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

For the Three Months Period Ended March 31, 2022

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CARGOJET INC.
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The following is the Management's Discussion and Analysis ("MD&A") of the condensed consolidated interim financial condition and results of operations of Cargojet Inc. ("Cargojet" or the "Company") for the three months ended March 31, 2022. The following also includes a discussion of and comparative operating results for the three months ended March 31, 2021.

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 was approved by the Board of Directors on April 28, 2022 and authorized for issuance on May 2, 2022. The condensed consolidated interim 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 condensed consolidated interim financial statements of the Company for the three month ended March 31, 2022 and 2021 and with the audited consolidated 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 MD&A for the three month period and year ended December 31, 2021 dated March 7, 2022 which was filed with SEDAR at www.sedar.com 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" section of the MD&A for the three month period and year ended December 31, 2021 dated March 07, 2022 which was filed with SEDAR at www.sedar.com and the Company is not aware of any significant changes to its risk factors from those disclosed at that time.

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 24.
- Outlook – Page 26.

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 March 31,			
	2022	2021	Change	%
Financial information				
Revenues	**$233.6**	$160.3	$73.3	45.7%
Direct expenses	**$166.7**	$115.0	$51.7	45.0%
Gross margin	**$66.9**	$45.3	$21.6	47.7%
Gross margin - %	**28.6%**	28.3%	0.3%	
Selling, general & administrative expenses	**$17.7**	$24.7	($7.0)	-28.3%
Net finance costs & other gains and losses	**$92.9**	($70.5)	$163.4	231.8%
Share of loss of associate	**$0.8**	-	$0.8	100.0%
(Loss) earnings before income taxes	**($44.5)**	$91.1	($135.6)	-148.8%
Income taxes	**$11.9**	$1.7	$10.2	600.0%
Net (loss) earnings	**($56.4)**	$89.4	($145.8)	-163.1%
(Loss) earnings per share - $CAD				
Basic	**($3.26)**	$5.35	($8.61)	-160.9%
Diluted	**($3.26)**	$5.24	($8.50)	-162.2%
EBITDA (1)	**($6.0)**	$127.9	($133.9)	-104.7%
EBITDA margin (1)- %	**-2.6%**	79.8%	-82.4%	
Adjusted EBITDA (1)	**$83.0**	$64.2	$18.8	29.3%
Adjusted EBITDA margin (1)- %	**35.5%**	40.0%	-4.5%	
EBITDAR (1)	**($6.0)**	$127.9	($133.9)	-104.7%
EBITDAR margin (1)- %	**-2.6%**	79.8%	-82.4%	
Adjusted EBITDAR (1)	**$83.0**	$64.2	$18.8	29.3%
Adjusted EBITDAR margin(1)- %	**35.5%**	40.0%	-4.5%	
Adjusted Free Cash flow (1)	**$42.7**	$35.2	$7.5	21.3%
Operating statistics (2)				
Operating days (3)	**50**	**50**	**-**	**-**
Average domestic network revenue per operating day (4)	**1.69**	1.53	0.16	10.5%
Block hours (5)	**17,704**	13,096	4,608	35.2%
B757-200	**9**	8	1	-
B767-200	**4**	4	-	-
B767-300	**17**	14	3	-
Challenger 601	**2**	2	-	-
	32	28	4	14.3%
Average volume per operating day (lbs.)	**2,123,893**	1,755,157	368,736	21.0%
Average head count	**1,560**	1,300	260	20.0%

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, 2020, 2021 and March 31, 2022 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		Q1	Q4				
				2020	2021	2022	2022	2023	2024		
B767-300(1)	**Freighter**	**Leased**	**28**	**8**	**4**	**4**	**4**	**3**	**3**	**125000**	**6000**
B767-300(1) (2)	**Freighter**	**Owned**	**29**	**6**	**12**	**13**	**15**	**17**	**17**	**125000**	**6000**
B767-200(3)	**Freighter**	**Owned**	**21**	**2**	**2**	**2**	**2**	**3**	**4**	**100000**	**5000**
B767-200(4)	**Freighter**	**Leased**	**37**	**1**	**1**	**1**	**1**	**-**	**-**	**100000**	**5000**
B757-200(5)	**Freighter**	**Owned**	**30**	**8**	**9**	**9**	**14**	**15**	**15**	**80000**	**3900**
B777-200(6)	**Freighter**	**Owned**	**13**	**-**	**-**	**-**	**-**	**1**	**4**	**233000**	**8555**
B777-300(7)	**Freighter**	**Owned**	**17**	**-**	**-**	**-**	**-**	**-**	**2**	**222000**	**7370**
B767-200 (8)	**Passenger**	**Owned**	**26**	**1**	**1**	**1**	**1**	**1**	**1**	**100000**	**5000**
Challenger 601(9)	**Passenger**	**Owned**	**36**	**2**	**2**	**2**	**2**	**2**	**2**	**6000**	**3300**
Total Aircraft				**28**	**31**	**32**	**39**	**42**	**48**		

1. 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. 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.
2. The twelve B767-300 aircraft in operation at March 31, 2022 are owned by Cargojet. In February 2022 Cargojet completed the purchase of one B767-300 aircraft, this aircraft has entered service and is included in the table above. Cargojet has signed agreements for the purchase and conversion of three B767-300 aircraft that have an expected delivery dates of Q2 2022, Q4 2022 and Q2 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 March 31, 2022 are owned by Cargojet. Cargojet has signed agreements for the purchase and conversion of two B767-200 aircraft that have an expected delivery dates of Q3 2023 and Q1 2024. These 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 conversion slot with a B767-300 aircraft. 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
4. The B767-200 aircraft in operation at March 31, 2022 is under a lease that was extended in October 2020 to February 28, 2023.
5. The nine B757-200 aircraft in operation at March 31, 2022 are owned by Cargojet. Cargojet has signed agreements for the purchase and conversion of six B757-200 that have an expected delivery dates of Q2 2022, Q2 2022, Q3 2022, Q3 2022, Q4 2022 and Q4 2023.These aircraft are included in the table based on their expected dates of entry in operation.
6. Cargojet has signed agreements for the purchase and conversion of four B777-200, with expected delivery dates of Q4 2023, Q1 2024, Q3 2024 and Q4 2024. These aircraft are included in the table above based on their expected dates of entry into operation.
7. Cargojet has signed agreements 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.

Long Term Strategic Agreement with DHL

In March 2022 – Cargojet Inc.the Company entered into a new long-term strategic agreement with DHL Network Operations (USA) Inc. ("DHL")**,** an affiliate of Deutsche Post DHL Group for a term of five years with a renewal option for an additional two years, to provide air-transportation services for DHL's global network.

Under the Agreement, Cargojet will provide ACMI, CMI, charter, and aircraft dry lease services to DHL to support DHL's international requirements for Europe and North, South, Central and Latin America, as well as Asia. DHL also intends to be Cargojet's inaugural launch customer for the Boeing -777 aircraft, which are expected to be deployed in late 2023 or early 2024.

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".

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 $0.3 million during the period out of which $0.2 million was adjusted towards principal payments against the liability and $0.1 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 March 31, 2022, the Company had a liability of $8.9 million due under the finance lease.

Investment in Associate

The Company has invested in Avia Acquisition LLC. 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 ("Associate"). 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, transborder 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 10). 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 March 31,	
	2022	2021
	(unaudited)	(unaudited)
	$	$
Revenues	**233.6**	160.3
Direct expenses	**166.7**	115.0
	66.9	45.3
General and administrative expenses	**19.9**	12.1
Sales and marketing expenses	**1.0**	0.1
(Gain) loss on swap derivative	**(3.2)**	12.5
Finance costs	**7.0**	8.8
Fair value increase (decrease) on stock warrant	**86.8**	(81.9)
Loss on extinguishment of lease liabilities	**-**	3.7
Other gain, net	**(0.9)**	(1.1)
	110.6	(45.8)
Share of loss of associate	0.8	-
(LOSS) EARNINGS BEFORE INCOME TAXES	**(44.5)**	**91.1**
Provision for income taxes		
Deferred	**11.9**	**1.7**
Net (loss) earnings and comprehensive (loss) income	**(56.4)**	**89.4**
(Loss) Earnings per share		
Basic	**$(3.26)**	**$5.35**
Diluted	**$(3.26)**	**$5.24**
Average number of shares - basic (in thousands of shares)	**17,324**	**16,699**
Average number of shares - diluted (in thousands of shares)	**17,324**	**17,058**

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 15.

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.

The Company has also excluded the share of loss or gain of associate from Adjusted EBITDA, and Adjusted EBITDAR measure as Adjusted EBITDA and Adjusted EBITDAR are calculated on a controlled basis.

Summary of Most Recently Completed Consolidated Quarterly Results (unaudited)

	Three Month Periods Ended							
	Mar 31 2022	Dec 31 2021	Sep 30 2021	June 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020	June 30 2020
Revenues	**$233.6**	$235.9	$189.5	$172.1	$160.3	$187.1	$162.3	$196.1
Net (loss) earnings from continuing operations	**$(56.4)**	$102.0	$(12.9)	$(11.1)	$89.4	$(20.5)	$(20.4)	$(45.1)
(Loss) Earnings per Share								
From continuing operations								
- Basic	**$(3.26)**	$5.82	$(0.74)	$(0.64)	$5.35	$(1.31)	$(1.31)	$(2.89)
- Diluted	**$(3.26)**	$5.70	$(0.74)	$(0.64)	$5.24	$(1.31)	$(1.31)	$(2.89)
Average number of shares - basic (in thousands of shares)	**17,324**	17,515	17,515	17,324	16,699	15,597	15,597	15,597
Average number of shares - diluted (in thousands of shares)	**17,324**	17,880	17,515	17,324	17,058	15,597	15,597	15,597
EBITDA [(1)]	**$(6.0)**	$152.1	$33.4	$34.7	$127.9	$29.0	$28.6	$5.5
Adjusted EBITDA [(1)]	**$83.0**	$90.5	$70.9	$67.4	$64.2	$87.0	$69.8	$80.2
EBITDAR [(1)]	**$(6.0)**	$152.1	$33.4	$34.7	$127.9	$29.0	$28.6	$5.5
Adjusted EBITDAR [(1)]	**$83.0**	$90.5	$70.9	$67.4	$64.2	$87.0	$69.8	$80.2

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 12 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 March 31,	
	2022	2021
	(unaudited)	(unaudited)
	$	$
Calculation of EBITDA and Adjusted EBITDA		
Net earnings (loss)	**(56.4)**	89.4
Add:		
Interest	**7.0**	8.8
Provision of deferred taxes	**11.9**	1.7
Depreciation of property, plant and equipment	**31.5**	28.0
EBITDA (1)	**(6.0)**	**127.9**
Add:		
Share based compensation	**1.3**	16.0
Unrealized foreign exchange gain	**(0.9)**	(1.1)
Fair value adjustment and amortization on stock warrant	**87.8**	(78.9)
Loss on extinguishment of debts	**-**	3.7
Share of loss of associate	**0.8**	-
Employee pension	**-**	(3.4)
Adjusted EBITDA (1)	**83.0**	64.2
Calculation of EBITDAR and Adjusted EBITDAR		
EBITDA (1)	**(6.0)**	127.9
EBITDAR (1)	**(6.0)**	127.9
Add:		
Share based compensation	**1.3**	16.0
Unrealized foreign exchange gain	**(0.9)**	(1.1)
Fair value adjustment and amortization on stock warrant	**87.8**	(78.9)
Loss on extinguishment of debts	**-**	3.7
Share of loss of associate	**0.8**	-
Employee pension	**-**	(3.4)
Adjusted EBITDAR (1)	**83.0**	64.2
Calculation of Standardized Free Cash Flow and Adjusted Free Cash Flow		
NET CASH GENERATED FROM OPERATING ACTIVITIES	**95.7**	65.1
Less: Maintenance capital expenditures (1)	**(37.2)**	(21.3)
Standardized free cash flow(1)	**58.5**	43.8
Changes in non-cash working capital items and deposits	**(15.8)**	(8.6)
Adjusted Free Cash flow (1)	**42.7**	35.2

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 12 of this MD&A for a more detailed discussion.

Review of Operations for the Three Month Periods ended March 31, 2022 and 2021
Net (loss) earnings for the three month periods ended March 31, 2022 and 2021
(Canadian dollars in millions except where indicated)

	Q1		CHANGE	
	2022	2021	**$**	**%**
	(unaudited) $	(unaudited) $		
Domestic Network Revenues	**84.5**	76.6	7.9	10.3%
ACMI Revenues	**52.7**	38.7	14.0	36.2%
All-in Charter Revenues	**40.6**	10.2	30.4	298.0%
Total domestic network, ACMI and charter revenues	**177.8**	125.5	52.3	41.7%
Total Revenue - Fixed based operations revenues	**0.8**	0.4	0.4	100.0%
Total fuel and other cost pass through revenues	**49.7**	30.8	18.9	61.4%
Fuel surcharge and other pass through revenues	**50.5**	31.2	19.3	61.9%
Other revenues	**5.3**	3.6	1.7	47.2%
Total revenues	**233.6**	160.3	73.3	45.7%
Operating Days	**50**	50	-	-
Average domestic network revenue per operating day	**1.69**	1.53	0.16	10.5%
Direct expenses				
Fuel Costs	**48.7**	23.7	25.0	105.5%
COS Depreciation	**28.4**	24.6	3.8	15.4%
Aircraft Cost	**4.8**	3.3	1.5	45.5%
Heavy Maintenance Amortization	**2.6**	2.8	(0.2)	-7.1%
Maintenance Cost	**15.7**	11.6	4.1	35.3%
Crew Costs	**20.6**	15.3	5.3	34.6%
Ground services	**19.2**	12.8	6.4	50.0%
Airport services	**13.2**	11.1	2.1	18.9%
Navigation and Insurance	**13.5**	9.8	3.7	37.8%
Total direct expenses	**166.7**	115.0	51.7	45.0%
Gross margin	**66.9**	45.3	21.6	47.7%
Gross Margin	**28.6%**	28.3%	0.3%	
SG&A & Marketing				
General and administrative costs	**16.2**	24.0	(7.8)	-32.5%
Sales costs	**1.0**	0.1	0.9	900.0%
Depreciation	**0.5**	0.6	(0.1)	-16.7%
Total SG&A & Marketing expenses	**17.7**	24.7	(7.0)	-28.3%
Other SG&A				
Fair value adjustment on stock warrant	**86.8**	(81.9)	168.7	206.0%
Finance costs	**7.0**	8.8	(1.8)	-20.5%
Other (gains) and losses	**(0.9)**	2.6	(3.5)	-134.6%
Total other SG&A	**92.9**	(70.5)	163.4	231.8%
Share of loss of associate	**0.8**	-	0.8	100.0%
(LOSS) EARNINGS BEFORE INCOME TAXES	**(44.5)**	91.1	(135.6)	-148.8%
Income taxes-Deferred	**11.9**	1.7	10.2	600.0%
NET (LOSS) EARNINGS	**(56.4)**	89.4	(145.8)	-163.1%
(Loss) earnings per share - $ CAD				
Basic	**$(3.26)**	$5.35	$(8.61)	-160.9%
Diluted	**$(3.26)**	$5.24	$(8.50)	-162.2%

Highlights for the Three Month Periods ended March 31, 2022 and 2021

- Total revenue for the three month period ended March 31, 2022 was $233.6 million compared to $160.3 million for the same period in 2021, representing an increase of $73.3 million or 45.7%.
- Average domestic network revenues for the three month period ended March 31, 2022 was $1.69 million per operating day compared to $1.53 million for the same period in 2021, representing an increase of $0.16 million or 10.5%.
- Adjusted EBITDA(1) for the three month period ended March 31, 2022 was $83.0 million compared to $64.2 million for the same period in 2021, an increase of $18.8 million or 29.3%.
- Adjusted EBITDAR(1) for the three month period ended March 31, 2022 was $83.0 million compared to $64.2 million for the same period in 2021, an increase of $18.8 million or 29.3%.
- Net loss for the three month period ended March 31, 2022 was $56.4 million compared to income of $89.4 million for the same period in 2021, a decrease of $145.8 million or 163.1%.
- Adjusted Free Cash Flow(1) was an inflow of $42.7 million for the three month period ended March 31, 2022 compared to an inflow of $35.2 million for the same period in 2021, an increase of $7.5 million or 21.3%.
- Standardized Free Cash Flow(1) was an inflow of $58.5 million for the three month period ended March 31, 2022 compared to an inflow of $43.8 million for the same period in 2021, an increase of $14.7 million or 33.6%.

(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 March 31, 2022 was $233.6 million, compared to $160.3 million for the same period in 2021, representing an increase of $73.3 million or 45.7%. The increase in total revenue was due primarily to a $7.9 million increase in domestic network revenues, a $14.0 million increase in ACMI revenues, a $30.4 million increase in all-in charter revenues, a $19.3 million increase in fuel surcharge and other pass through revenues and a $1.7 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 March 31, 2022 was $84.5 million compared to $76.6 million for the same period in 2021, an increase of $7.9 million or 10.3%. 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 March 31, 2022 were $52.7 million compared to $38.7 million for the same period in 2021, an increase of $14.0 million or 36.2%. The increase of $14.0 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 March 31, 2022 were $40.6 million compared to $10.2 million for the same period in 2021, an increase of $30.4 million or 298.0%. 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 $50.5 million for the three month period ended March 31, 2022 compared to $31.2 million for the same period in 2021, representing an increase of $19.3 million or 61.9%. During the period fuel surcharges increased due to a 10.3% increase in domestic revenues from new and existing customers that attracted fuel surcharges and by a 57.1% increase in fuel prices. Fuel surcharges and other cost pass-through revenues also consist of fuel sales to third parties of $0.8 million for the three month period ended March 31, 2022 compared to $0.4 million for the three month period ended March 31, 2021.

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 March 31, 2022 compared to $3.6 million for the same period in 2021, an increase of $1.7 million or 47.2%.

Direct Expenses

Total direct expenses were $166.7 million for the three month period ended March 31, 2022 compared to $115.0 million for the same period in 2021, representing an increase of $51.7 million or 45.0%. However, increase in revenue increased the gross margin to 28.6% in 2022 from 28.3% in 2021. The overall increase in direct expenses was due primarily to a $25.0 million increase in fuel costs, a $3.8 million increase in depreciation, a $1.5 million increase in aircraft costs, a $4.1 million increase in maintenance costs, a $5.3 million increase in crew costs, $6.4 million increase in ground services costs, $2.1 million increase in airport services costs and a $3.7 million increase in navigation and insurance costs, partially offset by a $0.2 million decrease in heavy maintenance amortization costs.

Fuel costs were $48.7 million for the three month period ended March 31, 2022 compared to $23.7 million for the same period in 2021. The $25.0 million or 105.5% increase in fuel costs was due primarily to a 57.1% increase in fuel prices and a 21.6% 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 $28.4 million for the three month period ended March 31, 2022 compared to $24.6 million for the same period in 2021. The $3.8 million or 15.4% increase in depreciation expenses was due primarily to the addition of aircraft hull, engines, rotable spares and ground equipment.

Aircraft costs were $4.8 million for the three month period ended March 31, 2022 compared to $3.3 million for the same period in 2021, representing an increase of $1.5 million or 45.5%. The increase was primarily due to an increase in temporary sub charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were $2.6 million for the three month period ended March 31, 2022 compared to $2.8 million for the same period in 2021, representing a decrease of $0.2 million or 7.1% due to the timing of heavy maintenance checks. 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 $15.7 million for the three month period ended March 31, 2022 compared to $11.6 million for the same period in 2021, representing an increase of $4.1 million or 35.3%. 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 $20.6 million for the three month period ended March 31, 2022 compared to $15.3 million for the same period in 2021, representing an increase of $5.3 million or 34.6%.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 $19.2 million for the three month period ended March 31, 2022 compared to $12.8 million for the same period in 2021, representing an increase of $6.4 million or 50.0% 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 $3.0 million increase in ground services, line haul and cartage cost.

Airport services costs were $13.2 million for the three month period ended March 31, 2022 compared to $11.1 million for the same period in 2021, representing an increase of $2.1 million or 18.9% This increase was primarily due to a $1.6 million increase in aircraft landing costs due to increased activity, a $0.4 million increase in warehouse facilities costs and a $0.1 million increase in deicing cost.

Navigation and insurance were $13.5 million for the three month period ended March 31, 2022 compared to $9.8 million for the same period in 2021, representing an increase of $3.7 million or 37.8%. This increase was primarily due to a $4.1 million increase in navigation cost due to increased activities, partially offset by a $0.4 million decrease in aircraft insurance costs.

Selling, General, Administrative & Marketing Expenses

Selling, general and administrative ("SG&A") expenses for the three month period ended March 31, 2022 were $17.7 million compared to $24.7 million for the same period in 2021, representing a decrease of $7.0 million or 28.3%.This decrease was primarily due to increase in gains on swap of $15.7 million, partially offset by a $4.0 million increase in salaries and pension costs due to a one time reversal of pension costs of $3.4 million in Q1 2021 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, a $1.6 million increase in bonuses and incentives primarily due to change in fair value of share based obligations, a $0.9 million increase in sales and marketing costs, a $0.7 million increase in audit, legal and consulting costs and a $1.5 million increase in other general and administrative costs.

Other Selling, General and Administrative Expenses

Other selling, general and administrative expenses for the three month period ended March 31, 2022 were $92.9 million compared to a recovery $70.5 million for the same period in 2021, representing an increase of $163.4 million or 231.8%.The increase in other SG&A expenses was due primarily to a $168.7 million increase in the fair value adjustment on the stock warrant obligation, partially offset by a $1.8 million decrease in finance costs and a $3.5 million increase in other gains and losses.

Fair value adjustment on stock warrant

Fair value adjustment on stock warrant for the three month period ended March 31, 2022 was a loss of $86.8 million compared to a gain of $81.9 million for the same period in 2021, representing an increase of $168.7 million or 206.0%. The increase in the fair value adjustment of stock warrant was primarily due to the increase in the company's share price.

Finance costs

Finance costs for the three month period ended March 31, 2022 were $7.0 million compared to $8.8 million for the same period in 2021, representing a decrease of $1.8 million or 20.5%. The decrease was primarily due to prepayment of lease liabilities for six aircraft, scheduled monthly repayments and repayment of credit facility.

Other gains and losses

Other gains and losses for the three month period ended March 31, 2022 were a gain of $0.9 million (March 31, 2021 – loss of $2.6 million) primarily due to a $0.9 million foreign exchange gain (March 31, 2021 – $1.1 million gain) and a $nil gain or loss on extinguishment of debt (March 31, 2021 - $3.7 million loss).

Share of loss of associate

Share of loss of associate for the three month period ended March 31, 2022 were a loss of $0.8 million (March 31, 2021 – $nil) represents the company's share of the net loss from investment in an associate.

Adjusted EBITDA [1]

Adjusted EBITDA for the three month period ended March 31, 2022 was $83.0 million compared to Adjusted EBITDA of $64.2 million for the same period in 2021. The increase in Adjusted EBITDA of $18.8 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 March 31, 2022 was $83.0 million compared to $64.2 million for the same period in 2021, representing an increase of $18.8 million or 29.3%. The increase in Adjusted EBITDAR during the period was due primarily to changes in Adjusted EBITDA.

Net income

Net loss for the three month period ended March 31, 2022 was $56.4 million loss compared to earnings of $89.4 million for the same period in 2021, an increase of $145.8 million or 163.1%.The increase in net loss was primarily due to increase in the fair value adjustment of stock warrants.

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 March 31, 2022 and 2021.

Deferred Income Taxes

The deferred income taxes for the three month period ended March 31, 2022 was a provision of $11.9 million compared to a provision of $1.7 million for the same period in 2021. 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 $58.5 million for the three month period ended March 31, 2022 compared to an inflow of $43.8 million for the same period in 2021, an increase of $14.7 million or 33.6%. The increase in standardized free cash flow was due primarily to higher cash generated by operating activities, offset by a higher maintenance capital expenditure. Adjusted Free Cash Flow was an inflow of $42.7 million for the three month period ended March 31, 2022 compared to an inflow of $35.2 million for the same period in 2021, representing an increase of $7.5 million. The increase in Adjusted Free Cash Flow in 2021 was due primarily to higher standardized free cash flow partially offset by the effect of changes in non-cash working capital items and deposits.

[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 March 31, 2022 were $4.5 million or $0.2600 per share. In comparison, total dividends declared for the three month period ended March 31, 2021 were $4.5 million or $0.2600 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		**$**	**$**
December 21, 2021	October 05, 2021	-	17,324,258	-	4,504,307
March 21, 2022	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
		$		**$**	**$**
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	-	-	3,649,714

Liquidity and Capital Resources

Cash generated by operating activities after net changes in non-cash working capital balances was $95.7 million for the three month period ended March 31, 2022 (March 31, 2021 - $65.1 million). The $30.6 million increase in cash was due primarily to the cash generated by operating activities and changes in non-cash working capital items and deposits.

Cash used in financing activities during the three month period ended March 31, 2022 was $13.3 million (March 31, 2021 - Cash provided $206.7 million) and was comprised of repayment of borrowings $nil (March 31, 2021 - $62.9 million), repayment of obligations under lease liabilities of $8.8 million (March 31, 2021 - $73.8 million), dividends paid to shareholders of $4.5 million (March 31, 2021 - $3.6 million), withholding tax paid on vested RSUs $nil (March 31, 2021 - $2.8 million). This was partially offset by proceeds from net equity issuance $nil (March 31, 2021 - $349.8 million).

Cash used in investing activities during the three month period ended March 31, 2022 was $124.3 million (March 31, 2021 - $59.7 million), and was comprised of property, plant and equipment additions of $124.3 million (March 31, 2021 - $59.7 million).

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 cash flow forecasts for a minimum period of at least twelve months after each reporting period, including under various scenarios. At March 31, 2022, the Company had $52.8 million in cash and $700 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 needs. As at March 31, 2022, 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 $124.3 million in the three month period ended March 31, 2022 were primarily comprised of additions to aircraft, engines, right of use assets, ground services equipment, spares and rotable spares. Out of $124.3 million cash used for capital expenditure addition $37.2 million was due to maintenance capital expenditure(1) and $87.1 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.

Financial Condition

The following is a comparison of the financial position of the Company as at March 31, 2022 to the financial position of the Company as at December 31, 2021:

Trade and Other Receivables

Trade and other receivables as at March 31, 2022 amounted to $70.6 million compared to $75.2 million as at December 31, 2021. The decrease of $4.6 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 March 31, 2022, property, plant and equipment were $1,252.7 million compared to $1,159.9 million as at December 31, 2021. The $92.8 million net increase in property, plant and equipment was primarily due to the net addition of $124.3 million in property plant and equipment, partially offset by depreciation of $29.1 million and amortization of right to use asset of $2.4 million.

Trade and Other Payables

Trade and other payables as at March 31, 2022 were $89.5 million compared to $78.3 million as at December 31, 2021. The increase of $11.2 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 $85.1 million as at March 31, 2022 compared to $91.4 million as at December 31, 2021. The change was due to exercise of purchase options for one B767-300 aircraft in October 2021 and the scheduled monthly repayments made during the year ended March 31, 2021.

Summary of Contractual Obligations

		Payments due by Year				
As at March 31, 2022	Total	2022	2023	2024	2025	Thereafter
(Canadian dollars in millions)	$	$	$	$	$	$
Lease liabilities	85.1	16.4	24.5	8.9	8.5	26.8
Debentures	307.8	-	-	84.6	112.0	111.2
Stock warrant obligations	363.7	-	-	-	-	363.7
	756.6	16.4	24.5	93.5	120.5	501.7

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 three month period ended March 31, 2022, the Company had sales to three customers that represented 56.9% of the total revenues (March 31, 2021 – 62.8%). 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 March 31, 2022. 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

Risks Related to the Business

A detailed description of risk factors associated with the Company's business is given in the "Risk Factors" section of the MD&A for the three months and year ended December 31, 2021 dated March 07, 2022 which was filed with SEDAR at www.sedar.com. The Company is not aware of any significant changes to its risk factors from those disclosed at that time.

Outlook

Note: Please see forward-looking statement rider below.

During the three month period ended March 31, 2022, the Company experienced growth in overall revenues by 45.7% compared to the same period in 2021. Cargojet continues to operate all of its aircraft on domestic and international routes and has seen a surge in charter and ACMI activity. In 2022, domestic network revenues increased by 10.3%, ACMI revenues increased by 36.2% and Charter revenues were higher by 298% compared to the previous year. Global demand for ad-hoc charter remained strong in Q1 2022. Cargojet operated numerous charters from China carrying Covid Test Kits for the Canadian Government during the period. Demand remains strong globally, however charters from China (Shanghai) were temporarily halted early in Q2, as a result of Covid shut-downs in China.

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 March 2022 – Cargojet Inc. the Company entered into a new long-term strategic agreement with DHL Network Operations (USA) Inc. ("DHL"), an affiliate of Deutsche Post DHL Group for a term of five years with a renewal option for an additional two years, to provide air-transportation services for DHL's global network.

Under the Agreement, Cargojet will provide ACMI, CMI, charter, and aircraft dry lease services to DHL to support DHL's international requirements for Europe and North, South, Central and Latin America, as well as Asia. DHL also intends to be Cargojet's inaugural launch customer for the Boeing -777 aircraft, which are expected to be deployed in late 2023 or early 2024.

Cargojet expects its ACMI and Charter revenues to increase considerably as the new aircraft are inducted in the fleet. Also contributing to growth in charter and ACMI businesses are 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 announced 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 ratio of pilot costs to gross revenue up 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 2022 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 few months. However, 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 18.3% of gross revenue as it schedules engine overhauls and aircraft C checks in earlier months to have these completed before peak. It is expected to remain within 20% to 22% for the year. 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 (net debt to equity) at the end of quarter is at 0.6 and 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.

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 March 31, 2022:

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.

Share of gain or loss in associate is a different class of income or expense then those included in EBITDA.

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.