Management's Discussion and Analysis
Of Financial Condition and Results of Operations

For the Three Months and Year Ended December 31, 2021

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CARGOJET INC.
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The following is the Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Cargojet Inc. ("Cargojet" or the "Company") for the three months and year ended December 31, 2021. The following also includes a discussion of and comparative operating results for the three months and year ended December 31, 2020.

Cargojet is publicly listed with shares and hybrid debentures traded on the Toronto Stock Exchange ("TSX"). The Company is incorporated in Ontario and domiciled in Canada and the registered office is located at 2281 North Sheridan Way, Mississauga, Ontario, L5K 2S3.

The MD&A is dated March 7, 2022 The audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A should be read in conjunction with the audited consolidated annual financial statements of the Company for the years ended December 31, 2021 and 2020.

All amounts in the MD&A are expressed in Canadian dollars unless otherwise noted.

Key Factors Affecting the Business

The results of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of the management of the Company. See the "Risk Factors" section of this MD&A and in the Company's annual information form dated March 7, 2022 for the fiscal year ended December 31, 2021 (the "AIF") for a more complete discussion of the risks affecting the Company's business.

Caution Concerning Forward Looking Statements

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "project" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect Cargojet's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Examples of the factors that can affect the results are government regulations, competition, seasonal fluctuations, international trade, weather patterns, retention of key personnel, labour relations, terrorist activity, general industry condition and economic sensitivity, the Company's ability to manage growth and profitability, fuel prices, other cost controls and foreign exchange fluctuations, and capability of maintaining its fleet. The risk and uncertainties are detailed in the "Risk Factors" sections of this MD&A and the AIF.

Forward looking statements are based on a number of material factors, expectations or assumptions of the Company which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. The statements are based on the following factors: the continued and timely development of infrastructure, continued availability of debt financing and cash flows, future commodity prices, currency, exchange and interest rates, regulatory framework regarding taxes and environmental matters in the jurisdictions in which the Company operates.

This document contains forward-looking statements that reflect management's current expectations related to matters such as future financial performance and liquidity and capital resources of the Company. Specific forward-looking statements in this document include, but are not limited to, statements with respect to:

- Fleet Overview – Page 5.
- Recent Events – Page 7.
- Off - Balance Sheet Arrangements – Page 36.
- Outlook – Page 48.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of the Company's annual information form dated March 7, 2022 for the fiscal year ended December 31, 2021 (the "AIF"). A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Company cautions that the list of risk factors and uncertainties described in this MD&A and the AIF is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. The forward-looking information contained herein represents our expectations as of the date hereof (or as the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

Overview

Financial Information and Operating Statistics Highlights

(Canadian dollars in millions, except where indicated)

	Three Month Period Ended December 31,				Year Ended December 31,			
	2021	2020	Change	%	**2021**	2020	Change	%
Financial information								
Revenues	**$235.9**	$187.1	$48.8	26.1%	**$757.8**	$668.5	$89.3	13.4%
Direct expenses	**$159.2**	$117.8	$41.4	35.1%	**$526.9**	$418.0	$108.9	26.1%
Gross margin	**$76.7**	$69.3	$7.4	10.7%	**$230.9**	$250.5	($19.6)	-7.8%
Gross margin - %	**32.5%**	37.0%	-4.5%		**30.5%**	37.5%	-7.0%	
Selling, general & administrative expenses	**$22.3**	$27.2	($4.9)	-18.0%	**$73.6**	$81.4	($7.8)	-9.6%
Net finance costs & other gains and losses	**($60.0)**	$49.6	($109.6)	-221.0%	**($43.5)**	$212.9	($256.4)	-120.4%
Earnings (loss) before income taxes	**$114.4**	($7.5)	$121.9	1625.3%	**$200.8**	($43.8)	$244.6	558.4%
Income taxes	**$12.4**	$13.0	(0.6)	-4.6%	**$33.4**	$44.0	($10.6)	-24.1%
Net earnings (loss)	**$102.0**	($20.5)	$122.5	597.6%	**$167.4**	($87.8)	$255.2	290.7%
Earnings (loss) per share - $CAD								
Basic	**$5.82**	$(1.31)	$7.13	544.3%	**$9.73**	($5.63)	$15.36	272.8%
Diluted	**$5.70**	$(1.31)	$7.01	535.1%	**$9.51**	($5.63)	$15.14	268.9%
EBITDA (1)	**$152.1**	$29.0	$123.1	424.5%	**$348.1**	$95.3	$252.8	265.3%
EBITDA margin (1)- %	**64.5%**	15.5%	0.49		**45.9%**	14.3%	31.6%	
Adjusted EBITDA (1)	**$90.5**	$87.0	$3.5	4.0%	**$293.1**	$281.7	$11.4	4.0%
Adjusted EBITDA margin (1)- %	**38.4%**	46.5%	-8.1%		**38.7%**	42.1%	-3.4%	
EBITDAR (1)	**$152.1**	$29.0	$123.1	424.5%	**$348.1**	$95.3	$252.8	265.3%
EBITDAR margin (1)- %	**64.5%**	15.5%	0.49		**45.9%**	14.3%	31.6%	
Adjusted EBITDAR (1)	**$90.5**	$87.0	$3.5	4.0%	**$293.1**	$281.7	$11.4	4.0%
Adjusted EBITDAR margin(1)- %	**38.4%**	46.5%	-8.1%		**38.7%**	42.1%	-3.4%	
Adjusted Free Cash flow (1)	**$38.0**	$52.1	($14.1)	-27.1%	**$160.3**	$196.8	($36.5)	-18.5%
Operating statistics (2)								
Operating days (3)	**49**	49	-	-	**198**	199	(1)	-0.5%
Average domestic network revenue per operating day (4)	**$2.14**	$1.81	$0.33	18.2%	**$1.72**	$1.51	$0.21	13.9%
Block hours (5)	**18,328**	15,247	3,081	20.2%	**59,734**	52,225	7,509	14.4%
Aircraft in operating fleet								
B757-200	**9**	8	1		**9**	8	1	
B767-200	**4**	4	-		**4**	4	-	
B767-300	**16**	14	2		**16**	14	2	
Challenger 601	**2**	2	-		**2**	2	-	
	31	28	3	10.7%	**31**	28	3	10.7%
Average volume per operating day (lbs.)	**2,801,764**	2,233,438	568,326	25.4%	**2,071,072**	1,665,756	405,316	24.3%
Average head count	**1,496**	1,237	259	20.9%	**1,496**	1,237	259	20.9%

1. EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR and Adjusted Free Cash Flow are non-GAAP financial measures and are not earning measures recognized by IFRS. Prior year amounts have been restated to reflect the revised definitions of Adjusted EBITDA and Adjusted EBITDAR. Please refer to the "Non-GAAP measures" section on page 15 of this MD&A for a more detailed discussion and a reconciliation of these non-GAAP financial measures to the nearest GAAP measure.
2. The definitions for the Operating Statistics included in this table are provided in the Notes below.
3. Operating days refer to the Company's domestic network air cargo network operations that run primarily on Monday to Thursday with a reduced network operating on Friday.
4. Average domestic network revenue per operating day refers to total domestic network revenues earned by the Company per operating day.
5. Block hours refers to the total duration of a flight from the time the aircraft releases its brakes when it initially moves from the airport parking area prior to flight, to the time the brakes are set when it arrives at the airport parking area after the completion of the flight.

Corporate Overview

The Company is Canada's leading provider of time sensitive domestic network air cargo services. Its main air cargo business is comprised of the following:

- Operating a domestic network air cargo co-load network between sixteen major Canadian cities;
- Providing dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance ("ACMI") basis, operating between points in Canada, USA, Mexico and Europe; and
- Operating scheduled international routes for multiple cargo customers between the USA and Bermuda, between Canada, UK and Germany; and between Canada and Mexico.

The Company operates its business across North America transporting time sensitive air cargo each business night utilizing its fleet of all-cargo aircraft. The Company's domestic network air cargo co-load network consolidates cargo received from customers and transports such cargo to the appropriate destination in a timely and safe manner. The Company continually monitors key performance indicators and uses this information to reduce costs and improve the efficiency of its services.

Fleet Overview

Note: See Caution Concerning Forward Looking Statements, page 2.

The table below sets forth the Company's operating fleet as at December 31, 2019, 2020 and 2021 as well as the Company's planned operating fleet for the year ending December 31, 2022, 2023 and 2024:

Aircraft Type		Leased or Owned	Average Age	Number of Aircraft in Service						Maximum Payload (lbs.)	Range (miles)
				Actual			Plan				
				Q4		Q4	Q4				
				2019	2020	2021	2022	2023	2024		
B767-300(1)	Freighter	Leased	27	8	8	4	4	3	3	125000	6000
B767-300(1) (2)	Freighter	Owned	28	4	6	12	15	17	17	125000	6000
B767-200(3)	Freighter	Owned	20	-	2	2	2	4	4	100000	5000
B767-200(4)	Freighter	Leased	36	1	1	1	1	-	-	100000	5000
B757-200(5)	Freighter	Owned	29	8	8	9	14	15	15	80000	3900
B777-200(6)	Freighter	Owned	12	-	-	-	-	1	3	233000	8555
B777-300(7)	Freighter	Owned	16	-	-	-	-	-	2	222000	7370
B767-200 (8)	Passenger	Owned	25	1	1	1	1	1	1	100000	5000
Challenger 601(9)	Passenger	Owned	35	2	2	2	2	2	2	6000	3300
Total Aircraft				24	28	31	39	43	47		

1. Cargojet exercised purchase options in relation to five leased B767-300 aircraft in Q1 2021 and these aircraft are classified as owned. In October 2021, Cargojet exercised another purchase option in relation to one leased B767-300 aircraft and the aircraft is also classified as owned. In June 2021 and July 2021 Cargojet acquired two B767-300 aircraft under a *lease agreement to operate on a Crew, Maintenance and Insurance ("CMI") basis for a third party, both agreements expiring in March 2027. These aircraft are included in the table above. Cargojet has two B767-300 under lease arrangements with purchase options in favour of Cargojet at pre-determined prices. Cargojet expects to exercise the purchase options for these two aircraft in November 2023 and October 2027.
2. Cargojet exercised purchase options in relation to five leased B767-300 aircraft in Q1 2021 and one aircraft in October 2021, see note 1 above. In November 2020, December 2020 and July 2021 Cargojet executed purchase agreements for one B767-300 aircraft, one B767-300 airframe and two B767-300 airframes respectively as feedstock for future conversions. In 2021, Cargojet signed agreements for the conversion of four B767-300 aircraft with expected delivery dates in Q1 2022, Q2 2022, Q3 2022 and Q1 2023. These converted aircrafts are included in the table above based on their expected dates for entry into operations.
3. The two B767-200 aircraft in operation at December 31, 2021 are owned by Cargojet. In July 2019 and April 2021 Cargojet purchased two B767-200 converted freighter aircraft that are currently under lease to third party. These aircraft have not been included in the table above. In October 2020, Cargojet executed purchase agreements for two B767-200 aircraft as feedstock for future conversions. Cargojet has signed agreements for their conversion with expected delivery dates in Q2 2023 and Q4 2023. These converted aircrafts are included in the table above based on their expected dates for entry into operations. Cargojet has an option to substitute the B767-200 aircraft with a B767-300 aircraft.
4. The B767-200 aircraft in operation at December 31, 2021 is under a lease that was extended in October 2020 to February 28, 2023.
5. The eight B757-200 aircraft in operation at December 31, 2021 are owned by Cargojet. In November 2017, Cargojet purchased an additional B757-200. Cargojet plans to operate this aircraft through a third party as a passenger charter but eventually to convert the aircraft to a cargo aircraft. This aircraft is not currently operational and has not been included in the table above. In June 2021, Cargojet completed the purchase of an additional B757-200 aircraft; this aircraft has entered service and has been included in the table above. In July 2021, Cargojet executed purchase agreement for one B757-200 aircraft as feedstock for future conversions. Cargojet has signed an agreement for the conversion of this aircraft with expected delivery dates of Q1 2023. In November 2021, Cargojet executed agreement for the purchase of three converted B757-200 aircraft, with expected delivery dates of Q1 2022, Q3 2022 and Q4 2022.In January 2022 Cargojet signed a LOI for the purchase of two converted B757-200 aircraft with expected delivery dates of Q2 2022 and Q3 2022. Six B757-200 are included in the table based on their expected dates of entry in operation.
6. In October 2021 and February 2022, Cargojet executed agreements for the purchase and conversion of two and two B777-200 aircraft respectively, with expected delivery dates of Q4 2023, Q1 2024, Q3 2024 and Q4 2024. Three B777-200 aircraft are included in the table above based on their expected dates of entry into operation.
7. In February 2022, Cargojet executed an agreement for the purchase and conversion of four B777-300 aircraft with expected delivery dates of Q3 2024, Q3 2024, Q2 2025 and Q1 2026. Two B777-300 aircraft are included in the table above based on their expected dates of entry in to operation.
8. Cargojet purchased one B767-200 aircraft in July 2018. Cargojet has entered into a charter agreement with a third party to operate and manage this aircraft to provide the aircraft for passenger charter services. This aircraft entered operations in Q2 2019.
9. Cargojet has entered into a charter agreement with a third party to operate and manage two aircraft to provide passenger charter services.

*** Does not meet the definition of lease under IFRS 16**

Recent Events

Note: See Caution Concerning Forward Looking Statements, page 2.

Amended Credit facility

On February 7, 2022, the Company amended and restated its revolving operating credit facility (the "Facility") availed through its subsidiary, Cargojet Airways Ltd., as borrower, with a syndicate of financial institutions (collectively, the "Lenders") in order to extend the maturity date to February 7, 2027, reflect the transition from LIBOR to SOFR, and waive the requirement for Cargojet Airways Ltd. to enter into new aircraft security agreements, subject to the continued satisfaction of certain financial conditions. The amendment also allows the Company to request that the Lenders increase the aggregate commitments under the credit facility by up to $100 million for an aggregate availability of up to $700 million. See "Liquidity and Capital Resources".

Investment in Associate

On August 10, 2021, the Company purchased 25% interest in membership and note participation, respectively ("Investment") in Avia Acquisition LLC, a Texas limited liability company, which is the legal, beneficial and record holder of one hundred percent of the issued and outstanding membership interest of 21 Air, LLC, a North Carolina limited liability company ("21 Air") with corporate offices in Miami, Florida. The Company continues to collaborate with 21 Air on mutually beneficial opportunities in the air cargo market.

New Air Transport Agreement with Amazon Canada

In April 2021 the Company entered into a new Air Transportation Services Agreement with Amazon Canada Fulfillment Services, ULC ("Amazon").

Under the agreement, the Company expanded upon its prior commercial relationship with Amazon. As part of this arrangement, Cargojet is currently operating two Amazon-owned B767-300BDSF aircraft as part of the Amazon Air network on a Crew, Maintenance and Insurance ("CMI") basis within Canada since July 2021. The Company expects the agreement to generate additional revenue growth to its earnings and cash flows over time. The agreement has a four-year term with three successive two-year renewal options, subject to customary commercial terms.

New Public Offering

On February 1, 2021 the Company successfully completed its public offering to issue 1,642,000 shares at a price of $213.25 per share for an aggregated gross proceeds of $350 million. An additional 71,500 shares were issued on February 5, 2021 under the overallotment option for gross proceeds of $15 million. The Company paid underwriters' fees and incurred expenses totaling $15.6 million on the offering as transaction costs. The Company has repaid $74.5 million in debt payments and $78.1 million in lease settlements. Cargojet prepaid its purchase options under its five finance leases and purchased one at the end of lease. The Company also utilized $137.9 million of proceeds to purchase fully converted aircraft and acquire aircraft feedstocks, deposits for slot reservation and deposits on execution of turnkey contract, The Company entered into two separate agreements to purchase five fully converted B757-200 to be delivered in 2022. It also purchased one feed stock in 2021 to be converted and delivered in 2023. The Company also acquired four B767-300 and two B767-200 feedstocks in 2021. Three of these aircraft are scheduled for conversion and delivery in 2022 and three in 2023. It also entered into contract for supply of two B777-200 aircraft on turnkey basis and paid for four conversion slots for additional B777 aircraft.

Related party transactions

Head office

The Company entered into a lease agreement in February 2017 with respect to a 62,000 square feet head office and warehouse area that is indirectly and beneficially owned by one of the Company's executive officers and directors. The lease will expire in 2032. The transaction is in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The basic rent is subject to revision every five years at a predetermined rate per the terms of the lease.

Under the lease, the Company paid $1.1 million during the year out of which $0.5 million was adjusted towards principal payments against the liability and $0.6 million was recorded as related interest cost. The Company also paid utilities, taxes, maintenance, insurance and other related costs for the leased premises. As at December 31, 2021, the Company had a liability of $8.9 million due under the finance lease.

Donation

In 2020, the Company donated $2.5 million to support research projects for testing and treatment of COVID-19, welfare of the underprivileged affected by COVID-19 and for social justice programs through a related party charity in which two of the Company's executives are directors.

Investment in associate

The Company has acquired an Investment in Avia Acquisition LLC (see Recent events - Investment in Associate). 21 Air, which is wholly owned by Avia Acquisition LLC, is one of the vendors of the Company and provides charter services to the Company. The Company has also leased two Boeing 767-200 aircraft to 21 Air in October 2019 and January 2021 respectively. Both leases expire in 2024.The transactions are in the normal course of the business and are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

The COVID-19 Pandemic

The COVID-19 virus (the "Pandemic") has created a global health crisis that has resulted in widespread disruption to economic activity, across North America and internationally. Businesses in many countries around the globe, including Canada, the United States and other countries where the Company flies, have at times been required to close, or materially alter their day-to-day operations due to government-ordered or recommended shut-downs and/or "shelter-in-place", or equivalent, restrictions on individuals and businesses that prevented many businesses from operating. Although some restrictions have been and are being relaxed and businesses are allowed opening, not all businesses are operating at normal operational levels yet.

Integration of supply chain was assumed to significantly improve the overall performance of companies, but the Pandemic has created tremendous pressure on the supply chains worldwide, because of the series of lockdowns and restrictions that has varied from country to country. Such ongoing supply chain disruption issues has pushed many companies to use airfreight as a viable transportation option and caused a surge in the demand for Cargojet's business.

Since March 2020, the Company took the following steps to safeguard the health of its employees while continuing to operate safely and maintain employment and economic activity:

- Continued mandatory cleaning procedures on all flights, including disinfectant spraying on all aircraft and sanitizing high touch areas, cargo containers, packages and facilities
- Provided pay protection to employees who have tested positive for COVID-19, must quarantine due to exposure or travel-related requirements or have self-identified as being at high-risk for illness from COVID-19 according to the Centers for Disease Control and Prevention ("CDC") guidelines
- Maintained significant workforce social distancing and protection measures, including allowing working from home during this period
- Continued heightened cleaning of its facilities using appropriate methods and products
- Enforced mandatory temperature checks for employees entering its facilities, provided face masks, gloves and shields where required
- Adjusted network capacity to meet increased overnight, trans border and international supply chain demands
- Arranged for the mass vaccination of employees during work hours and provided company transportation

Cargojet continues with its strict safety protocols to protect its employees and customers. The Company anticipates that some of these measures may be modified or discontinued in 2022 as the Pandemic subsides.

Due to the Pandemic, the resulting grounding of airline fleets and cancellation of flights and continued disruptions of the supply chain, certain commercial airlines have publicly disclosed that they have and will continue to expand their air cargo businesses. As a result of demand for air cargo services being elevated due to, among other things, the ongoing Pandemic, management believes there is increased competition for ACMI and charter services in a growing market. See "Risk Factors – Competition".

The Company remains well positioned to adjust to market conditions to assist our customers as they work to manage their transportation, logistics and supply chain processes during the Pandemic

Revenues

The Company's revenues are primarily generated from its domestic network air cargo service between 16 major Canadian cities each business night. Most customers pre-purchase a guaranteed space and weight allocation on the Company's network and a corresponding guaranteed daily revenue amount is paid to the Company for this space and weight allocation. Remaining capacity is sold on an adhoc basis to contract and non-contract customers. Although a significant portion of domestic network revenues are fixed due to guaranteed customer allocations, Cargojet's revenues will generally rise and fall with the overall level of customer volume typically expressed in pounds.

- Revenues and shipping volumes from the Company's domestic network air cargo service are generally seasonal. Customer demand is highest in the fourth quarter of each year due primarily to the increase in retail activity during the holiday season in December. The Company's domestic network air cargo service operates primarily on Monday to Thursday with a reduced network operating on Friday, Sunday and on certain weekdays that are adjacent to certain statutory holidays. The Company defines the term "operating day" to refer to the days on which the full domestic network air cargo network is in operation. Typically, each fiscal year will have between 197 and 199 operating days depending on the timing of certain statutory holidays and leap years. The variance in number of operating days between quarters and year over year will have an impact on comparative quarterly revenues. The Company also provides services to customers on a crew, maintenance and insurance basis ("CMI"). As these services are integrated with the domestic network, the revenues from CMI services are included in domestic network revenues.

The Company also generates revenue from a variety of other primarily air cargo services:

- The Company provides domestic air cargo services for a number of international airlines between points in Canada that connect such airlines' gateways to Canada. This helps to support lower demand legs and provides a revenue opportunity with little or no incremental cost as the flights are operating on regular schedules.

- The Company provides dedicated aircraft to customers on an adhoc and scheduled basis typically in the daytime and on weekends for cargo and passenger charters. Adhoc flights for cargo and passengers are sold under a one-time agreement while scheduled flights are sold under longer term agreements. The adhoc charter business for cargo targets livestock shipments, military equipment, emergency relief supplies and virtually any large shipment requiring immediate delivery across North America, to the Caribbean and to Europe. The adhoc charter business for passenger flights mostly operates within Canada and between Canada and USA. Scheduled charter business provides dedicated aircraft for recurring flights as required by the customer for cargo and passenger charters. Adhoc and scheduled flights are sold either on an "all-in" basis or on an ACMI basis:
    - Under an all in adhoc or scheduled charter agreement, the customer will pay a single, all-inclusive fixed amount per flight. All costs of the flight including fuel, navigation fees and landing fees are borne by the Company and recognized in its financial statements as direct expenses.
    - Under an ACMI adhoc or scheduled charter agreement, the customer is responsible for all commercial activities and the Company is paid a fixed amount to operate the flight priced as a rate per block hour (see definition of "block hours" in Expenses on page 11). Variable flight costs such as fuel, navigation fees and landing fees are borne by the customer.

- The Company operates an international route between Newark, New Jersey, USA and Hamilton, Bermuda. This provides a five-day per week air cargo service for multiple customers and is patterned after the domestic business that Cargojet has built in Canada. Customer contracts contain minimum daily revenue guarantees and the ability to pass through increases in fuel costs.

Expenses

Direct expenses consist of fixed and variable expenses that are largely driven by the size of the Company's aircraft fleet and the volume of flight activity required by the level of customer demand. Fixed costs include aircraft lease costs, building lease costs, salaries for full-time employees in maintenance, flight operations, and commercial operations, depreciation and amortization, and insurance. Variable costs that are directly related to the volume of flight activity include fuel expense, navigation fees, landing fees and variable aircraft lease reserves related to engines, auxiliary power units, and landing gear.

Flight activity is measured in "block time" and is expressed in "block hours". Block time represents the total duration of a flight from the time the aircraft releases its brakes when it initially moves from the airport parking area prior to flight, to the time the brakes are set when it arrives at the airport parking area after the completion of the flight.

Administrative expenses are primarily costs associated with executive and corporate management and the overhead of the Company's business that include functions such as load scheduling, flight operations coordination, aircraft maintenance planning and engineering, client relations, administration, accounting, human resources and information systems. Administrative expenses include management bonuses, legal, audit and other consulting fees, bank charges, and data and communication expenses.

Results of Operations and Supplementary Financial Information

(Canadian dollars in millions, except where indicated or an amount per share)

	Three month period ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
	(unaudited)	(unaudited)	(audited)	(audited)
	$	$	$	$
Revenues	**235.9**	187.1	**757.8**	668.5
Direct expenses	**159.2**	117.8	**526.9**	418.0
	76.7	69.3	**230.9**	250.5
General and administrative expenses	**13.9**	30.6	**58.7**	98.0
Sales and marketing expenses	**0.2**	0.5	**0.8**	4.2
Loss (gain) on swap derivative	**8.2**	(3.9)	**14.1**	(20.8)
Impairment of property, plant and equipment	**-**	-	**-**	0.6
Finance costs	**7.2**	9.6	**30.9**	39.6
Fair value (decrease) increase on stock warrant	**(68.6)**	47.9	**(79.0)**	177.9
Loss (gain) on extinguishment of lease liabilities	**1.1**	(1.1)	**4.8**	(1.1)
Other loss (gain), net	**0.3**	(6.8)	**(0.2)**	(4.1)
	(37.7)	76.8	**30.1**	294.3
EARNINGS (LOSS) BEFORE INCOME TAXES	**114.4**	(7.5)	**200.8**	(43.8)
Provision for income taxes				
Deferred	**12.4**	13.0	**33.4**	44.0
Net earnings (loss) and comprehensive income (loss)	**102.0**	**(20.5)**	**167.4**	(87.8)
Earnings (loss) per share				
Basic	**$5.82**	$(1.31)	**$9.73**	$(5.63)
Diluted	**$5.70**	$(1.31)	**$9.51**	$(5.63)
Average number of shares - basic (in thousands of shares)	**17,515**	15,597	**17,170**	15,592
Average number of shares - diluted (in thousands of shares)	**17,880**	15,597	**17,536**	15,592

NON-GAAP MEASURES

Non-GAAP measures like EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR, Adjusted Free Cash Flow and Leverage Ratio are not earning measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. Therefore, EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR, Adjusted Free Cash Flow, Leverage Ratio, Maintenance Capital Expenditure and Growth Capital Expenditure may not be comparable to similar measures presented by other issuers. Please refer to the "End Notes" section of this MD&A for definitions of these measures.

These alternative measures provide a more consistent basis to compare the performance of the Company between the periods and improve comparability between other companies including other airlines. They provide additional information to users of the MD&A to enhance their understanding of the Company's financial performance. These measures are also used by the Company to guide its decisions on dividend policy, to set financial targets for its management incentive plans and to monitor the Company's compliance with its debt covenants. Investors are cautioned that EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR, Adjusted Free Cash Flow, Leverage Ratio, Maintenance Capital Expenditure and Growth Capital Expenditure should not be construed as an alternative to net income determined in accordance with IFRS as indicators of the Company's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. The reconciliations of net earnings to EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR and Free Cash Flow to Adjusted Free Cash Flow are provided on Page 16.

Recent changes to the definition of Adjusted EBITDA, and Adjusted EBITDAR

Effective 2021 the Company has excluded share based compensation expense from Adjusted EBITDA and Adjusted EBITDAR measure. These items are excluded as the amount of such expenses in any specific period may not directly correlate to the underlying performance of business operations and these expenses can vary significantly between periods as a result of the timing of grants of new stock-based awards, valuation methodologies and market sentiments. Additionally, excluding stock-based compensation from Adjusted EBITDA assists management and investors in making meaningful comparisons between Company's operating performance between the periods and the operating performance of other companies that may use different forms of employee compensation or different valuation methodologies for their stock-based compensation. However, stock-based compensation is a key incentive offered to employees whose efforts contributed to the operating results in the periods presented and are expected to contribute to operating results in future periods and such expenses will recur in the future.

The Company also excluded gains and losses on swaps from Adjusted EBITDA and Adjusted EBITDAR measure. Swaps are used by the Company to offset its exposure on share based compensations. The Company is exposed to market price fluctuation in its share price which is the asset underlying the swaps. The fair value of the swaps can be presented as asset or liability on the Company's consolidated balance sheet. This item is excluded as the amount of income or expense in any specific period may not directly correlate to the underlying performance of business operations and such this income or expenses can vary significantly between periods as a result of the fluctuation in the share price. Additionally, excluding swap income or expenses from Adjusted EBITDA assists management and investors in making meaningful comparisons with the Company's operating performance between the periods and the operating performance of other companies that may or may not use swaps. However, the Company may continue to use swaps to mitigate its exposure due to share based expenses that are expected to recur in future. Wherever presented, prior periods Adjusted EBITDA, and Adjusted EBITDAR are modified accordingly.

Summary of Most Recently Completed Consolidated Quarterly Results (unaudited)

	Three Month Periods Ended							
	Dec 31 2021	Sep 30 2021	June 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020	June 30 2020	Mar 31 2020
Revenues	**$235.9**	$189.5	$172.1	$160.3	$187.1	$162.3	$196.1	$123.0
Net earnings (loss) from continuing operations	**$102.0**	$(12.9)	$(11.1)	$89.4	$(20.5)	$(20.4)	$(45.1)	$(1.8)
Earnings (loss) per Share								
From continuing operations								
- Basic	**$5.82**	$(0.74)	$(0.64)	$5.35	$(1.31)	$(1.31)	$(2.89)	$(0.12)
- Diluted	**$5.70**	$(0.74)	$(0.64)	$5.24	$(1.31)	$(1.31)	$(2.89)	$(0.12)
Average number of shares - basic (in thousands of shares)	**17,515**	17,515	17,324	16,699	15,597	15,597	15,597	15,578
Average number of shares - diluted (in thousands of shares)	**17,880**	17,515	17,324	17,058	15,597	15,597	15,597	15,578
EBITDA (1)	**$152.1**	$33.4	$34.7	$127.9	$29.0	$28.6	$5.5	$32.2
Adjusted EBITDA (1)	**$90.5**	$70.9	$67.4	$64.2	$87.0	$69.8	$80.2	$44.6
EBITDAR (1)	**$152.1**	$33.4	$34.7	$127.9	$29.0	$28.6	$5.5	$32.2
Adjusted EBITDAR (1)	**$90.5**	$70.9	$67.4	$64.2	$87.0	$69.8	$80.2	$44.6

1. EBITDA, Adjusted EBITDA, EBITDAR and Adjusted EBITDAR are non - GAAP financial measures and are not earning measures recognized by IFRS. Prior year amounts have been restated to reflect the revised definitions of Adjusted EBITDA and Adjusted EBITDAR. Please refer to Page 13 of this MD&A for a more detailed discussion.

Calculation of EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR, Free Cash Flow and Adjusted Free Cash Flow
(Canadian dollars in millions, except where indicated)

	Three Month Period Ended		Year Ended	
	December 31,		December 31,	
	2021	2020	**2021**	2020
	(unaudited	(unaudited)	**(unaudited)**	(unaudited)
	$	$	**$**	$
Calculation of EBITDA and Adjusted EBITDA				
Net earnings (loss)	**102.0**	(20.5)	**167.4**	(87.8)
Add:				
Interest	**7.2**	9.6	**30.9**	39.6
Provision of deferred taxes	**12.4**	13.0	**33.4**	44.0
Depreciation of property, plant and equipment	**30.5**	26.9	**116.4**	99.5
EBITDA (1)	**152.1**	**29.0**	**348.1**	**95.3**
Add:				
Share based compensation	**6.3**	5.1	**17.0**	(9.7)
Gain on sale of property, plant and equipment	**(0.3)**	(0.2)	**(0.3)**	(0.8)
Impairment of property, plant and equipment	**-**	-	**-**	0.6
Unrealized foreign exchange loss (gain)	**0.5**	(6.7)	**0.1**	(3.3)
Fair value adjustment and amortization on stock warrant	**(67.0)**	49.8	**(71.6)**	186.4
Loss on extinguishment of debts	**1.1**	-	**4.8**	-
Employee pension	**(2.2)**	10.0	**(5.0)**	13.2
Adjusted EBITDA (1)	**90.5**	87.0	**293.1**	281.7
Calculation of EBITDAR and Adjusted EBITDAR				
EBITDA (1)	**152.1**	29.0	**348.1**	95.3
EBITDAR (1)	**152.1**	29.0	**348.1**	95.3
Add:				
Share based compensation	**6.3**	5.1	**17.0**	(9.7)
Gain on sale of property, plant and equipment	**(0.3)**	(0.2)	**(0.3)**	(0.8)
Impairment of property, plant and equipment	**-**	-	**-**	0.6
Unrealized foreign exchange loss (gain)	**0.5**	(6.7)	**0.1**	(3.3)
Fair value adjustment and amortization on stock warrant	**(67.0)**	49.8	**(71.6)**	186.4
Loss on extinguishment of debts	**1.1**	-	**4.8**	-
Employee pension	**(2.2)**	10.0	**(5.0)**	13.2
Adjusted EBITDAR (1)	**90.5**	87.0	**293.1**	281.7
Calculation of Standardized Free Cash Flow and Adjusted Free Cash Flow				
NET CASH GENERATED FROM OPERATING ACTIVITIES	**61.4**	88.8	**245.0**	292.6
Less: Maintenance capital expenditures (1)	**(40.4)**	(30.2)	**(112.5)**	(63.0)
Add: Proceeds from disposal of property, plant and equipment	**0.2**	0.1	**0.3**	0.8
Standardized free cash flow(1)	**21.2**	58.7	**132.8**	230.4
Changes in non-cash working capital items and deposits	**16.8**	(6.6)	**27.5**	(33.6)
Adjusted Free Cash flow (1)	**38.0**	52.1	**160.3**	196.8

1. EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR, Adjusted Free Cash Flow and Maintenance Capital Expenditure are non - GAAP financial measures and are not earning measures recognized by IFRS. Prior year amounts have been restated to reflect the revised definitions of Adjusted EBITDA and Adjusted EBITDAR. Please refer to Page 13 of this MD&A for a more detailed discussion.

Review of Operations for the Three Month Periods ended December 31, 2021 and 2020
Net earnings (loss) for the three month periods ended December 31, 2021 and 2020
(Canadian dollars in millions except where indicated)

	Q4		CHANGE	
	2021	2020	**$**	**%**
	(unaudited) $	(unaudited) $		
Domestic Network Revenues	**105.1**	88.9	16.2	18.2%
ACMI Revenues	**54.7**	43.2	11.5	26.6%
All-in Charter Revenues	**20.1**	13.0	7.1	54.6%
Total domestic network, ACMI and charter revenues	**179.9**	145.1	34.8	24.0%
Total Revenue - Fixed based operations revenues	**0.9**	0.9	-	-
Total fuel and other cost pass through revenues	**49.8**	36.4	13.4	36.8%
Fuel surcharge and other pass through revenues	**50.7**	37.3	13.4	35.9%
Other revenues	**5.3**	4.7	0.6	12.8%
Total revenues	**235.9**	187.1	48.8	26.1%
Operating Days	**49**	49	-	-
Average domestic network revenue per operating day	**2.14**	1.81	0.33	18.2%
Direct expenses				
Fuel Costs	**41.4**	23.4	18.0	76.9%
COS Depreciation	**27.3**	24.2	3.1	12.8%
Aircraft Cost	**5.2**	6.5	(1.3)	-20.0%
Heavy Maintenance Amortization	**2.8**	2.2	0.6	27.3%
Maintenance Cost	**14.5**	11.1	3.4	30.6%
Crew Costs	**22.7**	13.5	9.2	68.1%
Ground services	**18.8**	13.5	5.3	39.3%
Airport services	**13.0**	12.7	0.3	2.4%
Navigation and Insurance	**13.5**	10.7	2.8	26.2%
Total direct expenses	**159.2**	117.8	41.4	35.1%
Gross margin	**76.7**	69.3	7.4	10.7%
Gross Margin	**32.5%**	37.0%	-4.5%	
SG&A & Marketing				
General and administrative costs	**21.6**	26.2	(4.6)	-17.6%
Sales costs	**0.2**	0.5	(0.3)	-60.0%
Depreciation	**0.5**	0.5	-	-
Total SG&A & Marketing expenses	**22.3**	27.2	(4.9)	-18.0%
Other SG&A				
Fair value adjustment on stock warrant	**(68.6)**	47.9	(116.5)	-243.2%
Finance costs	**7.2**	9.6	(2.4)	-25.0%
Other losses and (gains)	**1.4**	(7.9)	9.3	-117.7%
Total other SG&A	**(60.0)**	49.6	(109.6)	-221.0%
EARNINGS (LOSS) BEFORE INCOME TAXES	**114.4**	(7.5)	121.9	1625.3%
Income taxes-Deferred	**12.4**	13.0	(0.6)	-4.6%
NET EARNINGS (LOSS)	**102.0**	(20.5)	122.5	597.6%
Earnings (loss) per share - $ CAD				
Basic	**$5.82**	$(1.31)	$7.13	-544.3%
Diluted	**$5.70**	$(1.31)	$7.01	-535.1%

Highlights for the Three Month Periods ended December 31, 2021 and 2020

- Total revenue for the three month period ended December 31, 2021 was $235.9 million compared to $187.1 million for the same period in 2020, representing an increase of $48.8 million or 26.1%.

- Average domestic network revenues for the three month period ended December 31, 2021 was $2.14 million per operating day compared to $1.81 million for the same period in 2020, representing an increase of $0.33 million or 18.2%.

- Adjusted EBITDA(1) for the three month period ended December 31, 2021 was $90.5 million compared to $87.0 million for the same period in 2020, an increase of $3.5 million or 4.0%.

- Adjusted EBITDAR(1) for the three month period ended December 31, 2021 was $90.5 million compared to $87.0 million for the same period in 2020, an increase of $3.5 million or 4.0%.

- Net income for the three month period ended December 31, 2021 was $102.0 million compared to loss of $20.5 million for the same period in 2020, an increase of $122.5 million or 597.6%.

- Adjusted Free Cash Flow(1) was an inflow of $38.0 million for the three month period ended December 31, 2021 compared to an inflow of $52.1 million for the same period in 2020, a decrease of $14.1 million or 27.1%.

- Standardized Free Cash Flow(1) was an inflow of $21.2 million for the three month period ended December 31, 2021 compared to an inflow of $58.7 million for the same period in 2020, a decrease of $37.5 million or 63.9%.

(1)Adjusted EBITDA and Adjusted EBITDAR and Adjusted Free Cash Flow are non-GAAP financial measures. Reconciliations of these measures to comparable GAAP measures can be found in the "NON-GAAP MEASURES" section of this MD&A. Definitions of these measures can be found in the "End Notes" section of this MD&A.

Revenue

Total revenue for the three month period ended December 31, 2021 was $235.9 million, compared to $187.1 million for the same period in 2020, representing an increase of $48.8 million or 26.1%. The increase in total revenue was due primarily to a $16.2 million increase in domestic network revenues, a $11.5 million increase in ACMI revenues, a $7.1 million increase in all-in charter revenues, a $13.4 million increase in fuel surcharge and other pass through revenues and a $0.6 million increase in other revenues.

Revenue related to the domestic network business excluding fuel surcharges and other cost pass-through revenues for the three month period ended December 31, 2021 was $105.1 million compared to $88.9 million for the same period in 2020, an increase of $16.2 million or 18.2%. The increase was primarily due to increase in e-Commerce volumes during the period because of the COVID-19 Pandemic and increase in B2B volumes due to partial recovery during the same period. The Company has relied on the periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI scheduled and adhoc charter revenues for the three month period ended December 31, 2021 were $54.7 million compared to $43.2 million for the same period in 2020, an increase of $11.5 million or 26.6%. The increase of $11.5 million was primarily due to an additional route to Europe and two new domestic ACMI routes to Western Canada that started in October 2021 and an increase in adhoc ACMI charter flights.

All-in scheduled and adhoc charter revenues for the three month period ended December 31, 2021 were $20.1 million compared to $13.0 million for the same period in 2020, an increase of $7.1 million or 54.6%. The increase in revenue was primarily due to additional scheduled charters to Europe and an increase in adhoc all-in charter flights to Asia.

Fuel surcharges and other cost pass-through revenues were $50.7 million for the three month period ended December 31, 2021 compared to $37.3 million for the same period in 2020, representing an increase of $13.4 million or 35.9%. During the period fuel surcharges increased due to a 18.2% increase in domestic revenues from new and existing customers that attracted fuel surcharges and by a 60.4% increase in fuel prices. Fuel surcharges and other cost pass-through revenues also consist of fuel sales to third parties of $0.9 million for the three month period ended December 31, 2021 and December 31, 2020.

Other revenues consist primarily of aircraft lease revenue, hangar rental revenues, maintenance revenue for aircraft line maintenance services provided to other airlines and ground handling services provided to customers. Other revenues were $5.3 million for the three month period ended December 31, 2021 compared to $4.7 million for the same period in 2020, an increase of $0.6 million or 12.8%.

Direct Expenses

Total direct expenses were $159.2 million for the three month period ended December 31, 2021 compared to $117.8 million for the same period in 2020, representing an increase of $41.4 million or 35.1%. This increase in direct costs reduced gross margin to 32.5% in 2021 from 37.0% in 2020. The overall increase in direct expenses was due primarily to a $18.0 million increase in fuel costs, a $3.1 million increase in depreciation, a $0.6 million increase in heavy maintenance amortization costs, a $3.4 million increase in maintenance costs, a $9.2 million increase in crew costs, $5.3 million increase in ground services costs, $0.3 million increase in airport services costs and a $2.8 million increase in navigation and insurance costs, partially offset by a $1.3 million decrease in aircraft costs, Fuel costs were $41.4 million for the three month period ended December 31, 2021 compared to $23.4 million for the same period in 2020. The $18.0 million or 76.9% increase in fuel costs was due primarily to a 60.4% increase in fuel prices and a 11% increase in the domestic network block hours. Any changes in fuel cost experienced by the Company due to changes in fuel prices are passed on to customers as an increase or decrease in their fuel surcharges or adhoc rates.

Depreciation expense was $27.3 million for the three month period ended December 31, 2021 compared to $24.2 million for the same period in 2020. The $3.1 million or 12.8% increase in depreciation expenses was due primarily to the addition of aircraft hull, engines, right of use assets, rotable spares and ground equipment.

Aircraft costs were $5.2 million for the three month period ended December 31, 2021 compared to $6.5 million for the same period in 2020, representing a decrease of $1.3 million or 20.0%. The decrease was primarily due to a decrease in temporary sub charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were $2.8 million for the three month period ended December 31, 2021 compared to $2.2 million for the same period in 2020, representing an increase of $0.6 million or 27.3% due to the timing of heavy maintenance checks. The Company benefitted in fiscal year 2020 from reduced maintenance capital expenditures as a result of 6 to 9 month deferrals of heavy maintenance on 8 of the Company's 14 aircraft that were due for checks in 2020, as approved by Transport Canada in response to the onset of the pandemic, however, the effect of such deferrals was mainly to "push out" the whole aircraft maintenance schedule into the future and not overlap it. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized until the next scheduled heavy maintenance. The heavy maintenance component of newly acquired aircraft is also deferred and amortized until the next scheduled event.

Maintenance costs were $14.5 million for the three month period ended December 31, 2021 compared to $11.1 million for the same period in 2020, representing an increase of $3.4 million or 30.6%. This increase was due to increase in fleet size, periodic line maintenance and the hiring of additional maintenance personnel.

Total crew costs including salaries, training and positioning were $22.7 million for the three month period ended December 31, 2021 compared to $13.5 million for the same period in 2020, representing an increase of $9.2 million or 68.1%.The increase was due primarily to increase in the number of crew personnel hired, annual crew salary increases as per the collective agreement with the union and increased crew positioning and training costs.

Ground services costs were $18.8 million for the three month period ended December 31, 2021 compared to $13.5 million for the same period in 2020, representing an increase of $5.3 million or 39.3% This increase was due primarily to a $3.4 million increase in payroll cost due to hiring of additional personnel, annual wage increase and increase in domestic volume and adhoc charter activities, higher activities also resulted in a $1.6 million in ground services equipment cost and line haul and cartage cost.

Airport services costs were $13.0 million for the three month period ended December 31, 2021 compared to $12.7 million for the same period in 2020, representing an increase of $0.3 million or 2.4% This increase was primarily due to a $0.3 million increase in deicing cost.

Navigation and insurance were $13.5 million for the three month period ended December 31, 2021 compared to $10.7 million for the same period in 2020, representing an increase of $2.8 million or 26.2%. This increase was primarily due to a $2.8 million increase in navigation cost due to increased activities.

Selling, General, Administrative & Marketing Expenses

Selling, general and administrative ("SG&A") expenses for the three month period ended December 31, 2021 were $22.3 million compared to $27.2 million for the same period in 2020, representing a decrease of $4.9 million or 18.0%.This decrease was primarily due to a $12.2 million decrease in pension costs due to changes in financial and demographic assumptions and an agreement between an executive and the Company to cap the pension entitlement at an annual life time annuity of $1.5 million effective December 31, 2020. (the adjustment related to capping was posted in Q1 2021 as past service cost in 2021), a $3.3 million decrease in bonuses and incentives primarily due to change in fair value of options, a $0.3 million decrease in sales and marketing costs and a $1.7 million increase in realized foreign exchange gains. This decrease was partially offset by a loss on swap of $12.2 million and a $0.4 million increase in network and communication costs.

Other Selling, General and Administrative Expenses

Other selling, general and administrative expenses for the three month period ended December 31, 2021 were a recovery of $60.0 million compared to an expense $49.6 million for the same period in 2020, representing a decrease of $109.6 million or 221.0%.The decrease in other SG&A expenses was due primarily to a $116.5 million decrease in the fair value adjustment on the stock warrant obligation and a $2.4 million decrease in finance costs. This decrease was partially offset by a $9.3 million increase in other losses.

Fair value adjustment on stock warrant

Fair value adjustment on stock warrant for the three month period ended December 31, 2021 was a gain of $68.6 million compared to a loss of $47.9 million for the same period in 2020, representing a decrease of $116.5 million or 243.2%. The decrease in the fair value adjustment of stock warrant was primarily due to the decrease in the company's share price.

Finance costs

Finance costs for the three month period ended December 31, 2021 were $7.2 million compared to $9.6 million for the same period in 2020, representing a decrease of $2.4 million or 25.0%. The decrease was primarily due to prepayment of lease liabilities for six aircraft, scheduled monthly repayments and repayment of credit facility.

Other losses

Other losses for the three month period ended December 31, 2021 were a loss of $1.4 million (December 31, 2020 – gain of $7.9 million) primarily due to a $0.6 million foreign exchange loss (December 31, 2020 – $6.6 million gain) and a $1.1 million loss on extinguishment of debt (December 31, 2020 - $1.1 million gain), partially offset by a $0.3 million gain on disposal of property, plant and equipment (December 31, 2020 - $0.2 million).

Adjusted EBITDA (1)

Adjusted EBITDA for the three month period ended December 31, 2021 was $90.5 million compared to Adjusted EBITDA of $87.0 million for the same period in 2020. The increase in Adjusted EBITDA of $3.5 million was due primarily to the following:

- Growth in domestic network revenues due to an increase in domestic network volumes
- Increase in ACMI revenues
- Increase in All-in Charter revenues

Adjusted EBITDAR (1)

Adjusted EBITDAR for the three month period ended December 31, 2021 was $90.5 million compared to $87.0 million for the same period in 2020, representing an increase of $3.5 million or 4.0%. The increase in Adjusted EBITDAR during the period was due primarily to changes in Adjusted EBITDA.

Net Income

Net income for the three month period ended December 31, 2021 was $102.0 million compared to loss of $20.5 million for the same period in 2020, an increase of $122.5 million or 597.6%.The increase in net revenue was primarily due to increase in domestic, charter and ACMI revenues.

Current Income Taxes

No provision for current income taxes was made due to the current and carryforward losses of prior years for the three month periods ended December 31, 2021 and 2020.

Deferred Income Taxes

The deferred income taxes for the three month period ended December 31, 2021 was a provision of $12.4 million compared to a provision of $13.0 million for the same period in 2020. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

Standardized Free Cash Flow(1) and Adjusted Free Cash Flow(1)

Standardized free cash flow was an inflow of $21.2 million for the three month period ended December 31, 2021 compared to an inflow of $58.7 million for the same period in 2020, a decrease of $37.5 million or 63.9%. The decrease in lower standardized free cash flow was due primarily to lower cash generated by operating activities and higher maintenance capital expenditure. Adjusted Free Cash Flow was an inflow of $38.0 million for the three month period ended December 31, 2021 compared to an inflow of $52.1 million for the same period in 2020, representing a decrease of $14.1 million. The decrease in Adjusted Free Cash Flow in 2021 was due primarily to the lower standardized free cash flow partially offset by the effect of changes in non-cash working capital items and deposits, in 2020, the Company was given approval by Transport Canada to defer heavy maintenance of eight of its aircraft for six to nine months. The approval pushed out the whole maintenance program into the future. The Company also deferred engine overhauls as the facilities were temporarily closed due to COVID. These deferrals of heavy maintenance and overhaul costs resulted in lower maintenance capital expenditure in 2020..

[(1)]Adjusted EBITDA and Adjusted EBITDAR and Adjusted Free Cash Flow are non-GAAP financial measures. Reconciliations of these measures to comparable GAAP measures can be found in the "NON-GAAP MEASURES" section of this MD&A. Definitions of these measures can be found in the "End Notes" section of this MD&A.

Dividends

Total dividends declared for the three month period ended December 31, 2021 were $4.5 million or $0.2600 per share. In comparison, total dividends declared for the three month period ended December 31, 2020 were $3.6 million or $0.2340 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		**$**	**$**
September 20, 2021	October 05, 2021	-	17,324,258	-	4,504,307
December 20, 2021	January 05, 2022	4,504,307	17,324,258	0.2600	
		4,504,307	-	-	4,504,307

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		**$**	**$**
September 21, 2020	October 05, 2020	-	15,597,068	-	3,649,714
December 21, 2020	January 05, 2021	3,649,714	15,597,068	0.2340	
		3,649,714	-	-	3,649,714

Liquidity and Capital Resources

Cash generated by operating activities after net changes in non-cash working capital balances was $61.4 million for the three month period ended December 31, 2021 (December 31, 2020 - $88.8 million). The $27.4 million decrease in cash was due primarily to the changes in non-cash working capital items and deposits.

Cash used in financing activities during the three month period ended December 31, 2021 was $31.2 million (December 31, 2020 - $33.1 million) and was comprised of repayment of borrowings $nil (December 31, 2020 - $0.1 million), repayment of obligations under lease liabilities of $26.5 million (December 31, 2020 - $35.2 million), share based compensation of $0.2 million (December 31, 2020 - $5.3 million), dividends paid to shareholders of $4.5 million (December 31, 2020 - $3.6 million). This was partially offset by proceeds from borrowings $nil (December 31, 2020 - $11.0 million) and withholding tax paid on vested RSUs $nil (December 31, 2020 - $0.1 million).

Cash used in investing activities during the three month period ended December 31, 2021 was $68.3 million (December 31, 2020 - $53.4 million), and was comprised of property, plant and equipment additions of $74.8 million (December 31, 2020 - $53.5 million). This was partially offset by proceeds from disposal of property, plant and equipment of $0.2 million (December 31, 2020 - $0.1 million) and proceeds from total return swap and settlement of derivative financial instrument of $6.3 million (December 31, 2020 - $nil).

Liquidity Risk Management

On February 7, 2022, the Company amended and restated its revolving operating credit facility (the "Facility") in order to extend the maturity date to February 7, 2027, reflect the transition from LIBOR to SOFR, and waive the requirement for Cargojet Airways Ltd. to enter into new aircraft security agreements, subject to the continued satisfaction of certain financial conditions. The amendment also allows the Company to request that the Lenders increase the aggregate commitments under the credit facility by up to $100 million for an aggregate availability of up to $700 million.

The Company manages its liquidity needs through cash from operations and free cash flow and through its credit facility. Liquidity needs are primarily related to meeting its financial liabilities, capital commitments, ongoing operations, contractual and other obligations. The Company manages its liquidity risk by preparing a cash flow forecasts for a minimum period of at least twelve months after each reporting period, including under various scenarios. At December 31, 2021, the Company had $94.7 million in cash and $600 million available under undrawn Facility. The Company considers that the cash from operations and its Facility is sufficient to support its operations, meets capital asset requirements and its liquidity need. As at December 31, 2021, the Company was in compliance with the covenants under the Facility.

The Facility is subject to customary terms and conditions for borrowers of this nature, including, namely, limits on incurring additional indebtedness, granting liens, selling assets or making investments without the consent of the Lenders, and certain restrictions on the Company's ability to pay dividends. The Facility is also subject to the maintenance of a minimum fixed charge coverage ratio and a total adjusted leverage ratio.

Capital Expenditures and Right of Use (ROU) additions

The property, plant and equipment additions of $75.8 million in the three month period ended December 31, 2021 were primarily comprised of additions to aircraft, engines, right of use assets, ground services equipment, spares and rotable spares. Out of $75.8 million cash used for capital expenditure addition $40.4 million was due to maintenance capital expenditure(1) and $35.4 was due to growth capital expenditure(1).

(1) Maintenance capital expenditure and growth capital expenditure are non GAAP measures. Maintenance capital expenditure and growth capital expenditure are defined in End Notes. Any capex expenditure other than maintenance capital expenditure is growth capital expenditure.

Review of Operations for the Year ended December 31, 2021 and 2020

Net Earnings (loss) for the Year Ended December 31, 2021 and 2020

(Canadian dollars in millions except where indicated)

	YTD		CHANGE	
	2021	2020	**$**	**%**
	(unaudited)	(unaudited)		
	$	$		
Domestic Network Revenues	**340.9**	300.0	40.9	13.6%
ACMI Revenues	**175.5**	132.4	43.1	32.6%
All-in Charter Revenues	**72.1**	121.5	(49.4)	-40.7%
Total domestic network, ACMI and charter revenues	**588.5**	553.9	34.6	6.2%
Total Revenue - Fixed based operations	**2.4**	2.2	0.2	9.1%
Total fuel and other cost pass through	**149.5**	98.4	51.1	51.9%
Fuel surcharge and other pass through revenues	**151.9**	100.6	51.3	51.0%
Other revenue	**17.4**	14.0	3.4	24.3%
Total revenues	**757.8**	668.5	89.3	13.4%
Operating Days	**198**	199	(1)	-0.5%
Average domestic network revenue per operating day	**1.72**	1.51	0.2	13.9%
Direct expenses				
Fuel Costs	**122.0**	83.2	38.8	46.6%
COS Depreciation	**103.8**	87.0	16.8	19.3%
Aircraft Cost	**15.6**	23.3	(7.7)	-33.0%
Heavy Maintenance Amortization	**10.5**	10.5	-	-
Maintenance Cost	**51.6**	41.2	10.4	25.2%
Crew Costs	**75.7**	47.2	28.5	60.4%
Ground services	**59.0**	54.6	4.4	8.1%
Airport services	**43.9**	36.1	7.8	21.6%
Navigation and Insurance	**44.8**	34.9	9.9	28.4%
Total direct expenses	**526.9**	418.0	108.9	26.1%
Gross margin	**230.9**	250.5	(19.6)	-7.8%
Gross margin	**30.5%**	37.5%	-7.0%	
SG&A & Marketing				
General and Administrative Costs	**70.7**	75.2	(4.5)	-6.0%
Sales costs	**0.8**	4.2	(3.4)	-81.0%
Depreciation	**2.1**	2.0	0.1	5.0%
Total SG&A & Marketing expenses	**73.6**	81.4	(7.8)	-9.6%
Other SG&A				
Fair value adjustment on stock warrant	**(79.0)**	177.9	(256.9)	-144.4%
Finance costs	**30.9**	39.6	(8.7)	-22.0%
Other losses and (gains)	**4.6**	(4.6)	9.2	-200.0%
Total other SG&A	**(43.5)**	212.9	(256.4)	-120.4%
EARNINGS (LOSS) BEFORE INCOME TAXES	**200.8**	(43.8)	244.6	558.4%
Income taxes-Deferred	**33.4**	44.0	10.6	24.1%
Net earnings (loss)	**167.4**	(87.8)	(255.2)	-290.7%
Earnings (loss) per share - $ CAD				
Basic	**$9.73**	$(5.63)	$15.36	272.8%
Diluted	**$9.51**	$(5.63)	$15.14	268.9%

Highlights for the year ended December 31, 2021 and 2020

- Total revenue for the year ended December 31, 2021 was $757.8 million compared to $668.5 million for the same period in 2020, representing an increase of $89.3 million or 13.4%.
- Average domestic network revenues for the year ended December 31, 2021 was $1.72 million per operating day compared to $1.51 million for the same period in 2020, representing an increase of $0.21 million per operating day or 13.9%.
- Adjusted EBITDA(1) for the year ended December 31, 2021 was $293.1 million compared to $281.7 million for the same period in 2020, an increase of $11.4 million or 4.0%.
- Adjusted EBITDAR(1) for the year ended December 31, 2021 was $293.1 million compared to $281.7 million for the same period in 2020, an increase of $11.4 million or 4.0%.
- Net income for the year ended December 31, 2021 was $167.4 million compared to loss of $87.8 million for the same period in 2020, an increase of $255.2 million or 290.7%.
- Adjusted Free Cash Flow(1) was an inflow of $160.3 million for the year ended December 31, 2021 compared to an inflow of $196.8 million for the same period in 2020, a decrease of $36.5 million or 18.5%.
- Standardized Free Cash Flow(1) was an inflow of $132.8 million for the year ended December 31, 2021 compared to an inflow of $230.4 million for the same period in 2020, a decrease of $97.6 million or 42.4%.

(1)Adjusted EBITDA and Adjusted EBITDAR and Adjusted Free Cash Flow are non-GAAP financial measures. Reconciliations of these measures to comparable GAAP measures can be found in the “NON-GAAP MEASURES” section of this MD&A. Definitions of these measures can be found in the “End Notes” section of this MD&A.

Revenue

Total revenue for the year ended December 31, 2021 was $757.8 million compared to $668.5 million for the same period in 2020, representing an increase of $89.3 million or 13.4%. The increase in revenue is primarily due to a $40.9 million increase in domestic network revenues, a $43.1 million increase in ACMI revenues, a $3.4 million increase in lease and other revenue and a $51.3 million increase in fuel surcharges and other cost pass-through revenues. The increase was partially offset by a $49.4 million decrease in all-in charter revenues.

Revenue related to the domestic network business excluding fuel surcharges and other cost pass-through revenues for the year ended December 31, 2021 was $340.9 million compared to $300.0 million for the same period in 2020, an increase of $40.9 million or 13.6%. The increase was primarily due to increase in e-Commerce volumes during the period because of the COVID-19 Pandemic and increase in B2B volumes due to partial recovery during the same period. The Company has relied on the periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI scheduled and adhoc charter revenue for the year ended December 31, 2021 was $175.5 million compared to $132.4 million for the same period in 2020, an increase of $43.1 million or 32.6%. The increase was due primarily to two new scheduled routes to Europe that started in April 2020, two routes to the USA and Mexico that were added at the end of September 2020, an additional route to Europe and two new domestic ACMI routes to Western Canada that started in October 2021 and an increase in adhoc ACMI charter flights.

All-in scheduled and adhoc cargo and passenger charter revenue for the year ended December 31, 2021 was $72.1 million compared to $121.5 million for the same period in 2020, a decrease of $49.4 million or 40.7%. The decrease in revenue was primarily due to international relief charters for the federal and some provincial governments of Canada flying PPE and other medical supplies from China and Turkey that occurred between April and December 2020.

Fuel surcharges and other cost pass-through revenues were $151.9 million for the year ended December 31, 2021 compared to $100.6 million for the same period in 2020. During the period, fuel surcharges increased due to a 40.2% increase in fuel prices, and a 13.6% increase in domestic revenues from new and existing customers that attracted fuel surcharges. Fuel surcharges and other cost pass-through revenues also consist of fuel sales to third parties of $2.4 million for the year ended December 31, 2021 compared to $2.2 million for the same period in 2020.

Other revenues consist primarily of aircraft lease revenue, hangar rental revenues, ground handling services provided to customers and maintenance revenues for aircraft line maintenance provided to other airlines. Other revenues for the year ended December 31, 2021 were $17.4 million compared to $14.0 million for the same period in 2020, an increase of $3.4 million or 24.3%.

Direct Expenses

Total direct expenses were $526.9 million for the year ended December 31, 2021 compared to $418.0 million for the year ended December 31, 2020. This increase in direct costs reduced gross margin to 30.5% in 2021 from 37.5% in 2020. The overall increase in direct expenses was due primarily to a $38.8 million increase in fuel costs, a $16.8 million increase in depreciation, a $10.4 million increase in maintenance costs, a $28.5 million increase in crew costs, $4.4 million increase in ground services costs, $7.8 million increase in airport services costs and a $9.9 million increase in navigation and insurance costs partially offset by a $7.7 million decrease in aircraft costs.

Fuel costs were $122.0 million for the year ended December 31, 2021 compared to $83.2 million for the same period in 2020. The $38.8 million or 46.6% increase in fuel costs was due primarily to a 40.2% increase in fuel prices and by a 9.4% increase in block hours on the domestic network. Any changes in fuel cost experienced by the Company due to changes in fuel prices are mostly passed on to customers as an increase or decrease in their fuel surcharges or adhoc rates. This amount was partially offset by a decrease in adhoc all-in charters.

The depreciation expense was $103.8 million for the year ended December 31, 2021 compared to $87.0 million for the same period in 2020. The $16.8 million or 19.3% increase in depreciation expenses was due primarily to the addition of aircraft, engines, facilities and other assets.

Aircraft costs were $15.6 million for the year ended December 31, 2021 compared to $23.3 million in 2020, representing a decrease of $7.7 million or 33.0%. The decrease in aircraft costs was due primarily to the reduction in sub charter costs on certain scheduled ACMI routes.

Heavy maintenance amortization costs were $10.5 million for the year ended December 31, 2021 and 2020. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized until the next scheduled heavy maintenance. The Company benefitted in fiscal year 2020 from reduced maintenance capital expenditures as a result of 6 to 9 month deferrals of heavy maintenance on 8 of the Company's 14 aircraft that were due for checks in 2020, as approved by Transport Canada in response to the onset of the pandemic, however, the effect of such deferrals was mainly to "push out" the whole aircraft maintenance schedule into the future and not overlap it. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized until the next scheduled heavy maintenance. The heavy maintenance component of newly acquired aircraft is also deferred and amortized until the next scheduled event.

Maintenance costs were $51.6 million for the year ended December 31, 2021 compared to $41.2 million for the same period in 2020, representing an increase of $10.4 million or 25.2%. This increase was due to the increase in fleet size, additional block hours and the hiring of additional maintenance personnel.

Total crew costs including salaries, training and positioning were $75.7 million for the year ended December 31, 2021 compared to $47.2 million for the same period in 2020, representing an increase of $28.5 million or 60.4%.The increase was due primarily to increase in the number of crew personnel hired, annual crew salary increase as per the collective agreement with the union and increased crew positioning and training costs.

Ground services costs were $59.0 million for the year ended December 31, 2021 compared to $54.6 million for the same period in 2020, representing an increase of $4.4 million or 8.1%. This increase was due primarily to a $4.1 million increase in payroll cost due to hiring of additional personnel, annual wage increase and increase in domestic volume and adhoc charter activities.

Airport services costs were $43.9 million for the year ended December 31, 2021 compared to $36.1 million for the same period in 2020, representing an increase of $7.8 million or 21.6%. This increase was primarily due to a $1.6 million increase in deicing cost and a $6.4 million increase in landing and parking costs due to increased activity, partially offset by a $0.2 million decrease in warehouse facilities cost.

Navigation and insurance costs were $44.8 million for the year ended December 31, 2021 compared to $34.9 million for the same period in 2020, representing an increase of $9.9 million or 28.4%. This increase was primarily due to $0.6 million increase in aircraft insurance costs due to increase in fleet size and a $9.3 million increase in navigation costs due to increased activity.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the year ended December 31, 2021 were $73.6 million compared to $81.4 million for the same period in 2020, representing a decrease of $7.8 million or 9.6%. This decrease was primarily due to a $18.3 million decrease in pension costs due to changes in financial and demographic assumptions and agreement between the executive and the Company to cap pension entitlement at an annual lifetime annuity of $1.5 million effective December 31, 2020 (the adjustment related to capping was posted in Q1 2021) as past service cost in 2021, a $14.6 million reduction in bonuses and incentives primarily due to change in fair value of options and reduction in cash bonuses, a $3.4 million decrease in sales and marketing costs, a $2.7 million decrease in donations, $3.8 million decrease consulting audit and legal costs, a $1.1 million increase in realized foreign exchange gains and a $0.5 million decrease in other general and administration costs. This decrease was partially offset by loss on swap by $34.9 million and a $1.7 million increase in IT network and communication costs.

Other Selling, General and Administrative Expenses

Other selling, general and administrative expenses for the year ended December 31, 2021 were gains of $43.5 million compared to $212.9 million expense for the same period in 2020, representing a decrease of $256.4 million or 120.4%. The decrease was due primarily to a $256.9 million decrease in the fair value adjustment on the stock warrant obligation and a $8.7 million decrease in finance costs. This decrease was partially offset by a $9.2 million increase in other losses.

Fair value adjustment on stock warrant

Fair value adjustment on stock warrant for the year ended December 31, 2021 was a gain of $79.0 million compared to a loss of $177.9 million for the same period in 2020, representing a decrease of $256.9 million or 144.4%. The decrease was due primarily to the change in the Company's share price.

Finance Costs

Finance costs for the year ended December 31, 2021 were $30.9 million compared to $39.6 million for the same period in 2020, representing a decrease of $8.7 million or 22.0%. The decrease was primarily due to prepayment of lease liabilities for six aircraft, scheduled monthly repayments and repayment of credit facility.

Other losses

Other losses for the year ended December 31, 2021 were a loss of $4.6 million (December 31, 2020 - $4.6 million gain). Other losses were primarily due to a $4.8 million loss on extinguishment of debt (December 31, 2020 - $1.1 million gain), a $0.1 million loss on foreign exchange (December 31, 2020 - $3.3 million gain) and a $nil million loss on impairment of property, plant and equipment (December 31, 2020 - $0.6 million). This increase was partially offset by a $0.3 million gain on sale on disposal of fixed assets (December 31, 2020 - $0.8 million).

Adjusted EBITDA (1)

Adjusted EBITDA for the year ended December 31, 2021 was $293.1 million compared to $281.7 million for the same period in 2020. The increase in Adjusted EBITDA of $11.4 million or 4.0% was due primarily to the following:

- Growth in domestic network revenues due to growth in domestic network volumes
- Increase in ACMI revenues partially offset with corresponding increase in variable costs

Adjusted EBITDAR (1)

Adjusted EBITDAR for the year ended December 31, 2021 was $293.1 million compared to $281.7 million for the same period in 2020, representing an increase of $11.4 million or 4.0%. The increase in Adjusted EBITDAR during the period was due primarily to changes in Adjusted EBITDA.

Net Income

Net income for the three month period ended December 31, 2021 was $167.4 million compared to loss of $87.8 million for the same period in 2020, an increase of $255.2 million or 290.7%. The increase in net revenue was primarily due to increase in domestic, and ACMI revenues.

Current Income Taxes

No provision for current income taxes were made for the year ended December 31, 2021 or 2020, due to the current and carry forward losses of prior years.

Deferred Income Taxes

The deferred income taxes recognized for the year ended December 31, 2021 was a provision of $33.4 million compared to a provision of $44.0 million for the same period in 2020. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

Standardized Free Cash Flow|[(1)] and Adjusted Free Cash Flow[(1)]

Standardized free cash flow was an inflow of $132.8 million for the three month period ended December 31, 2021 compared to an inflow of $230.4 million for the same period in 2020, a decrease of $97.6 million or 42.4%. The decrease in lower standardized free cash flow was due primarily to lower cash generated by operating activities and higher maintenance capital expenditure. Adjusted Free Cash Flow was an inflow of $160.3 million for the year ended December 31, 2021, compared to an inflow of $196.8 million for the same period in 2020, representing a decrease of $36.5 million. The decrease was due to an increase in maintenance capital expenditure, partially offset by an increase in adjusted EBITDA and changes in non-cash working capital items in 2020, the Company was given approval by Transport Canada to defer heavy maintenance of 8 of its aircraft for 6 to 9 months. The approval pushed out the whole maintenance program into the future. The Company also deferred engine overhauls as the facilities were temporarily closed due to COVID. These deferrals of heavy maintenance and overhaul costs resulted in lower maintenance capital expenditure in 2020.

(1) Adjusted EBITDA and Adjusted EBITDAR and Adjusted Free Cash Flow are non-GAAP financial measures. Reconciliations of these measures to comparable GAAP measures can be found in the "NON-GAAP MEASURES" section of this MD&A. Definitions of these measures can be found in the "End Notes" section of this MD&A.

Dividends

Total dividends declared for the year ended December 31, 2021 were $18.0 million or $1.0400 per share. In comparison, total dividends declared for the year ended December 31, 2020 were $14.6 million or $0.9360 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		**$**	**$**
December 21, 2020	January 05, 2021	-	15,597,068	-	3,649,714
March 19, 2021	April 05, 2021	4,500,797	17,310,759	0.2600	4,500,797
June 22, 2021	July 05, 2021	4,504,307	17,324,258	0.2600	4,504,307
September 20, 2021	October 05, 2021	4,504,307	17,324,258	0.2600	4,504,307
December 20, 2021	January 05, 2022	4,504,307	17,324,258	0.2600	
		18,013,718	-	1.0400	17,159,125

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		$	$
December 20, 2019	January 06, 2020	-	15,281,756	-	3,575,931
March 20, 2020	April 06, 2020	3,649,268	15,595,161	0.2340	3,649,268
June 19, 2020	July 06, 2020	3,649,714	15,597,068	0.2340	3,649,714
September 21, 2020	October 05, 2020	3,649,714	15,597,068	0.2340	3,649,714
December 21, 2020	January 05, 2021	3,649,714	15,597,068	0.2340	
		14,598,410	-	0.9360	14,524,627

Liquidity and Capital Resources

Cash generated by operating activities after net changes in non-cash working capital balances was $245.0 million (December 31, 2020 - $292.6 million). The $47.6 million decrease in cash generated was due primarily to change in non-cash working capital items, deposits and partially offset by increase in EBITDA.

Cash provided from financing activities during the year ended December 31, 2021 was $126.4 million (Cash used December 31, 2020 – $162.8 million) and was comprised of the repayment of borrowings of $72.9 million (December 31, 2020 - $171.3 million), the repayment of obligations under finance lease of $116.8 million (December 31, 2020 – $77.3 million), share based compensation of $13.8 (December 31, 2020 - $7.1 million), withholding tax paid on vested restricted share units of the Company of $2.8 million (December 31, 2020 - $2.4 million) and dividends paid to shareholders of $17.1 million (December 31, 2020 – $14.6 million) partially offset by proceed from debenture issuance net of issuance costs $nil (December 31, 2020 - $109.9 million) and proceeds from net equity issuance $349.8 million (December 31, 2020 - $nil).

Cash used in investing activities during the year ended December 31, 2021 was $280.4 million (December 31, 2020 - $127.7 million) and was comprised primarily of property, plant and equipment additions of $277.6 million (December 31, 2020 - $146.6 million) and acquisition of interest in associate of $9.4 million (December 31, 2020 - $nil). This was partially offset by proceeds from the disposal of property, plant and equipment of $0.3 million (December 31, 2020 - $0.8 million), proceeds from total return swap & settlement of derivative financial instrument of $6.3 (December 31, 2020 - $14.5 million) and proceeds from insurance claim of $nil (December 31, 2020 - $3.6 million).

See "Highlights for the Three Month Periods ended December 31, 2021 and 2020" – "Liquidity and Capital Resources" – "Liquidity and Risk Management".

Capital Expenditures and Right of Use (ROU) additions

The property, plant and equipment additions of $278.6 million in the current year were primarily comprised of additions to aircraft, engines, ground services equipment, leasehold improvements, rotable spares, heavy maintenance, facilities and other equipment and spares of $277.6 million and ROU asset addition of $1.0 million. Out of $277.6 million cash used for capital expenditure addition $112.5 million was due to maintenance capital expenditure(1) and $165.1 was due to growth capital expenditure(1).

(1) Maintenance capital expenditure and growth capital expenditure are non GAAP measures. Maintenance capital expenditure is defined in End Notes. Any capex expenditure other than maintenance capital expenditure is growth capital expenditure.

Selected Annual Information

(Canadian dollars in millions, except where indicated)

	Year Ended December 31		
	2021	2020	2019
	$	**$**	$
Revenue	757.8	668.5	486.6
Direct expenses	526.9	418.0	367.4
Gross margin	230.9	250.5	119.2
Selling, general & administrative expenses and income taxes	63.5	338.3	107.6
Net income	167.4	(87.8)	11.6
Earning per share - CAD$			
Basic	9.73	(5.63)	0.86
Diluted	9.51	(5.63)	0.85
EBITDA (1)	348.1	95.3	158.4
Adjusted EBITDA (1)	293.1	281.7	159.1
EBITDAR (1)	348.1	95.3	159.2
Adjusted EBITDAR (1)	293.1	281.7	159.9
Adjusted Free Cash Flow (1)	160.3	196.8	48.4
Cash, cash equivalents and short term investments	94.7	3.7	1.6
Total assets	1,489.8	1,223.9	1,098.3
Total long-term liabilities	715.2	870.9	707.6
Total liabilities	813.4	1,048.7	822.1
Dividends per share - CAD$	$1.0400	$0.9360	$0.9360

(1) EBITDA, Adjusted EBITDA, EBIDAR, Adjusted EBIDAR and Adjusted Free Cash Flow are non-GAAP financial measures and are not earning measures recognized by IFRS. Please refer Page 13 of this MD&A for a more detailed discussion

Financial Condition

The following is a comparison of the financial position of the Company as at December 31, 2021 to the financial position of the Company as at December 31, 2020:

Trade and Other Receivables

Trade and other receivables as at December 31, 2021 amounted to $75.2 million compared to $41.3 million as at December 31, 2020. The increase of $33.9 million was primarily due to the timing of cash collections from customers. The quality of the Company's net receivable balances and its current collections, in management's opinion, remain excellent.

Property, Plant and Equipment

As at December 31, 2021, property, plant and equipment were $1,159.9 million compared to $998.7 million as at December 31, 2020. The $161.2 million net increase in property, plant and equipment was primarily due to the net addition of $277.6 million in property plant and equipment and recognition of $1.0 million in right to use asset under IFRS 16 partially offset by depreciation of $107.6 million and amortization of right to use asset of $8.8 million.

Goodwill

For purposes of testing goodwill impairment, the Company reports its results as a single CGU. Goodwill is tested for impairment annually at the end of each year, or more frequently when there is an indication of potential impairment.

The purpose of impairment testing is to determine whether the recoverable amount exceeds the carrying amount of the CGU. The recoverable amount of CGU is determined as the present value of the future cash flows expected to be derived based on amongst others:

- The estimated future cash flows that the Group expects the CGU to earn.
- Possible variations in the amount or timing of those future cash flows.
- The time value of money, which is reflected by using a discount rate based on the current market risk-free rate of interest.
- The price for the uncertainty inherent in the CGU

The revenue growth rate and margins used to estimate future cash flows are based on management estimates that take into account past performance and experience and external market growth assumptions and predictions of the worldwide air cargo industry.

The recoverable amount is determined based on a value in use calculation which uses cash flow projections for a five-year period using a steady 6.0 % per annum growth rate thereafter (2020 – 6.0%), which has been estimated based on long-term growth rates in the cash flow of the Company, and a pre-tax discount rate of approximately 10.0% per annum (2020 – 8.8%). The discount rate is calculated as Weighted Average Cost of Capital based on external market information about market risk, interest rates and Company specific risks like country risk. The Company also takes into account its business outlook, as described in "Outlook" below. Based on the Company's analysis the estimated recoverable amount exceeded the carrying amount of the cash generating unit by substantial amount. The Company believes that any reasonably possible change in key assumptions on which recoverable amounts are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Trade and Other Payables

Trade and other payables as at December 31, 2021 were $78.3 million compared to $73.2 million as at December 31, 2020. The increase of $5.1 million was due primarily to the timing of supplier payments.

Lease Liabilities

The lease liabilities are in respect of the lease of two B767-300, one B767-200 aircraft, hangars and warehouses. Total finance leases including the current portion were $91.4 million as at December 31, 2021 compared to $195.0 million as at December 31, 2020. The change was due to prepayment of purchase options for six B767-300 aircraft and the scheduled monthly repayments made during the year ended December 31, 2021.

Summary of Contractual Obligations

		Payments due by Year				
As at December 31, 2021	Total	2022	2023	2024	2025	Thereafter
(Canadian dollars in millions)	$	$	$	$	$	$
Lease liabilities	91.4	22.0	24.8	9.0	8.5	27.1
Debentures	307.2	-	-	84.4	111.8	111.0
Stock warrant obligations	172.4	-	-	-	-	172.4
	571.0	22.0	24.8	93.4	120.3	310.5

Off-Balance Sheet Arrangements

Note: See Caution Concerning Forward Looking Statements, page 2.

The Company's primary off-balance sheet arrangements are as follows:

(a) The Company has provided indemnities under lease agreements for the use of various operating facilities and leased aircraft. Under the terms of these agreements, the Company agrees to indemnify the lessors of aircraft and facilities for various items including, but not limited to, all liabilities, losses, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnities have been provided to all directors and officers of the Company for various items including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated.

(c) In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

(d) The Company participates in six Fuel Facility Corporations ("FFC") along with other airlines that contract for fuel services at various major airports in Canada. Each FFC operates on a cost recovery basis. The purpose of the FFC is to own and finance the system that distributes fuel to the contracting airlines, including leasing the required land rights. The aggregate debt of these FFC and any liabilities of environmental remediation costs are not considered part of the Financial Statements of the Company and are not consolidated. The airlines that participate in FFC guarantee on a pro-rata basis of the share of the debt based on system usage. There is no major change in the total assets and total debts of these FFC as disclosed in the MD&A for the year ended December 31, 2021. The Company views the potential for losses in respect of the FFC as remote.

The nature of these indemnification agreements prevent the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the Company has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

Major Customers

During the year ended December 31, 2021, the Company had sales to three customers that represented 60.3% of the total revenues (December 31, 2020 – 54.2%). These sales are provided under service agreements that expire over various periods to April 2025.

Contingencies

The Company has provided irrevocable standby letters of credit totaling approximately $1.4 million as at December 31, 2021. The other guarantees are provided to financial institutions as security for its corporate credit cards, and to a number of vendors as a security for the Company's ongoing leases and purchases.

Risk Factors

For a detailed description of risk factors associated with the Company, please refer to the "Risk Factors" section of the Company's AIF, which is available on SEDAR at www.sedar.com. In addition, we are exposed to a variety of financial risks in the normal course of operations, as summarized below.

Risk management is carried out under practices approved by our Audit Committee. This includes reviewing and making recommendations to the Board of Directors on the adequacy of our risk management policies and procedures with regard to identifying the Company's principal risks and implementing appropriate systems and controls to manage these risks.

Risks Related to the Business

Loss of Customer Contracts

The Company's ten largest customers accounted for approximately 79.3% of Fiscal 2021 revenues of the Company and the Company's top three customers each accounted for over 10% of the Company's Fiscal 2021 revenues. The loss of any one of these contracts of the Company would cause immediate disruption and would adversely affect the Company's revenues. Any such loss could have a material adverse effect on the results of operations of the Company and there is no assurance that the contracts will be renewed for an additional term or that the commercial terms of any such renewal would be as favorable to the Company as the existing contracts. The inability of the Company to renew these contracts could have a material adverse effect on the Company's business, results of operations or financial condition.

Most of the Company's contracts with its customers are for a term of three to ten years with the ability to terminate generally upon six to eighteen months' notice or if the Company is not meeting specified performance targets. When these contracts expire, there is no assurance that the contracts will be renewed for an additional term or that the commercial terms of any such renewal would be as favorable to the Company as existing contracts. The inability of the Company to renew these contracts could have a material adverse effect on the Company's business, results of operations or financial condition.

In 2014, the Company was awarded the Domestic Air Cargo Network Services ("DACNS") contract and signed the Master Services Agreement ("MSA") with the Canada Post Group of Companies ("CPGOC"). The terms of contract require the Company to maintain specific on time performance metrics and provide minimum levels of dedicated cargo space. To fulfill its requirements under the contract, the Company has made material investments in its fleet, equipment and the hiring of new personnel. The cancellation of the MSA without penalty would have a material adverse effect on the Company's business, results of operations or financial condition.

Credit Facilities, Finance Lease and Loan Agreement and their Restrictive Covenants

The ability of the Company to make distributions, pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness and finance lease obligations. The degree to which the Company is leveraged could have important consequences to the shareholders, including: (i) a portion of the Company's cash flow from operations will be dedicated to the payment of the principal of and interest on the indebtedness and amounts payable under the finance leases, thereby reducing funds available for future operations and distribution to the Company; (ii) certain of the Company's borrowings and finance lease obligations will be at variable rates of interest, which exposes the Company to the risk of increased interest rates; and (iii) the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited. The Company's ability to make scheduled payments of principal and interest and other amounts on, or to refinance, its indebtedness and finance lease obligations will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit the Company from refinancing the indebtedness and finance lease obligations at all or on favorable terms.

The instruments governing the Company's indebtedness and finance lease obligations contain restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge, amalgamate or consolidate with another entity. In addition, such instruments contain financial covenants that require the Company to meet certain financial ratios and financial conditions tests. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the obligations under these instruments were to be accelerated, there can be no assurance that the Company's assets would be sufficient to satisfy such obligations in full. In addition, there can be no assurance that future borrowing or equity financing will be available to the Company or available on acceptable terms, in an amount sufficient to fund the Company's refinancing needs and other obligations arising on the maturity of such instruments, including the obligations to purchase the aircraft subject to the finance leases.

Canada — US Open Skies

The current Canada — US "Open Skies" agreement provides regulation of the airline industry, including the air cargo industry, within Canada and currently provides protection of domestic national carriers in each country. The agreement allows cross-border flights between Canada and the United States but provides major restrictions on carriers from operating flight routes between two points within the other's country. The most recent amendments negotiated between the two countries reinforced the restriction of cabotage and do not allow United States carriers to establish domestic flight routes within Canada and Canadian carriers including the Company to establish domestic routes within the United States. There is no assurance that this "Open Skies" agreement will continue in its present form in the future. Increased competition resulting from the liberalization or revocation of this agreement could affect the Company's ability to compete for a market share, which in turn could have a material adverse effect on the Company's business, results of operations or financial condition.

Competition

The Company competes within the industry of air cargo courier services with other dedicated air cargo carriers. In addition, the Company competes for market share with motor carriers, express companies and other air couriers and airlines who have historically offered cargo services on their regularly scheduled passenger flights. Competition within the air cargo courier services industry has generally increased from such passenger airlines due to limited passenger air travel resulting from the COVID-19 pandemic and related travel restrictions. Certain commercial airlines have operated all-cargo flights in response to elevated demand for cargo services and limited passenger flights resulting from COVID-19.In addition to competition from existing competitors, new companies including those entering into expanded joint ventures and other arrangements, or utilizing disruptive business models or technology, may enter the domestic air cargo industry and may be able to offer services at discounted rates. Concentrating only on the air cargo industry does not allow the Company to compete in different modes of freight transportation which may provide a cheaper alternative to air cargo. The Company's inability to compete for a market share of the air cargo industry under these circumstances could have a material adverse effect on the Company's business, results of operations or financial condition.

Agreements with Amazon

There can be no assurance that the Company will realize the anticipated revenue growth and expected benefits from the strategic agreement with Amazon. While the Company believes that the strategic agreement with Amazon will deliver important financial and strategic benefits, including anticipated revenue growth from Amazon's business and the associated margins and that such revenue growth will be meaningfully accretive to Cargojet's earnings and cash flows over time as well as create other benefits and opportunities, including to Cargojet's existing network, there is a risk that some or all of the anticipated benefits associated with the Amazon strategic agreement may fail to materialize, or may not occur within the time periods currently anticipated by the Company. As part of the strategic agreement with Amazon, the Company issued Warrants to the Warrant holder, with vesting tied to the delivery by Amazon of up to $600 million in business volumes over seven and a half years. If, as a result of meeting its business volume requirement and pursuant to its Warrants, Amazon exercises its right to acquire Voting Shares, it will dilute the ownership interests of the Company's then-existing shareholders and reduce the Company's earnings per share. In addition, any sales in the public market of any Voting Shares issuable upon the exercise of the warrants by Amazon could adversely affect prevailing market prices of the Company's Voting Shares. The realization of the expected benefits from the Amazon strategic agreement may be affected by a number of factors, including credit, market, currency, operational, capital expenditures, liquidity and funding risks generally, including changes in economic conditions, interest rates, exchange rates or tax rates, risks and uncertainties relating to retail, e-commerce growth, labour, technology, changes in law or regulation, competition, and business generally and other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

Government Regulations

The Company's operations are subject to complex aviation, transportation, environmental, labour, employment and other laws, treaties and regulations. These laws and regulations generally require the Company to maintain and comply with a wide variety of certificates, permits, licenses and other approvals.

The Company's inability to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations, could result in substantial fines or possible revocation of its authority to conduct operations.

The Company is routinely audited by various regulatory bodies including Transport Canada and the Canadian Transportation Agency to ensure compliance with all flight operation and aircraft maintenance requirements. To date, the Company has successfully passed all audits, however, there can be no assurance that the Company will pass all audits in the future. Failure to pass such audits could result in fines or grounding of the aircraft which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company is subject to certain federal, provincial and local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability on certain classes of persons for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. These persons include the present or former owner or a person in care or control of a contaminated property and companies that generated, disposed of or arranged for the disposal of hazardous substances found at the property. As a result, the Company may incur costs to clean up contamination present on, at or under its facilities, even if such contamination was present prior to the commencement of the Company's operations at the facility and was not caused by its activities which could have a material adverse effect on the Company's business, results of operations or financial condition.

With widespread attention on climate change has come recent efforts by the Canadian government to reduce greenhouse gas emissions. In short, the federal Greenhouse Gas Pollution Pricing Act requires that provinces that lack their own form of pricing for greenhouse gas emissions, including Manitoba, New Brunswick, Saskatchewan and Ontario, impose a carbon tax on airlines operating flights within provinces that fall under the federal system as well as intra-provincial flights. Outside of Canada, the international audience is paying close attention to climate change with governments and agencies founding initiatives to help reduce the carbon footprint worldwide. For instance, in October 2013, the International Civil Aviation Organization ("ICAO") reached a nonbinding agreement to address climate change by developing global market-based measures to assist in achieving carbonneutral growth. In October 2016, ICAO approved and subsequently amended a resolution to adopt a global market-based measure known as the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which is designed to offset any annual increases in total carbon emissions from international civil aviation above a baseline level determined by Fiscal 2019 and Fiscal 2020 emissions. Although various details regarding the implementation of CORSIA still need to be finalized and have been impacted by the COVID-19 pandemic, a pilot phase will run from 2021 to 2023. As a result, the Company may be subject to environment-related requirements imposed or proposed by foreign governments. These may be duplicative of, or incompatible with Canadian government requirements, resulting in increased compliance efforts and expense.

The Company cannot predict whether, or the manner in which, these or other initiatives will ultimately be implemented or their impact on the Company; however, future developments in Canada and abroad could adversely impact the Company, including by increasing its costs. While the Company is continually focused on efficiency improvements, including carbon footprint reduction initiatives, the impact to the Company of climate and other environmental initiatives may, in part, depend upon the extent to which the increased costs relating to such initiatives, if any, could be recovered, including in the form of higher cargo rates.

The Company cannot provide any assurance that existing laws, agreements, treaties or regulations will not be revised or that new laws, agreements, treaties or regulations, which could have an adverse impact on the Company's operations, will not be adopted or become applicable to the Company. For example, the Company's aircraft currently meet Transport Canada and FAA Stage III noise abatement guidelines. Any future implementation of Stage IV noise abatement guidelines would require the Company to incur expenses to ensure its aircraft meet such guidelines which expenses could negatively impact the Company's earnings. The Company also cannot provide any assurance that it will be able to recover any or all increased costs of compliance from its customers or that the business and financial condition of the Company will not be adversely affected by future changes in applicable laws and regulations.

Insurance

The Company’s operations are subject to risks normally inherent in the air-cargo industry, including potential liability which could result from, among other circumstances, personal injury or property damage arising from disasters, accidents or incidents involving aircraft operated by the Company or its agents. The availability of, and ability to collect on, insurance coverage is subject to factors beyond the control of the Company. There can be no assurance that insurance coverage will be sufficient to cover one or more large claims, or that the applicable insurer will be solvent at the time of any covered loss. There can be no assurance that the Company will be able to obtain insurance at acceptable levels and costs in the future. Further, there has been an increasing trend in the aviation insurance industry for providers to reduce, either in full or in part, the terrorism risks (including war risk insurance) that it covers. To the extent that the Canadian government is unwilling to fill this gap and provide the required coverage, the Company’s insurance costs may increase and the Company may run the risk of being in breach of regulatory requirements or contractual agreements requiring specific insurance coverage be maintained. The Company may become subject to liability for hazards which it cannot or may not elect to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies. The occurrence of an aircraft-related accident or mishap involving the Company could have a material adverse effect on the Company’s business, results of operations or financial condition. In addition, the Company does not carry any business interruption insurance.

Cyber security

In today’s connected business environment, various substantially all aspects of Cargojet's business activities are carried out using computers. While operating in cyberspace offers advantages; it also makes us vulnerable to cybersecurity risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Cargojet is highly dependent on its information technology to securely process, transmit and store electronic information. Certain sensitive and/or confidential information resides on the third-party hosted data center servers and is transmitted over the Company’s network. The Company also uses computers for its core management information systems to manage its financial, operational and corporate operations. The Company continues to develop and enhance its cyber security in response to cyberspace risks to protect computer systems and data from threats originating in cyberspace. A security breach can cause significant implications that may include disruption in operations, significant financial losses, legal obligations, litigation, regulatory penalties, and negative effects on the Company’s reputation. The Company has engaged security experts to enhance its cyber security strategy and has secured appropriate insurance coverage to offset potential losses on operation due to a security breach. However, there can be no assurance that the measures will be adequate to protect against all cyber risks or that insurance can cover all losses as a result of any breach. Attacks into information technology systems are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise. As of the date hereof there have been no incidents of security breach noted by the Company or its security advisors but any such breach could have a material adverse effect on the Company’s business, results of operations or financial condition.

In addition, the technology the Company relies on, including third party technology, may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of human error, third party suppliers' acts or omissions, natural disasters, terrorist attacks, telecommunications failures, power failures, unauthorized or fraudulent users (including cyber-attacks, malware, ransomware, computer viruses and the like), software failures and other operational and security issues. The costs of remedying any failed system could be expensive and any such failure could result in business delays and service disruptions, which could have a material adverse effect on the Company's business, results of operations or financial condition.

Maintaining Leased Aircraft and Availability of Future Aircraft

The Company currently owns and operates nine B757-200, twelve B767-300, two B767-200 and has two B767-300 that are under finance lease. It also leases one B767-200 aircraft. The Company also owns two Challenger 601 and one B767-200 aircraft which are operating under a charter agreement with a third party. The Company acquired two B767-300 aircraft under a *****lease agreement to operate on a Crew, Maintenance and Insurance ("CMI") basis for a third party. The success of the Company will depend, in part, on its ability to replace owned aircraft when necessary and to maintain favorable leases for its leased aircraft. There can be no assurance that the Company will be able to lease or purchase aircraft in the future on acceptable terms or to maintain favorable leases for its aircraft or be able to arrange financing for its current commitment of aircraft purchases or future replacements and expansions. Such risk could have a material adverse effect on the Company's business, results of operations or financial condition.

Fixed Costs

The Company is subject to a high degree of operating leverage. Since fixed costs comprise a proportion of the operating costs of each flight route, the expenses of each flight route do not vary proportionately with the amount of shipments that the Company carries. Accordingly, a decrease in the Company's revenues could result in a disproportionately higher decrease in the Company's earnings as expenses would remain unchanged.

Fuel Prices

The Company requires significant quantities of fuel for its aircraft. Historically, fuel costs represented 23% to 25% of the Company's direct operating cost. The Company is therefore exposed to commodity price risk associated with variations in the market price for petroleum products. The price of fuel is sensitive to, among other things, the price of crude oil, which has increased dramatically over the past few years, refining costs, and the cost of delivering the fuel. Although the Company historically has implemented fuel surcharges to mitigate the earnings impact of unusually high fuel prices, competitive and other pressures may prevent the Company from passing these costs on to its customers in the future. The Company cannot provide any assurance that its supply of fuel will continue uninterrupted, that rationing will not be imposed or that the prices of, or taxes on, fuel will not increase significantly in the future. An extremely high fuel cost could adversely affect customer volumes as other cheaper modes of transportation are sought. Increases in prices that the Company is unable to pass on to its customers could have a material adverse effect on the Company's business, results of operations or financial condition.

Costs Related to Mechanical and Maintenance Problems and Replacement of Equipment and Parts

Maintenance costs will increase as our fleet ages. It includes overhaul of engines, landing gears, APUs and airframes in addition to ongoing maintenance requirements. The Company has a maintenance program schedule and monitors the maintenance of aircraft for owned and leased aircraft. Although costs related to mechanical problems and to maintenance for the Company's aircraft have been forecasted and funded pursuant to its leasing arrangements and maintenance agreements, the actual costs may be higher than those anticipated. Unexpected repairs relating to mechanical problems and to maintenance are beyond the control of the Company and may have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the ability of the Company to obtain equipment and replacement parts on satisfactory terms when required is not always certain. Any inability to obtain equipment or parts, or to obtain the required equipment or parts on satisfactory terms and on a timely basis could have a material adverse effect on the Company's business, results of operations or financial condition.

Foreign Exchange Fluctuations

The Company undertakes sales and purchase transactions including aircraft maintenance cost, lease payments, loan payments, crew training and certain operating costs in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. Changes in the value of the Canadian dollar relative to the United States dollar could have a negative effect on the profitability of the Company. For the year ended December 31, 2021, the Company had a net cash flow exposure to the United States dollar of approximately U.S. $33.1 million and to the Euro of approximately €3.3 million. As of the date of this MD&A, the Company is exposed to fluctuations in the US-dollar exchange rate relating to two B767-300 and one B767-200 lease agreements. To the extent that the Company does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the United States dollar may have a material adverse effect on the Company's business, results of operations or financial condition.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that the Company's business and growth strategy will enable the Company to sustain profitability in future periods. The Company's future operating results will depend on a number of factors, including general economic conditions and consumer confidence.

There can be no assurance that the Company will be successful in achieving its strategic plan or that this strategic plan will enable the Company to grow at historical rates or to sustain profitability. Failure to successfully execute any material part of the Company's strategic plan could have a material adverse effect on the Company's business, result of operations or financial condition.

There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, results of operations or financial condition.

Industry Risk and Economic Sensitivity

The Company serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of the Company. Demand for the Company's services could be materially adversely affected by downturns in the businesses of its customers. The Company's revenues are impacted by the health of the economy in the regional markets in which the Company operates. Although the Company cannot specifically correlate the impact of macro-economic conditions on its business activities, the Company believes that a decline in economic conditions in Canada may result in decreased demand for the services the Company provides and, to the extent that this decline continues or increases in severity, the Company's business, results of operations or financial condition could be materially adversely affected.

Terrorist Activity

The terrorists' attacks of September 11, 2001 and their aftermath negatively impacted the air cargo industry. Following the events of September 11, 2001, a host of countries including Canada introduced new cargo security programs or strengthened existing programs, with the objective to prevent cross-border shipment of illicit goods. The impact on the industry was increased cargo scrutiny and border delays, which translates into higher indirect costs for businesses engaged in cross-border trade. Additional terrorist attacks (whether international or domestic and whether involving the Company, another air cargo company or no air cargo company at all), the fear of such attacks or increased hostilities could further negatively impact the air cargo industry. The perceived threat of terrorist activity could lead to a decrease in customer demand for air cargo courier services, with customers choosing other methods of cargo transport, as well as the potential need for a substantial increase in insurance. The Company could experience a decrease in the use of its air cargo network as a means of transporting goods domestically and internationally and an increase in costs. Any resulting reduction in the use of the Company's cargo network and/or increase in costs could have a material adverse effect on the Company's business, results of operations or financial condition.

Dependence on Key Personnel

The Company's success will be substantially dependent on the continued services of senior management of the Company. In addition, Cargojet operates in an industry that requires specialized skills and knowledge. Cargojet employs individuals who possess specific technical knowledge and experience in the areas of aircraft operation, aircraft maintenance, flight planning, flight dispatch, crew planning, crew training, ground handling and commercial airline cargo management. While Cargojet has not experienced material difficulty in recruiting and retaining appropriate staff to carry out its operations, the Company's continued growth depends on the ability of the Company to attract and retain skilled managers and employees and the ability of its personnel to manage the Company's growth. The inability to attract and retain key personnel could have a material adverse effect on the Company's business, results of operations or financial condition.

Labour Relations

On October 19, 2012, the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW – Canada) became certified by Cargojet's pilots as their bargaining union by the Canadian Industrial Relations Board (the "CIRB"). The Company entered into a five-year collective agreement with the union representing the Company's pilots. The pilots ratified the agreement in July 2018. On September 17, 2021, CIRB certified the Air Line Pilots Association ("ALPA") as the representative of Company's pilots replacing UNIFOR. The terms and conditions of the contract remained in place and in effect.

None of Cargojet's other employees are unionized. The maintenance of a productive and efficient labour environment and the successful negotiation of collective bargaining agreements cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts, and any resulting collective bargaining agreement may increase labour costs or impose terms and conditions that restrict or reduce the Company's ability to sustain its business objectives or pursue its strategic initiatives, all of which could have a material adverse effect on the Company's business, results of operations or financial condition.

In addition to labour relations at the Company, there can be no assurance that there will not otherwise be any labour conflict or action that could also lead to an interruption or stoppage by key suppliers or other parties with whom the Company conducts business or relies on, such as interline partners, which could have a material adverse effect on the Company's business, results of operations or financial condition.

Severe Weather Patterns

Severe weather conditions and other natural or manmade disasters, including storms, floods, hurricanes, fires, earthquakes or epidemics may result in decreased revenues, as the demand for air cargo courier services may be adversely impacted. The Company may experience an increase in costs or inability to operate its business as a result of severe weather conditions or natural or manmade disasters, which could have a material adverse effect on the Company's business, results of operations or financial condition. In the event that the Company is still able to provide services to its customers during a period of severe weather, particularly during any protracted period of time, there may be forced flight cancellations or the Company may not be able to deliver shipments in a timely manner. Any extended delay in meeting time sensitive shipping deadlines could have a material adverse effect on the Company's business, results of operations or financial condition.

Seasonal Fluctuations

Traditionally, the Company has experienced its best operating results in the third and fourth quarters of each year. Shipping activity is usually the best in the fourth quarter as a result of the holiday season and is usually the lowest in the first quarter. Accordingly, the seasonal nature of the business of the Company will affect the quarterly financial results of operation of the Company that will be reported.

Dependence on International Trade

The principal businesses of the Company are indirectly related to, and future performance of the Company is dependent upon, the volume of international trade, including cross-border trade between Canada and the U.S. Such trade is influenced by many factors, including North American and overseas economic and political conditions, major work stoppages, wars, terrorist acts or security operations, exchange controls, currency fluctuations and Canadian, US and foreign laws relating to duties, trade restrictions, foreign investment and taxation, including but not limited to the United States-Mexico-Canada Agreement ("USMCA").

There can be no assurance that trade-related events beyond the control of the Company, such as the failure to reach or adopt trade agreements, an increase in trade restrictions or the outcome of the ongoing negotiations and discussions related to USMCA, or at all will not have a material adverse effect on the Company's business, results of operations or financial condition.

Future Sales of Voting Shares by the directors and officers of Cargojet

The directors and executive officers of Cargojet as a group beneficially own, or control or direct, directly or indirectly, 481,637 Voting Shares, representing approximately 2.78 % of the Company on a non-diluted basis

Income Tax Matters

Cargojet is subject to federal and provincial income taxes. Although the Company is of the view that all expenses to be claimed by the Company and its subsidiaries in the determination of their respective incomes under the *Income Tax Act* (Canada) (the "Tax Act") will be reasonable and deductible by the appropriate entity in accordance with the applicable provisions of the Tax Act, and that the allocations of income and loss of Cargojet Holdings Limited Partnership ("CHLP") and the Cargojet Partnership ("CJP") to be made for purposes of the Tax Act will be reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency ("CRA") or the provincial taxing authority will agree. Counsel can provide no opinion with respect to the reasonableness of any expense or of the allocation of income by a partnership. If the CRA or any provincial tax authority successfully challenges the deductibility of expenses or the allocation of income, Cargojet's liability to income tax may increase.

Increase in Interest Rates

One of the factors that may influence the price of the Voting Shares in public trading markets will be the annual cash-on-cash return from dividends by the Company on the Voting Shares compared to cash-on-cash returns on other financial instruments. Thus, an increase in market interest rates will result in higher cash-on-cash returns on other financial instruments, which could adversely affect the market price of the Voting Shares.

Future legal proceedings

In the course of operating its business, the Company may become subject to various claims and litigation including with respect to its contractual arrangements and current or new laws and regulations. As a result of potential future legal proceedings, the Company may be required to pay significant sums of money in the form of legal fees, judgments or settlements. Any future claims or litigation and any resulting monies owed could have a material adverse effect on the Company's business, results of operations or financial condition.

Interline Partnerships and Alliances

The Company has entered into several strategic interline partnerships/alliances thus providing customers with seamless air cargo courier services around the world to all destinations to and from Canada. The loss of a significant interline partner or its failure to meet its obligations towards the Company could have a material adverse effect on the Company's business, results of operations or financial condition.

Key Supplies and Suppliers

The Company is dependent upon its ability to source, on favorable terms and costs, sufficient quantities of goods and services of desirable quality, in a timely manner, including those required for the Company's business or operations, such as fuel, aircraft and related parts, aircraft maintenance services, and information technology systems and services. If for any reason the Company is required to find new suppliers, including by reason of suppliers increasing their rates, the transition to new or alternative suppliers may not be possible or may take a significant amount of time or require significant resources. A failure, refusal or inability of a supplier may arise as a result of a wide range of causes, many of which are beyond the Company's control. Any failure or inability of the Company to successfully source goods and services, or to source goods and services of desirable quality on terms and pricing and within the timeframes acceptable to the Company, could have a material adverse effect on the Company's business, results of operations or financial condition.

Outlook

Note: Please see forward-looking statement rider below.

During the year ended December 31, 2021, the Company experienced growth in overall revenues by 13.4% compared to the same period in 2020. Cargojet continues to operate all of its aircraft on domestic and international routes and has seen a surge in charter and ACMI activity. In 2021, domestic network revenues increased by 13.6% and ACMI revenues increased by 32.6% compared to the previous year. Charter revenues in 2021 also were higher than in 2020 by 240%, after excluding one-time charter runs from China for PPE products and other medical supplies for the federal and some provincial governments of Canada. In Q4 2021, Cargojet carried additional relief charter flights for syringes and other medical products from Asia for Canadian and US customers and expects these flights to continue during the first half of 2022.

Cargojet expects growth in its domestic business to continue into 2022, primarily due to the continuing strong demand for e-commerce, particularly in the retail sector. Prior to the COVID-19 pandemic, e-commerce as a percentage of total retail sales lagged in Canada as compared to US and European markets. We estimate that the closing or material alteration of the day-to-day operations of businesses in Canada due to shut-downs and similar restrictions on individuals and businesses, as in many countries around the globe, have led to the acceleration of Canadians' adoption of e-commerce, bringing Canadian rates of e-commerce use much closer to that in international markets. Annual forecasts by our customers also support this continued trend. In addition, we expect continued growth in our charter and ACMI businesses to continue due to global supply chain disruptions and limited capacity options resulting from the significant loss in belly capacity of passenger airlines. The loss in belly capacity of passenger airlines is largely due to the shrinking in the overall size of the passenger airline industry and early permanent retirement of wide body aircraft fleet of A380, B747, A330 and A340 by many airlines due to aircraft size and high operational costs. Cargojet expects that these factors will have a lasting effect on the cargo capacity of passenger airlines. In the absence of the COVID-19 pandemic, such fleet adjustments would typically have occurred gradually, but the COVID-19 pandemic has considerably accelerated these changes. In its international business, Cargojet is observing similar trends with respect to increased e-commerce demand and reduction of passenger aircraft and therefore expects these factors to similarly increase the demand for Cargojet's air cargo services.

Given these structural shifts in the global air-cargo market, Cargojet expects a higher baseline demand for its time-sensitive air cargo services in the future. To that end, Cargojet is making increased infrastructure investments in order to accommodate such anticipated higher demand, including by aircraft acquisition and feedstock for B777 aircraft, which is expected to emerge as a cost-effective solution for long-range international routes. Accordingly, Cargojet expects to have higher capital expenditures in 2022 as compared to previous years.

The Company continues to retain all of its existing major customers and continues its efforts to strengthen its relationships those existing relationships and develop new relationships with domestic and international carriers to secure new ACMI routes and charters. The Company expects to achieve organic growth within its existing customer base and to win new customers for both its domestic and international routes as it continues its efforts to build on its competitive market position. The Company optimizes its domestic network to match customer demand and proactively manages its fleet capacity to maintain strong on-time performance. The Company will continue to evaluate its investments in fixed assets to ensure strong returns on its investments that are consistent with its outlook of global economic conditions.

Cargojet continues to maintain strict safety protocols to protect its employees and customers. Subject to public health guidelines, the Company anticipates that some of these measures may be modified or discontinued in 2022 in the event that the COVID-19 pandemic subsides.

On December 12, 2018 Transport Canada announced formal changes to the existing pilot fatigue regulations which came into effect in December 2020 and applied to all commercial airline operators in Canada. The new regulations combined with Cargojet's hiring of additional pilots to prepare for its anticipated fleet expansion increased Cargojet's pilot costs ratio to 10% in 2021 compared to 8% in 2020, after excluding one time PPE charter revenues. Cargojet continued to recruit and train additional pilots in 2021 in order to meet these new requirements and to fill vacancies created by the recall of pilots by passenger airlines. The recruitment and training process of new pilots normally takes a number of months. Cargojet expects its pilot costs ratio to decrease to approximately 9% in 2022 as its current one-time training process is completed and new revenue-generating flights begin operation.

The Company continues to recover fuel price increases through fuel surcharges. Any fuel cost increases due to higher fuel prices are mostly passed on to customers as an increase in the fuel surcharge and are billed to customers on a cost recovery basis only. Similarly, any cost savings due to lower fuel prices are passed on to customers as a decrease in the fuel surcharge. Management is confident that the Company will continue to fully recover any future increases in fuel costs.

Cargojet's free cash flow, net of maintenance capital expenditure, was 21% of gross revenue and is expected to remain within 20% - 22% range for 2022. Management expects to finance part of its investments for expansion using funds generated internally, and maximize free cash flow available for dividends. Management continuously reviews and evaluates strategic initiatives, especially those that can improve cash flow, including improving efficiencies and cost controls, and growing the business organically and through strategic and accretive acquisitions.

Cargojet's finance leverage ratio at the end of 2021 is at historic low of 0.5 but the ratio is expected to increase to approximately 1.0 in 2022 as the Company draws down on our line of credit to fund the anticipated growth in capital expenditures in 2022, which is expected to exceed funds generated internally. Future strategic initiatives may be financed from working capital, cash flow from operations, borrowing or the issuance of securities. Any decisions regarding the foregoing, including further changes in dividend distribution, will be considered and determined as appropriate by the Board of Directors of the Company.

Implicit in forward-looking statements in respect of the Company's expectations for: (i) continued growth in charter, ACMI and domestic revenues, (ii) higher baseline demand for its time-sensitive air cargo services in the future, (iii) higher capital expenditures in 2022 as compared to previous years, including to acquire aircraft and feedstock for B777 aircraft, (iv) its pilot costs ratio to decrease to approximately 9% in 2022, (v) free cash flow, net of maintenance capital expenditure being within the range of 20%-22% of gross revenue in 2022 and (vi) Financial Leverage Ratio to increase to approximately 1.0 in 2022, are certain current assumptions including the continued demand for e-commerce in Canada and internationally, global supply chain challenges, limited belly capacity of passenger airlines and the Company continuing to retain all of its existing major customers and developing new relationships with domestic and international carriers to secure new ACMI routes and charters. The Company's forward-looking information is also based upon assumptions regarding the ongoing COVID-19 pandemic, the course of the virus, government actions, and related public health and safety protocols. We have also assumed the following exchange rates for fiscal 2022: USD:CAD =1:1.27.

Given this unprecedented period of uncertainty, there can be no assurances regarding: (a) the COVID-19-related impacts on Cargojet's business, operations, labour force and growth strategies, (b) Cargojet's ability to achieve anticipated benefits of its increased capital investments, (c) ongoing activities to improve efficiencies, implementing cost controls and maintain on-time performance; (d) general economic conditions, consumer spending habits and demand for air cargo services and related competition, and; (e) credit, market, currency, interest rates, operational, and liquidity risks generally; and (f) other risks inherent to Cargojet's business and/or factors beyond its control which could have a material adverse effect on the Company.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of the Company's annual information form dated March 7, 2022 for the fiscal year ended December 31, 2021 (the "AIF"). A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. By their nature, judgments and estimates may change in light of new facts and circumstances in the internal and external environment. The following judgments are those deemed by management to be material to the preparation of the financial statements.

Critical accounting judgments

Componentization of property, plant and equipment and goodwill: The componentization of the Company's property, plant and equipment is based on management's judgment of the cost of the component relative to the total cost of an asset and whether these components have different useful lives for determination of depreciation.

Impairment of property, plant and equipment: Assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset or cash generating unit (CGU) is impaired. The determination of CGUs is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about operations.

Right to use asset: Value of lease asset in use and recognition of related obligation requires judgement related to discount rate used for discounting the lease payments and for determination of lease period where judgement is required to determine whether, it is reasonably certain that option to renew the lease will be exercised (or not exercised). Judgement may also be required in assessing whether a contract contains a lease or not.

Critical Estimates

The table below discloses the methodology and assumptions used by management in the assessment of the accounting estimates.

Critical Accounting Estimate	Methodology and Assumptions
Impairment of property, plant and equipment and goodwill	At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, intangibles and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Determining whether goodwill is impaired requires the Company to determine the recoverable amount of the cash-generating unit. To determine the recoverable amount of the cash-generating unit, management is required to estimate its fair value by evaluating expected future cash flow using an appropriate growth rate, margins, and a suitable discount rate to calculate the value in use.
Deferred taxes	Deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The Company reviews the carrying amount of deferred tax assets at the end of each reporting period and assesses its recoverability using forecasts that are based on the actual operating results and the expected future performance based on management's estimates and assumptions of revenue growth and the development. The deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Provisions	The Company has estimated that it will incur certain maintenance costs at the end of its aircraft lease terms and has recorded a maintenance provision liability for these costs. Such costs have been estimated based on contractual commitments, current and estimated future aircraft utilization rate, Company's maintenance program, rates provided by current maintenance service providers and Company specific history. The Company reviews the provisions at each reporting period to determine the change in estimated liability. The Company believes that the assumptions used are reasonable based on the information currently available but the final payments may change materially due to change in timing, cost of maintenance or discount rates.

Stock warrants	The Company's accounting for warrants issued to Amazon is determined in accordance with the financial reporting guidance for financial instruments and revenue recognition. The initial fair value of warrants issued to a customer are recognized as a contract asset and liability respectively. The contract asset is amortized against revenues over the duration of the agreement, unexercised warrants are remeasured to fair value at each reporting period, resulting in a non-operating gain or loss, the valuation involves assumption and estimates including future share price volatility and future exercise date, due to the long term nature of the warrants, such estimates are subject to significant uncertainty.
Employee future benefits	The cost and related liabilities of the Corporation's pensions, other post-retirement and post-employment benefit programs are determined using actuarial valuations. The actuarial valuations involve assumptions including discount rates, future salary increases, mortality rates and future benefit increases. Also, due to the long-term nature of these programs, such estimates are subject to significant uncertainty.
Cash settled share based payment arrangement	The cost and related liability of the Company's cash settled share based payment arrangement under the stock option plan for certain key executives and non-employee directors is recognized using a Black-Scholes option pricing model and Monte Carlo simulation involving assumptions including discount rates and exercise dates. Due to the long-term nature of these rights, such estimates are subject to significant uncertainty.

Outstanding Share Data

The Company's common and variable voting shares are listed under the symbol "CJT" and hybrid debentures are listed under the symbol "CJT.DB.D", "CJT.DB.E" and "CJT.DB.F" on the Toronto Stock Exchange ("TSX"). The following table sets out the shares of the Company outstanding as at December 31, 2021:

Capital	Authorized/ Principal	Outstanding number of shares
Common and Variable Voting Shares	Unlimited	17,324,258

Information Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures within the Company are designed to provide reasonable assurance that appropriate and timely decisions are made regarding public disclosure. This is accomplished through the establishment of systems that identify and communicate relevant information to persons responsible for preparing public disclosure items, in accordance with the Disclosure Policy adopted by the Board of Directors of the Company.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

An evaluation of the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting, as defined under the rules of the Canadian Securities Administrators, was conducted at December 31, 2021 by management. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures and internal controls over financial reporting of the Company are effective. This MD&A was reviewed by the Disclosure Officers of the Company (individuals authorized to communicate with the public about information concerning the Company), the Audit Committee and the Board of Directors of the Company, all of whom approved it prior to its publication.

End Notes

(A) "EBITDA" is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is calculated as net income or loss excluding the following: depreciation, and aircraft heavy maintenance amortization, interest on long-term debt, deferred income taxes and provision for current income taxes. EBITDA is a term used by the Company that does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other issuers. EBITDA is a measure of the Company's operating profitability and by definition, excludes certain items as detailed above. These items are viewed by management as non-cash (in the case of depreciation and amortization of aircraft heavy maintenance expenditures), or non-operating (in the case of interest on long-term debt and provision for current income taxes). The underlying reasons for exclusion of each item are as follows:

Depreciation - as a non-cash item, depreciation has no impact on the determination of EBITDA.

Interest on long-term debt - interest on long-term debt is a function of the Company's treasury/financing activities and represents a different class of expense than those included in EBITDA.

Deferred income taxes - the calculation of deferred income taxes is a function of temporary differences between the financial reporting and the tax basis of balance sheet items for calculating tax expense and is separate from the daily operations of the Company.

Provision for current income taxes – the provision for current income taxes is a non-operating item and represents a different class of expense than those included in EBITDA.

Aircraft heavy maintenance amortization - aircraft heavy maintenance amortization represents a non-cash item and is excluded from EBITDA.

(B) "Adjusted EBITDA" is defined as earnings before share based compensation, interest, taxes, depreciation, amortization, and other adjustments. Adjusted EBITDA is calculated as net income or loss excluding the following: depreciation, aircraft heavy maintenance amortization, contract asset amortization, unrealized gains or losses on fair value of cash settled share based payment arrangement, swaps and warrants, realized gain or losses on settlement of swaps, interest on long-term debt, deferred income taxes, provision for current income taxes, gain or loss on disposal of property, plant and equipment, amortization of maintenance deposits, impairment of property plant and equipment, unrealized foreign exchange gains or losses, gains or losses on settlement of debts or finance lease liabilities, share based compensation and provision for employee pension. Adjusted EBITDA is the term used by the Company that does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other issuers. Adjusted EBITDA is a measure of the Company's operating profitability and by definition, excludes certain items as detailed above. These items are viewed by management as non-cash (in the case of depreciation, aircraft heavy maintenance amortization, contract asset amortization, loss on disposal of property, plant and equipment, loss on disposal of intangible assets, amortization of maintenance deposits, unrealized foreign exchange gains and losses, unrealized gains or losses on fair value of cash settled share based payment arrangement, swaps and warrants, provision or recovery from deferred income taxes), or non-operating (in the case of interest on long-term debt, gain on disposal of property, plant and equipment, gain on disposal of intangible assets, realized gain or losses on settlement of cash settled share based payment arrangement and swaps and provision for current income taxes to be paid). The underlying reasons for exclusion of each item are as follows:

Depreciation - as a non-cash item, depreciation has no impact on the determination of Adjusted EBITDA.

Interest on long-term debt - interest on long-term debt is a function of the Company's treasury/financing activities and represents a different class of expense than those included in Adjusted EBITDA.

Deferred income taxes - the calculation of deferred income taxes is a function of temporary differences between the financial reporting and the tax basis of balance sheet items for calculating tax expense and is separate from the daily operations of the Company.

Provision for current income taxes – the provision for current income taxes is a non-operating item and represents a different class of expense than those included in Adjusted EBITDA.

Gain or loss on disposal of property, plant and equipment - the gain or loss arising from the disposal of property, plant and equipment is a non-cash item and has no impact on the determination of Adjusted EBITDA.

Unrealized foreign exchange loss (gain) - the unrealized gain or loss arising from the valuation of the foreign exchange balances at the period end is a non-cash item and has no impact on the determination of Adjusted EBITDA.

Aircraft heavy maintenance amortization - aircraft heavy maintenance amortization represents a non-cash item and is excluded from Adjusted EBITDA.

Unrealized gain or loss on forward foreign exchange contracts - the gain or loss arising from the forward foreign exchange contracts is a non-cash item and has no impact on the determination of Adjusted EBITDA. Any cash surrender value on settlement of forward contact is added back to EBITDA.

Contract asset amortization – contract asset amortization represents a non-cash item and is excluded from Adjusted EBITDA.

Gain or loss on fair value of cash settled share based payment arrangement related to financing arrangement - the gain or loss arising from the fair value of cash settled share based payment related to a financing arrangement is a function of the Company's treasury/financing activities and has no impact on the determination of Adjusted EBITDA

Gain or loss on fair value of total return swap related to financing arrangement – the gain or loss arising from the fair value of total return swap related to a financing arrangement is a function of the Company's treasury/financing activities and has no impact on the determination of Adjusted EBITDA

Gain or loss on fair value of stock warrant - the gain or loss arising from the fair value of stock warrant related to treasury/financing arrangement is a non-cash item and has no impact on the determination of Adjusted EBITDA.

Loss on settlement of cash settled share based payment arrangement related to financing arrangement - the loss arising from the settlement of cash settled share based payment related to a financing arrangement is a function of the Company's treasury/financing activities and represents a different class of expense than those included in Adjusted EBITDA.

Gain on settlement of total return swap related to financing arrangement - the gain arising from the settlement of total return swap related to a financing arrangement is a function of the Company's treasury/financing activities and represents a different class of income than those included in Adjusted EBITDA.

Gain and loss on extinguishment of debts and lease liabilities –The loss on extinguishment of a long term debt and lease liabilities is a function of the Company's treasury/financing activities and represents a different loss of expense than those included in Adjusted EBITDA.

Employee Pension – the provision for employee pension is a non-cash item and represents a different class of expense than those included in EBITDA.

Shares based compensation expense – expense arising from the grant of stock-based awards to employees is excluded as the amount of such expenses in any specific period may not directly correlate to the underlying performance of business operations and such expenses can vary significantly between periods as a result of the timing of grants of new stock-based awards, valuation methodologies and market sentiments. Additionally, excluding stock-based compensation from Adjusted EBITDA assists management and investors in making meaningful comparisons with the Company's operating performance between the periods and the operating performance of other companies that may use different forms of employee compensation or different valuation methodologies for their stock-based compensation.

Gain or loss on fair value or settlement of total return swap related to share based compensation – the gain or loss arising from the fair value of total return swap or its settlement related to share based compensation is excluded from Adjusted EBITDA and Adjusted EBITDAR measure. Swaps are used by the Company to offset its exposure on share based compensations. The Company is exposed to market price fluctuation in its share price which is the asset underlying the swaps. This item is excluded as the amount of income or expense in any specific period may not directly correlate to the underlying performance of business operations and such this income or expenses can vary significantly between periods as a result of the fluctuation in the share price. Additionally, excluding income or expense from swaps from Adjusted EBITDA assists management and investors in making meaningful comparisons between Company's operating performance between the periods and the operating performance of other companies that may or may not use swaps.

(C) "EBITDAR" is defined as earnings before share based compensation, interest, taxes, depreciation amortization and aircraft rent. EBITDAR is calculated as EBITDA excluding aircraft rents. EBITDAR is a measure commonly used in the airline industry to evaluate results by excluding differences in the method by which an airline finances its aircraft.

(D) "Adjusted EBITDAR" is defined as earnings before interest, taxes, depreciation amortization, other adjustments and aircraft rent. Adjusted EBITDAR is calculated as Adjusted EBITDA excluding aircraft rents. Adjusted EBITDAR is a measure commonly used in the airline industry to evaluate results by excluding differences in the method by which an airline finances its aircraft.

(E) "Adjusted Free Cash Flow" is a term, which does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other companies. The objective of presenting this non-IFRS measure is to calculate the amount, which is available for dividend distributions to shareholders. Adjusted Free Cash Flow is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. All references in the Management's Discussion and Analysis to "Adjusted Free Cash Flow" have the meaning set out in this note.

In November 2010, the CPA Canada issued a consultation guidance titled *Reporting Supplementary Financial Measures, General Principles* ("The Guidance"). The Guidance approved the continuation of previously published guidance on EBITDA and free cash flow as they continue to be relevant in the post IFRS environment.

Standardized Free Cash Flow is defined as "Cash flows from operating activities as reported in the IFRS financial statements, including operating cash flows provided from or used in discontinued operations; total maintenance capital expenditures minus proceeds from the disposition of capital assets other than those of discontinued operations, as reported in the IFRS financial statements; and dividends, when stipulated, unless deducted in arriving at cash flows from operating activities."

The Company has adopted a measurement called Adjusted Free Cash Flow to supplement net earnings as a measure of operating performance. Adjusted Free Cash Flow is defined by the Company as Standardized Free Cash Flow as defined by the CPA Canada, less operating cash flows provided from or used in discontinued operations, changes in working capital, plus the provision for current income taxes.

The underlying reasons for the inclusion and exclusion of each item are as follows:

Changes in working capital - Changes in non-cash working capital items and deposits represent timing differences in the Company's working capital from year to year. These items are expected to be recoverable or payable shortly from the balance sheet date. Since it only represents short-term timing differences, it should be excluded from standardized free cash flow to determine a more representative measure of cash that is available for dividend distributions.

Provision for current income taxes – The expected cash outflows from the provision of current income tax is deducted to determine cash that is available for dividend distributions as it has priority over dividend distribution.

Maintenance capital expenditures - These are defined as any fixed assets acquired during a reporting period to maintain the Company's aircraft fleet and other assets at the level required to continue operating the existing business. They also include any capital expenditure required to extend the operational life of the fleet including heavy maintenance. Maintenance capital expenditures exclude any capital expenditures that result in new and additional capacity required to grow operational revenue and cash flows.

(F) **Growth capital expenditures –** These are discretionary investments of the Company to increase capacity, geographic reach and to acquire more customers with a purpose to grow operational revenue, profits and cash flows.

(G) **Financial Leverage ratio –** is a measure of our level of financial leverage and is obtained by dividing the net debt by shareholder's equity and is measure of the Company's ability to meet its financial obligations

(H) **Net Debt –** is a matric obtained by subtracting cash from debt and lease liabilities and is used to monitor the Company's financial leverage.