced or continued against or in respect of the Non-Applicant Subsidiaries, or any of their current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "**Non-Applicant Subsidiaries' Property**", and together with the Non-Applicant Subsidiaries' businesses, collectively, the "**Non-Applicant Subsidiaries' Property and Business**"), arising upon or as a result of (i) the insolvency of the Applicant; (ii) the making or filing of these proceedings or of any order in these proceedings; (iii) any default or event of default arising as a result of or pursuant to either of (i) or (ii) or any default under the terms of any document entered into in connection with any of Discovery's or the Non-Applicant Subsidiaries' secured debt facilities including any guarantee thereunder to which any of the Applicant or the Non-Applicant Subsidiaries are a party; or (iv) any default arising out of a contract or agreement to which the Applicant and one or more Non-Applicant Subsidiaries is a party (collectively the "**Non-Applicant Subsidiary Default Events**"). Without limitation, the operation of any provision of a contract or agreement between a Non-Applicant Subsidiary and any other Person that purports to effect or cause a termination or cessation of any rights of the Non-Applicant Subsidiary, or to accelerate, terminate, discontinue, alter, interfere with, repudiate, cancel, suspend, amend or modify such contract or agreement, in each case as a result of one or more Non-Applicant Subsidiary Default Events, is hereby stayed and restrained during the Stay Period.

NO EXERCISE OF RIGHTS OR REMEDIES

17. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

17A **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of the Non-Applicant Subsidiaries, or affecting the Non-Applicant Subsidiaries' Property and Business, as a result of a Non-Applicant Subsidiary Default Event are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Non-Applicant Subsidiaries to carry on any business which the Non-Applicant Subsidiaries are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

18. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

18A **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any other party as a result of a Non-Applicant Subsidiary Default Event, except with the written consent of the Applicant and the Monitor, or leave of this Court.

18B. **THIS COURT ORDERS** that, notwithstanding paragraphs 15 to 18A or any other provisions of this Order, upon the occurrence of an event of default under the CIBC operating facility other than a default which may arise as a result of, or otherwise relate to, the insolvency of the Applicant, the commencement of the Applicant's proceedings under the CCAA or any relief granted in these proceedings occurring after the date hereof, CIBC shall immediately upon notice to the Applicant and the Monitor be entitled to cease making advances to the Applicant and, upon 2 days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant, the Non-Applicant Subsidiaries, the Property or the Non-Applicant Subsidiaries' Property under or pursuant to the CIBC operating facility and any and all security granted thereunder, including without limitation, set off and/or consolidate any

amounts owing by CIBC to the Applicant against the obligations of the Applicant or the Non-Applicant Subsidiaries to CIBC under the operating facility, to make demand, accelerate payment and give other notices, provided however, that CIBC may not take any further steps to enforce its security without leave of this Court, including without limitation, applying for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and/or the Non-Applicant Subsidiaries and for the appointment of a trustee in bankruptcy of the Applicant and/or the Non-Applicant Subsidiaries; and the foregoing rights and remedies of CIBC shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant, the Non-Applicant Subsidiaries, the Property, the Business or the Non-Applicant Subsidiaries' Property and Business.

CONTINUATION OF SERVICES

19. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

19A **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with one or more Non-Applicant Subsidiaries or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to any Non-Applicant Subsidiaries, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or

terminating the supply of such goods or services as may be required by the Non-Applicant Subsidiaries as a result of a Non-Applicant Subsidiary Default Event, and that the Non-Applicant Subsidiaries shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Non-Applicant Subsidiaries in accordance with normal payment practices of the Non-Applicant Subsidiaries or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

20. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant or any Non-Applicant Subsidiary. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.[6]

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant or of the Non-Applicant Subsidiaries with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant or of the Non-Applicant Subsidiaries whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

~~[6] This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. ~~20.~~ **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings,[7] except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

23. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the ~~"~~"**Directors' Charge**~~"~~")[8] on the Property, which charge shall not exceed an aggregate amount of $~~●~~100,000, as security for the indemnity provided in paragraph ~~[20]~~22 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~[38]~~48 and ~~[40]~~50 herein.

24. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors~~'~~' Charge, and (b) the Applicant~~'~~s directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~[20]~~22 of this Order.

APPOINTMENT OF MONITOR

25. ~~23.~~ **THIS COURT ORDERS** that ~~[MONITOR'S NAME]~~KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

~~[7] The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

~~[8] Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

26. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the ~~Applicant's~~ Discovery Air Group's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender (as defined herein) and its counsel and CIBC and its counsel on a ~~[TIME INTERVAL]~~periodic basis of financial and other information as agreed to between the Applicant and the DIP Lender ~~which~~that may be used in these proceedings, including reporting on a basis to be agreed with the DIP Lender;

(d) advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the DIP Lender or CIBC, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel and CIBC and its counsel on a periodic basis, ~~but not less than [TIME INTERVAL], or as otherwise~~as agreed to by the DIP Lender;

(e) advise the Applicant in its development of the Plan and any amendments to the Plan;

(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(h) conduct, supervise and carry out any sales process(es) with respect to the Property and the Business;

(i) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(j) commence applications for recognition of these proceedings outside of Canada in its capacity as foreign representative without further Order of this Court; and

(k) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

27. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or the Non-Applicant Subsidiaries' Property and shall take no part whatsoever in the management or supervision of the management of the Business or the Non-Applicant Subsidiaries' Property and Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the ~~Business or Property~~foregoing, or any part thereof.

28. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, ~~"~~"**Possession**~~"~~") of any of the Property or the Non-Applicant Subsidiaries' Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the ~~"~~"**Environmental Legislation**~~"~~"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property or the Non-Applicant Subsidiaries' Property within the meaning of any Environmental Legislation, unless it is actually in possession.

29. ~~27.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicant and the DIP Lender with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

30. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

31. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements incurred prior to or following the date hereof, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a ~~[TIME INTERVAL] basis and, in addition,~~ bi-weekly basis or at such other intervals as the Applicant ~~is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amount[s] of $● [, respectively,] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time~~ and the Monitor may agree.

32. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

33. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor~~, if any,~~ and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the ~~"~~**Administration Charge**~~"~~) on the Property, which charge shall not exceed an aggregate amount of $●~~,~~ 750,000, as security for their professional fees and disbursements incurred at the

standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~[38] and [40]~~48 and 50 hereof.

34. **THIS COUT ORDERS** that KSV in its capacity as Monitor in these proceedings be and hereby is authorized to act as a foreign representative of the Applicant and of these proceedings for the purpose of having these proceedings recognized outside of Canada.

INTERCOMPANY FINANCING

35. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicant may advance funds to its Non-Applicant Subsidiaries after the date of this Order, whether through operation of the Cash Management System, an intercompany loan, including, without limitation, loans made pursuant to the DIP Term Sheet, or otherwise ("**Intercompany Advances**"). The Applicant's accounts and records shall constitute, in the absence of manifest error, *prima facie* evidence of the balance of the Intercompany Advances.

36. **THIS COURT ORDERS** that the Intercompany Advances to each Non-Applicant Subsidiary shall be secured by a charge in favour of the Applicant (each, an "**Intercompany Charge**") over the applicable Non-Applicant Subsidiary's Property to the extent of each of their respective indebtedness to the Applicant for Intercompany Advances. The Intercompany Charges shall have the priority set out in paragraph 50 hereof.

DIP FINANCING

37. ~~32.~~ **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from ~~[DIP LENDER'S NAME] (the "~~CEP IV Co-Investment Limited Partnership (the "**DIP Lender**~~"~~") in order to finance the Applicant~~'~~s working capital requirements and other general corporate purposes and capital expenditures and the Intercompany Advances, provided that borrowings under such credit facility shall not exceed $~~●~~12.6 million unless permitted by further Order of this Court.

38. ~~33.~~ **THIS COURT ORDERS** ~~THAT~~that such credit facility shall be on the terms and subject to the conditions set forth in the ~~commitment letter~~term sheet between the Applicant and

the DIP Lender dated as of ~~[DATE]~~March 21, 2018 (the ~~"Commitment Letter"~~"**DIP Term Sheet**"), filed.

39. ~~34.~~ **THIS COURT ORDERS** that the Applicant ~~is~~and the Non-Applicant Subsidiaries, as applicable, are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents, including, without limitation, in connection with the Intercompany Advances (collectively and including the DIP Term Sheet, the ~~"~~"**Definitive Documents**~~"~~"), as are contemplated by the ~~Commitment Letter~~DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant ~~is~~and the Non-Applicant Subsidiaries, as applicable, are hereby authorized and directed to pay and perform all of ~~its~~their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the ~~Commitment Letter~~DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. ~~35.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the ~~"~~"**DIP Lender's Charge**~~"~~") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs ~~[38] and [40] hereof.~~ 48 and 50 hereof. Without limiting the generality of the foregoing, the Applicant's obligations under the DIP Term Sheet and the Intercompany Advances shall also be secured by the assignment by the Applicant to the DIP Lender of the Intercompany Charges and the repayment obligations of the Non-Applicant Subsidiaries to the Applicant in respect of the Intercompany Advances, each of which are hereby assigned.

41. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge, the Intercompany Charges or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents ~~or~~, the DIP Lender's Charge or the Intercompany Charges, the DIP Lender~~, upon ● shall~~ immediately upon notice to the Applicant and the Monitor be entitled to cease making

advances to the Applicant and, upon 2 days' notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant ~~or the~~, the Non-Applicant Subsidiaries, the Property or the Non-Applicant Subsidiaries' Property under or pursuant to the ~~Commitment Letter~~DIP Term Sheet, Definitive Documents ~~and~~, the DIP Lender's Charge or the Intercompany Charges, including without limitation, ~~to cease making advances to the Applicant and~~ set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant or the Non-Applicant Subsidiaries to the DIP Lender under the ~~Commitment Letter~~DIP Term Sheet, the Definitive Documents ~~or~~, the DIP Lender's Charge or the Intercompany Charges, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and/or the Non-Applicant Subsidiaries and for the appointment of a trustee in bankruptcy of the Applicant and/or the Non-Applicant Subsidiaries; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant ~~or the~~, the Non-Applicant Subsidiaries, the Property, the Business or the Non-Applicant Subsidiaries' Property and Business.

42. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any ~~plan of arrangement or compromise filed by the Applicant under the CCAA,~~Plan or any proposal filed by the Applicant under the ~~*Bankruptcy and Insolvency Act* of Canada (the "BIA")~~BIA, with respect to any advances made under the Definitive Documents.

KEY EMPLOYEE RETENTION PLAN

43. **THIS COURT ORDERS** that the Applicants' Key Employee Retention Plan ("**KERP**"), as described in the Bernards Affidavit is hereby approved.

44. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to enter into the KERP with KERP Employees (as defined in the Bernards Affidavit).

45. **THIS COURT ORDERS** that the amounts payable to the Key Employees pursuant to the KERP are hereby secured by a charge (the "**KERP Charge**") on the Property, in favour of the Key Employees. The KERP Charge shall have the priority set out in paragraphs 48 and 50 hereof

46. **THIS COURT ORDERS** that the aggregate amount secured by the KERP Charge granted to secure the Applicants' obligations under the KERP shall be in an amount of no more than CDN$1.65 million.

47. **THIS COURT ORDERS** that Confidential **Exhibit "K"** to the Bernards Affidavit be and is hereby sealed pending further order of this Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

48. ~~38.~~ **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge, the KERP Charge and the DIP Lender's Charge, as among them, against the Property shall be as follows[9]:

First – Administration Charge (to the maximum amount of $●750,000);

Second – ~~DIP Lender's Charge; and~~Third ~~—~~Directors' Charge (to the maximum amount of $●100,000);

Third – KERP Charge (to the maximum amount of $1.65 million); and

Fourth – DIP Lender's Charge.

49. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge ~~or~~, the KERP Charge, the DIP Lender's Charge or the Intercompany Charges (collectively, the ~~"~~"**Charges**~~"~~") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

~~[9] The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

50. ~~40.~~ **THIS COURT ORDERS** that :

a) each of the ~~Directors' Charge, the~~ Administration Charge, the Directors' Charge and the ~~DIP Lender's~~KERP Charge (all as constituted and defined herein) ~~shall constitute a charge on the Property and such Charges~~ shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, ~~"Encumbrances") in favour of any Person~~"**Encumbrances**") of the Applicant in favour of any Person other than (i) any Person with a properly perfected purchase money security interest under the *Personal Property Security Act* (Ontario) or similar provincial legislation or (ii) any statutory super priority deemed trusts and liens for unremitted employee source deductions;

b) the DIP Lender's Charge shall rank immediately in priority to Clairvest's Encumbrances granted by or against the Applicant or the Property and any other Encumbrances that rank behind such Clairvest Encumbrances; provided, for greater certainty, that the DIP Lender's Charge shall rank subordinate to any Encumbrances that have priority over such Clairvest Encumbrances; and

c) the Intercompany Charges shall rank immediately in priority to Clairvest's Encumbrances granted by or against any Non-Applicant Subsidiary or the Non-Applicant Subsidiaries' Property and any other Encumbrances that rank behind such Clairvest Encumbrances; provided, for greater certainty, that the Intercompany Charges shall rank subordinate to any Encumbrances that have priority over such Clairvest Encumbrances with respect to the Non-Applicant Subsidiaries' Property.

51. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant and the Non-Applicant Subsidiaries shall not grant any Encumbrances over any Property or Non-Applicants Subsidiaries' Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge ~~or~~, the KERP Charge, the DIP Lender's Charge or the Intercompany Charges, unless the Applicant also ~~obtains~~obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of

the Directors' Charge, the beneficiaries of the KERP Charge, and the Administration Charge, or further Order of this Court.

52. ~~42.~~ **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the ~~Commitment Letter~~DIP Term Sheet, the Definitive Documents ~~and~~, the DIP Lender's Charge and the Intercompany Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "~~"~~**Chargees**~~"~~") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "~~"~~**Agreement**~~"~~") which binds the Applicant or the Non-Applicant Subsidiaries, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the ~~Commitment Letter~~DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicant or the Non-Applicant Subsidiaries of any Agreement to which ~~it is~~they are a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the ~~Commitment Letter~~DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Applicant or the Non-Applicant Subsidiaries pursuant to this Order, the ~~Commitment Letter~~DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

53. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the interests of the Applicant~~'s interest~~ or of the Non-Applicant Subsidiaries in such real property leases.

SERVICE AND NOTICE

54. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~The Globe & Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than $1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

55. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '~~<@>~~http://www.ksvadvisory.com/insolvency-cases/discovery-air/'.

56. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such

service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

57. ~~47.~~ **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

58. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

59. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada ~~or in~~, the United States or any other jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

60. ~~50.~~ **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as ~~a~~the foreign representative ~~in respect of~~ the ~~within proceedings~~Applicant for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

61. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

62. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

Schedule "A" – Non- Applicant Subsidiaries

1. Great Slave Helicopters Ltd.
2. Air Tindi Ltd.
3. Discovery Mining Services Ltd.
4. Discovery Air Technical Services Inc.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

Court File No.:

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC. (the "APPLICANT")

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

INITIAL ORDER

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DISCOVERY AIR INC.

Court File No:

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced TORONTO

APPLICATION RECORD
(returnable March 21, 2018)

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