



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

For the Three Months and Year Ended December 31, 2022

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CARGOJET INC.
**Management's Discussion and Analysis of Financial Condition
and Results of Operations**
For the Three Months and Year Ended December 31, 2022

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INTRODUCTION AND KEY ASSUMPTIONS

The following is the Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Cargojet Inc. ("Cargojet" or the "Company") for the three months and year ended December 31, 2022. The following also includes a discussion of and comparative operating results for the three months and year ended December 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 is dated March 6, 2023. The audited consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A should be read in conjunction with the audited consolidated annual financial statements of the Company for the years ended December 31, 2022 and 2021.

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

Certain comparative figures have been reclassified to conform to the management's discussion and analysis of financial condition and results of operations presentation adopted for the current year.

The results of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of the management of the Company. See the "Risk Factors" section of this MD&A for a more complete discussion of the risks affecting the Company's business.

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CAUTION CONCERNING FORWARD LOOKING STATEMENTS

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

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

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

- Outlook and Strategic Update– Page 6.
- Recent Events – Page 7.
- Fleet Overview – Page 9.
- Off-Balance Sheet Arrangements – Page 35.

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.

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The Company cautions that the list of risk factors and uncertainties described in this MD&A 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.

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Financial Information and Operating Statistics Highlights

(Canadian dollars in millions, except where indicated)

	Three Month Period Ended December 31,				Year Ended December 31,			
	2022	2021	Change	%	2022	2021	Change	%
Revenues	\$267.0	\$235.9	\$31.1	13.2%	\$979.9	\$757.8	\$222.1	29.3%
Direct expenses	205.1	157.7	47.4	30.1%	732.4	525.4	207.0	39.4%
Gross margin	61.9	78.2	(16.3)	-20.8%	247.5	232.4	15.1	6.5%
Gross margin - (%)	23.2%	33.1%	-9.9%		25.3%	30.5%	-5.2%	
Selling, general and administrative expenses	30.4	14.1	16.3	115.6%	74.6	59.5	15.1	25.4%
Net finance costs and other gains and losses	21.7	(50.3)	72.0	143.1%	(49.1)	(27.9)	(21.2)	-76.0%
Share of (gain) loss of associate	(0.2)	-	(0.2)	100.0%	2.0	-	2.0	100.0%
Earnings before income taxes	10.0	114.4	(104.4)	-91.3%	220.0	200.8	19.2	9.6%
Income taxes	7.4	12.4	(5.0)	-40.3%	29.4	33.4	(4.0)	-12.0%
Net earnings	2.6	102.0	(99.4)	-97.5%	190.6	167.4	23.2	13.9%
Earnings (loss) per share								
Basic	0.15	5.82	-5.67	-97.4%	11.04	9.73	1.31	13.5%
Diluted	0.15	5.70	-5.55	-97.4%	10.15	9.51	0.64	6.7%
Adjusted ⁽¹⁾	0.90	2.48	-1.58	-63.7%	6.95	6.06	0.89	14.7%
EBITDA ⁽²⁾	64.7	152.1	(87.4)	-57.5%	395.8	348.1	47.7	13.7%
EBITDA margin ⁽²⁾ - (%)	24.2%	64.5%	-40.3%		40.4%	45.9%	-5.5%	
Adjusted EBITDA ⁽²⁾	82.9	90.5	(7.6)	-8.4%	329.0	293.1	35.9	12.2%
Adjusted EBITDA margin ⁽²⁾ - (%)	31.0%	38.4%	-7.4%		33.6%	38.7%	-5.1%	
Adjusted free cash flow ⁽²⁾	\$33.6	\$37.8	(\$4.2)	-11.1%	\$165.3	\$146.5	\$18.8	12.8%
Operating statistics ⁽⁴⁾								
Operating days ⁽⁵⁾	48	49	(1.0)	-2.0%	197	198	(1.0)	-0.5%
Average domestic network revenue per operating day ⁽⁶⁾	2.10	2.08	0.02	1.0%	1.83	1.64	0.19	11.6%
Block hours ⁽⁷⁾	19,819	18,328	1,491	8.1%	73,273	59,734	13,539	22.7%
B757-200	13	9	4	-	13	9	4	-
B767-200	4	4	-	-	4	4	-	-
B767-300	18	16	2	-	18	16	2	-
Passenger aircraft	4	2	2	-	4	2	2	-
	39	31	8	25.8%	39	31	8	25.8%
Head count	1,802	1,496	306	20.5%	1,802	1,496	306	20.5%

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1. Adjusted EPS is not an earning measure recognized by IFRS and is defined as earnings per share from continuing operations before fair value increase (decrease) on stock warrant, losses (gains) on swap derivatives, amortization on stock warrants and unrealized foreign exchange losses (gains).
2. EBITDA, Adjusted EBITDA 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. Please refer to the "Non-GAAP measures" section on page 17 of this MD&A for a more detailed discussion and a reconciliation of these non-GAAP financial measures to the nearest GAAP measure.
3. The definitions for the Operating statistics included in this table are provided in the notes below.
4. Operating days refer to the Company's domestic network air cargo network operations that run primarily on Monday to Friday with a reduced network operating on Friday.
5. Average domestic network revenue per operating day refers to total domestic network revenues earned by the Company per operating day.
6. 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.

OUTLOOK AND STRATEGIC UPDATE

Note: See Caution Concerning Forward Looking Statements, page 3.

As the result of a slower than anticipated peak season in the later part of the fourth quarter, management anticipates reductions in consumer spending for 2023. Reductions in consumer spending from a global economic slowdown could adversely impact the amount of air cargo shipped and the number of block hours flown per aircraft.

However, given the nature of Cargojet's key customer contracts that provide minimum volume guarantees, these volume guarantees will help mitigate revenue risks associated with both Domestic and ACMI revenue.

Management has taken steps to manage its costs prudently in line with its revenue expectations. Driven by aggressive reduction of one-time costs that were incurred during the period of rapid growth during the two previous fiscal years, the Company is well positioned to navigate this economic cycle. Examples of one-time costs include hiring and training in advance of new routes, overtime, and the use of temporary labour.

Management also has opportunities to maintain a strong balance sheet by deferring capital expenditures for aircraft that were designated for general growth. General growth included three 767's and the last three 777's. The remainder of the increase in the fleet size is secured by customer contracts. Management is currently maintaining all its existing rights for the aircraft conversion slots and will continue to closely monitor the duration and severity of this economic cycle to allow optionality on fleet ramp, if necessary. Management has a solid track record of securing feedstock aircraft should new opportunities emerge.

The Company is well positioned to maintain adjusted EBITDA margin as a percent of revenue. Financial leverage as defined by debt to EBITDA will also be managed to levels that were previously communicated.

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RECENT EVENTS

Note: See Caution Concerning Forward Looking Statements, page 3.

Sale of two Boeing 777-300 aircraft

In February 2023, the Company signed a LOI for the sale of two Boeing 777-300 aircraft for a total of \$53.5 million US dollars which equals its carrying value. The Company expects to complete the transaction by early Q2 2023. Due to recent slowdown in the global economy, the Company plans to defer the induction of B777-300 fleet and maintain its financial strength. The B777-300 disposal has no impact on the current operations as the fleet expansion was to expand international reach.

Extension of Master Service Agreement with Canada Post Corporation and Purolator Inc.

On January 17, 2023, the Company extended its Master Services Agreement with Canada Post Corporation and Purolator Inc. (Canada Post Group of Companies "CPGOC") until September 30, 2029. An additional option to renew to March 31, 2031, continues to remain available.

Cargojet and CPGOC first entered into the Agreement in 2014 for a seven-year term, with CPGOC exercising its first three-year renewal option in 2017 extending the Agreement until March 31, 2025. The newly extended Agreement will also continue to have minimum guaranteed volumes allowing Cargojet to continue to invest in value-added and enhanced services.

UPS Canada Air Cargo Services Agreement renewal

On November 14, 2022, the Company renewed and extended the Air Cargo Services Agreement with United Parcel Service Canada Ltd. for an additional five-year term. The current agreement was due to expire on July 1, 2025 and the new agreement is extended to December 31, 2030.

Amended Credit Facility and DDTL 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 the Company 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".

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On July 22, 2022, the Company further amended 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"), and established a non-revolving USD \$400 million delayed-draw term loan facility ("DDTL Facility"). The maturity date of the facility was further extended to July 22, 2027 and the maturity date of the DDTL Facility is July 22, 2027. The Company can draw the amount under the DDTL Facility until January 22, 2024 by way of advances subject to minimum draws. Any undrawn amount under the DDLT Facility at the end of this period will expire and will reduce the amount available under the facility. The DDTL Facility can be used for general purposes including purchase of aircraft and other capital expenditures.

It is currently expected that the administrator of the Canadian Dollar Offered Rate ("CDOR") will cease publication of CDOR by June 28, 2024 and the Canadian financial benchmark will be replaced by the Canadian Overnight Repo Rate Average ("CORRA"). The fallback provisions of the total return swaps will be appropriately updated to transition from CDOR to CORRA when CDOR will be discontinued.

Share Buyback

On May 2, 2022, the TSX accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to \$15.5 of the common voting shares and variable voting shares (together the "Shares") in the open market, subject to the normal terms and limitations of such bids. Common shares purchased by the Company under NCIB will be cancelled. The program commenced on May 4, 2022, and will terminate on May 3, 2023, or on such earlier date as the Company completes its purchases pursuant to the notice of intention.

On June 20, 2022, the TSX accepted the Company's notice to amend its previously announced NCIB in order to increase the maximum number of common voting shares and variable voting shares that may be purchased from 155,000 shares to 1,500,000.

During the year ended December 31, 2022, there were 123,832 shares purchased under NCIB for \$16.7 million at a volume weighted average price paid of \$135.93 per common share.

On May 2, 2022, the Company entered into an automatic share purchase plan ("ASPP") pre-cleared by TSX with a designated broker that allowed the purchase of shares for cancellation under the NCIB based on the purchasing parameters set by the Company during the predetermined blackout period in accordance with the rules of TSX, applicable security laws and terms of the ASPP. All purchases of shares made under ASPP will be included in computing the number of shares under the NCIB.

Long Term Strategic Agreement with DHL

In March 2022, 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 2024.

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FLEET OVERVIEW

Note: See Caution Concerning Forward-Looking Statements, page 3.

The table below sets forth the Company's operating fleet as at December 31, 2020, 2021 and December 31, 2022 as well as the Company's planned operating fleet for the years ending December 31, 2023, 2024 and 2025:

Aircraft Type		Leased or Owned	Average Age	Number of Aircraft in Service						Maximum Payload (lbs.)	Range (miles)
				Actual			Plan				
				Q4		Q4	Q4				
				2020	2021	2022	2023	2024	2025		
B767-300 ⁽¹⁾	Freighter	Leased	28	8	4	4	4	4	4	125,000	6,000
B767-300 ^{(1) (2)}	Freighter	Owned	29	6	12	14	17	17	17	125,000	6,000
B767-200 ⁽³⁾	Freighter	Owned	21	2	2	2	2	3	4	100,000	5,000
B767-200 ⁽⁴⁾	Freighter	Leased	37	1	1	1	1	1	-	100,000	5,000
B757-200 ⁽⁵⁾	Freighter	Owned	30	8	9	13	17	17	17	80,000	3,900
B777-200 ⁽⁶⁾	Freighter	Owned	13	-	-	-	-	3	4	233,000	8,555
B777-300 ⁽⁷⁾	Freighter	Owned	17	-	-	-	-	-	1	222,000	7,370
B767-200 ⁽⁸⁾	Passenger	Owned	26	1	1	1	1	1	1	100,000	5,000
Challenger 601 ⁽⁹⁾	Passenger	Owned	36	2	2	2	2	2	2	6,000	3,300
Cessna 750 ⁽¹⁰⁾	Passenger	Owned	16	-	-	1	1	1	1	2,375	3,140
Beechcraft 1900D ⁽¹⁰⁾	Passenger	Owned	33	-	-	1	1	1	1	4,375	1,279
Total Aircraft				28	31	39	46	50	52		

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. In August 2022, Cargojet signed an agreement to lease one converted B767-300 aircraft with a purchase option in favour of Cargojet. This aircraft has an expected delivery date of Q2 2023 and is included in the table above.
2. The twelve B767-300 aircraft in operation at December 31, 2021 are owned by Cargojet. In February 2022 and July 2022 Cargojet completed the purchase of one B767-300 aircraft respectively, these aircraft have entered service and are included in the table above. Cargojet has signed agreements for the purchase and conversion of two B767-300 aircraft that have an expected delivery dates of Q1 2023 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 December 31, 2021 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 2024 and Q1 2025. 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 December 31, 2022 is under a lease that was extended in June 2022 to February 28, 2025.
5. The nine B757-200 aircraft in operation at December 31, 2021 are owned by Cargojet. In May 2022, July 2022, August 2022 and October 2022 Cargojet completed the purchase of one B757-200 aircraft respectively, these aircraft have entered service and are included in the table above. Cargojet has signed agreements for the purchase and conversion of four B757-200 that have an expected delivery dates of Q1 2023, Q1 2023, Q2 2023 and Q2 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 Q1 2024, Q2 2024, Q3 2024 and Q1 2025. These aircraft are included in the table above based on their expected dates of entry into operation.
7. Cargojet had signed agreements for the purchase and conversion of four B777-300 aircraft. The purchase and conversion of one B777-300 has been postponed indefinitely. In February 2023, the Company signed a LOI for the sale of two B777-200 aircraft and expects to complete the sale in Q2 2023, the one B777-300 aircraft has an expected delivery date of Q2 2025. This aircraft is included in the table above based on its expected dates of entry into operation.

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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.
10. In May 2022 and July 2022, Cargojet purchased one Cessna 750 aircraft and one Beechcraft 1900D aircraft for crew transportation.

* Does not meet the definition of lease under IFRS 16

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, South America, Asia and Europe; and
- Operating scheduled international routes for multiple cargo customers between the USA and Bermuda, between Canada, UK and Germany; between Canada and Asia 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.

Revenues

The Company's revenues are 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 ad hoc 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 primarily due 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 Friday 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.

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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 the USA. Scheduled charter business provides dedicated aircraft for recurring flights as required by the customer for cargo and passenger charters. Adhoc and scheduled flights are sold either on an "all-in" basis or on an ACMI basis:
 - Under an all in adhoc or scheduled charter agreement, the customer will pay a single, all-inclusive fixed amount per flight. All costs of the flight including fuel, navigation fees and landing fees are borne by the Company and recognized in its financial statements as direct expenses.
 - Under an ACMI adhoc or scheduled charter agreement, the customer is responsible for all commercial activities and the Company is paid a fixed amount to operate the flight priced as a rate per block hour (see definition of "block hours" in Expenses on page 11). Variable flight costs such as fuel, navigation fees and landing fees are borne by the customer.
- The Company operates an international route between Newark, New Jersey, USA and Hamilton, Bermuda. This provides a five-day per week air cargo service for multiple customers and is patterned after the domestic business that Cargojet has built in Canada. Customer contracts contain variable surcharges for uncontrollable costs (including ability to pass through increases in fuel costs) guaranteed volume minimums and CPI-based annual price increases.

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.

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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.

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RESULT OF OPERATIONS AND SUPPLEMENTARY FINANCIAL INFORMATION

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

	Three month period ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(audited)	(audited)
Revenues	\$267.0	\$235.9	\$979.9	\$757.8
Direct expenses	205.1	157.7	732.4	525.4
Gross margin	61.9	78.2	247.5	232.4
General and administrative expenses	30.4	14.1	74.6	59.5
(Gain) Loss on swap derivative	(3.4)	9.7	36.5	15.6
Finance costs	13.2	7.2	33.6	30.9
Fair value increase (decrease) on stock warrant	11.5	(68.6)	(122.1)	(79.0)
Loss on extinguishment of lease liabilities	-	1.1	-	4.8
Other loss (gain), net	0.4	0.3	2.9	(0.2)
Share of (gain) loss in associate	(0.2)	-	2.0	-
Earnings before income taxes	10.0	114.4	220.0	200.8
Provision for income taxes				
Deferred	7.4	12.4	29.4	33.4
Net earnings and comprehensive income	\$2.6	\$102.0	\$190.6	\$167.4
Earnings per share				
Basic	\$0.15	\$5.82	\$11.04	\$9.73
Diluted	\$0.15	\$5.70	\$10.15	\$9.51
Adjusted ⁽¹⁾	\$0.90	\$2.48	\$6.95	\$6.06
Average number of shares - basic (in thousands of shares)	17,202	17,515	17,266	17,170
Average number of shares - diluted (in thousands of shares)	20,089	17,880	20,237	17,536

1. Adjusted EPS is not an earning measure recognized by IFRS and is defined as earnings per share from continuing operations before fair value increase (decrease) on stock warrant, losses (gains) on swap derivatives, amortization on stock warrants and unrealized foreign exchange losses (gains).

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

SUMMARY OF MOST RECENTLY COMPLETED CONSOLIDATED QUARTERLY RESULTS (UNAUDITED) (Canadian dollars in millions, except where indicated or an amount per share)

	Three Month Period Ended							
	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021	June 2021	Mar 31 2021
Revenues	\$267.0	\$232.7	\$246.6	\$233.6	\$235.9	\$189.5	\$172.1	\$160.3
Net earnings (loss) from continuing operation	2.6	83.4	160.9	(56.4)	102.0	(12.9)	(11.1)	89.4
Fair value increase (decrease) on stock warrant and amortization of warrant assets	15.6	(81.7)	(132.5)	87.6	(67.2)	38.1	35.8	(79.2)
(Gain) loss on swap derivative	(3.4)	33.2	9.5	(3.2)	8.2	(3.3)	(3.3)	12.5
Unrealized foreign exchange loss (gain)	0.7	2.6	1.2	(0.9)	0.5	2.4	(1.7)	(1.1)
Adjusted net earnings	15.5	37.5	39.1	27.1	43.5	24.3	19.7	21.6
Earnings (loss) per Share								
From continuing operations								
- Basic	0.15	4.84	9.29	(3.26)	5.82	(0.74)	(0.64)	5.35
- Diluted	0.15	4.77	9.12	(3.26)	5.70	(0.74)	(0.64)	5.24
- Adjusted ⁽¹⁾	0.90	2.18	2.26	1.56	2.48	1.39	1.14	1.29
Average number of shares - basic (in thousands of shares)	17,202	17,216	17,324	17,324	17,515	17,515	17,324	16,699
Average number of shares - diluted (in thousands of shares)	20,089	17,515	17,651	17,324	17,880	17,515	17,324	17,058
EBITDA ⁽¹⁾	64.7	128.4	208.8	(6.0)	152.1	33.4	34.7	127.9
Adjusted EBITDA ⁽²⁾	82.9	82.1	81.1	83.0	90.5	70.9	67.4	64.2

⁽¹⁾Adjusted EPS is not an earning measure recognized by IFRS and is defined as earnings per share from continuing operations before fair value increase (decrease) on stock warrant, amortization of warrant assets and losses (gains) on swap derivatives and unrealized foreign exchange losses (gains).

⁽²⁾EBITDA and Adjusted EBITDA 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. Please refer to Page 17 of this MD&A for a more detailed discussion.

CARGOJET INC.
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For the Three Months and Year Ended December 31, 2022

CALCULATION OF EBITDA, ADJUSTED EBITDA, FREE CASH FLOW AND ADJUSTED FREE CASH FLOW

(Canadian dollars in millions, except where indicated)

	Three Month Period Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Calculation of EBITDA and Adjusted EBITDA				
Net earnings	\$2.6	\$102.0	\$190.6	\$167.4
Add:				
Interest	13.2	7.2	33.6	30.9
Provision of deferred taxes	7.4	12.4	29.4	33.4
Depreciation of property, plant and equipment	41.5	30.5	142.2	116.4
EBITDA ⁽¹⁾	64.7	152.1	395.8	348.1
Add:				
Share-based compensation	2.6	6.3	12.3	17.0
Gain on sale of property, plant and equipment	(0.3)	(0.3)	(0.7)	(0.3)
Unrealized foreign exchange loss	0.7	0.5	3.6	0.1
Fair value adjustment and amortization on stock warrant	12.0	(67.0)	(87.4)	(71.6)
Loss on extinguishment of debts	-	1.1	-	4.8
Share of (gain) loss of associate	(0.2)	-	2.0	-
Employee pension	3.4	(2.2)	3.4	(5.0)
Adjusted EBITDA ⁽¹⁾	82.9	90.5	329.0	293.1
Calculation of Standardized Free Cash Flow and Adjusted Free Cash Flow				
NET CASH GENERATED FROM OPERATING ACTIVITIES	64.2	61.2	282.5	231.2
Less: Maintenance capital expenditures ⁽¹⁾	(27.8)	(40.4)	(129.0)	(112.5)
Add: Proceeds from disposal of property, plant and equipment	0.3	0.2	0.7	0.3
Standardized free cash flow ⁽¹⁾	36.7	21.0	154.2	119.0
Changes in non-cash working capital items and deposits	(3.1)	16.8	11.1	27.5
Adjusted free cash flow ⁽¹⁾	\$33.6	\$37.8	\$165.3	\$146.5

1. EBITDA, Adjusted EBITDA, 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. Please refer to Page 17 of this MD&A for a more detailed discussion.

CARGOJET INC.
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RETURN ON INVESTED CAPITAL
(Canadian dollars in million, except where indicated)

	Year Ended December 31,	
	2022	2021
	\$	\$
Gross margin	247.5	230.9
General and administrative expenses	71.9	58.7
Sales and marketing expenses	2.7	0.8
Operating income	172.9	171.4
Taxes @ 26.5%	45.8	45.4
Net operating profit after tax ("NOPAT")	127.1	126.0
Annualized NOPAT	127.1	126.0
Invested capital, current period		
Equity	831.5	676.4
Debentures	309.6	307.2
Borrowings	308.4	-
Non-current leases	57.6	69.4
Cash & cash equivalents	(6.1)	(94.7)
	1,501.0	958.3
Invested capital, prior period		
Equity	676.4	175.2
Debentures	307.2	304.9
Borrowings	-	72.9
Non-current leases	69.4	91.2
Cash & cash equivalents	(94.7)	(3.7)
	958.3	640.5
Average invested capital	1,229.7	799.4
Return on invested capital	10.3%	15.8%
Closing invested capital under development	383.1	153.4
Opening invested capital under development	153.4	39.7
Average invested capital under development	268.3	96.6
Net Average invested capital for operating revenue	961.5	702.9
Adjusted return on invested capital	13.2%	17.9%

1. Trailing twelve months ("TTM") period operating income is the sum of last four quarters gross margin less general and administration and sales and marketing expenses.

2. Current period invested capital includes borrowings for capital under development, (refer to Note 5 in Financial Statement on Property Plant and equipment), that is not used in revenue services as at December 31, 2022

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NON-GAAP MEASURES

Non-GAAP measures like EBITDA, Adjusted EBITDA, 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, 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, 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 and Free Cash Flow to Adjusted Free Cash Flow are provided on Page 15.

Recent changes to the definition of Adjusted EBITDA

Effective in 2021, the Company has excluded share-based compensation expense from the Adjusted EBITDA 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 the Adjusted EBITDA 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 as 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 values are modified accordingly.

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

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REVIEW OF OPERATION FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2022 AND 2021 (Canadian dollars in millions except where indicated)

	Q4		CHANGE	
	2022 (unaudited)	2021 (unaudited)	\$	%
Domestic network revenues	\$101.0	\$101.9	\$(0.9)	-0.9%
ACMI revenues	60.5	54.7	5.8	10.6%
All-in charter revenues	27.0	23.7	3.3	13.9%
Total domestic network, ACMI and charter revenues	188.5	180.3	8.2	4.5%
Total revenue - fixed based operations	3.5	0.9	2.6	288.9%
Total fuel and other cost pass through	69.0	49.3	19.7	40.0%
Fuel surcharge and other pass through revenues	72.5	50.2	22.3	44.4%
Other revenue	6.0	5.4	0.6	11.1%
Total revenues	267.0	235.9	31.1	13.2%
Operating days	48	49	(1)	-2.0%
Average domestic network revenue per operating day	2.10	2.08	0.02	1.0%
Direct expenses				
Fuel costs	63.4	41.4	22.0	53.1%
Depreciation	37.0	27.3	9.7	35.5%
Aircraft cost	6.8	5.2	1.6	30.8%
Heavy maintenance amortization	3.9	2.8	1.1	39.3%
Maintenance cost	16.5	14.5	2.0	13.8%
Crew costs	26.2	21.4	4.8	22.4%
Ground services	24.3	18.8	5.5	29.3%
Airport services	12.4	13.0	(0.6)	-4.6%
Navigation and insurance	14.6	13.3	1.3	9.8%
Total direct expenses	205.1	157.7	47.4	30.1%
Gross margin	61.9	78.2	(16.3)	-20.8%
Gross margin %	23.2%	33.1%	-9.9%	
Selling, general and administrative expenses				
General and administrative costs	29.8	13.7	16.1	117.5%
Depreciation	0.6	0.4	0.2	50.0%
Total selling, general and administrative expenses	30.4	14.1	16.3	115.6%
Net finance costs and other gains and losses				
Fair value adjustment on stock warrant	11.5	(68.6)	80.1	116.8%
(Gain) loss on swap derivative	(3.4)	9.7	(13.1)	135.1%
Finance Costs	13.2	7.2	6.0	83.3%
Other losses	0.4	1.4	(1.0)	-71.4%
Total net finance costs and other gains and losses	21.7	(50.3)	72.0	143.1%
Share of gain of associate	(0.2)	-	(0.2)	100.0%
Earnings before income taxes	10.0	114.4	(104.4)	-91.3%
Income taxes - deferred	7.4	12.4	(5.0)	-40.3%
Net earnings	\$2.6	\$102.0	\$(99.4)	-97.5%
Earnings per share - \$				
Basic	0.15	5.82	(5.67)	-97.4%
Diluted	0.15	5.70	(5.55)	-97.4%
Adjusted ⁽¹⁾	0.90	2.48	(1.58)	-63.7%

(1). Adjusted EPS is not an earning measure recognized by IFRS and is defined as earnings per share from continuing operations before fair value increase (decrease) on stock warrant, losses (gains) on swap derivatives, amortization on stock warrants and unrealized foreign exchange losses (gains).

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

HIGHLIGHTS FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2022 AND 2021

- Total revenue for the three month period ended December 31, 2022 was \$267.0 million compared to \$235.9 million for the same period in 2021, representing an increase of \$31.1 million or 13.2%.
- Average domestic network revenues for the three month period ended December 31, 2022 was \$2.10 million per operating day compared to \$2.08 million for the same period in 2021, representing an increase of \$0.02 million or 1.0%.
- Adjusted EBITDA ⁽¹⁾ for the three month period ended December 31, 2022 was \$82.9 million compared to \$90.5 million for the same period in 2021, a decrease of \$7.6 million or 8.4%.
- Adjusted EPS ⁽²⁾ for the three month period ended December 31, 2022 was \$0.90 compared to \$2.48 for the same period in 2021, a decrease of \$1.58 or 63.7%.
- Net earnings for the three month period ended December 31, 2022 was \$2.6 million compared to \$102.0 million for the same period in 2021, a decrease of \$99.4 million or 97.5%.
- Adjusted Free Cash Flow ⁽¹⁾ was an inflow of \$33.6 million for the three month period ended December 31, 2022 compared to an inflow of \$37.8 million for the same period in 2021, a decrease of \$4.2 million or 11.1%.
- Standardized Free Cash Flow ⁽¹⁾ was an inflow of \$36.7 million for the three month period ended December 31, 2022 compared to an inflow of \$21.0 million for the same period in 2021, an increase of \$15.7 million or 74.8%.

⁽¹⁾ Adjusted EBITDA 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.

⁽²⁾ Adjusted EPS is not an earning measure recognized by IFRS and is defined as earnings per share from continuing operations before fair value increase (decrease) on stock warrant, losses (gains) on swap derivatives, amortization on stock warrants and unrealized foreign exchange losses (gains).

Revenue

Total revenue for the three month period ended December 31, 2022 was \$267.0 million, compared to \$235.9 million for the same period in 2021, representing an increase of \$31.1 million or 13.2%. The increase in total revenue was due primarily to a, a \$5.8 million increase in ACMI revenues, a \$3.3 million increase in all-in charter revenues a \$22.3 million increase in fuel surcharge and other pass through revenues and a \$0.6 million increase in other revenue, partially offset by a \$0.9 million decrease in domestic network revenues.

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

Revenue related to the domestic network business excluding fuel surcharges and other cost pass-through revenues for the three month period ended December 31, 2022 was \$101.0 million compared to \$101.9 million for the same period in 2021, a decrease of \$0.9 million or 0.9%. The decrease was due primarily to a decrease in e-commerce and B2B volumes during the period, partially offset by contractual customers' consumer price index increases. The Company has relied on the periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes, where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI scheduled and adhoc charter revenues for the three month period ended December 31, 2022 were \$60.5 million compared to \$54.7 million for the same period in 2021, an increase of \$5.8 million or 10.6%. The increase of \$5.8 million was primarily due to new routes to the USA, South America, Europe and Asia and by an increase in adhoc ACMI charter flights

All-in scheduled and adhoc cargo and passenger charter revenues for the three month period ended December 31, 2022 were \$27.0 million compared to \$23.7 million for the same period in 2021, an increase of \$3.3 million or 13.9%. The increase in revenue was primarily due to an increase in adhoc scheduled charters, partially offset by a decrease in all-in charter flights to Europe.

Fuel surcharges and other cost pass-through revenues were \$72.5 million for the three month period ended December 31, 2022 compared to \$50.2 million for the same period in 2021, representing an increase of \$22.3 million or 44.4%. During the period fuel surcharges increased due to a 61.9% increase in fuel prices, partially offset by a 0.9% decrease in domestic revenues from new and existing customers that attracted fuel surcharges. Fuel surcharges and other cost pass-through revenues also consist of fuel sales to third parties of \$3.5 million for the three month period ended December 31, 2022 compared to \$0.9 million for the three month period ended December 31, 2022. Fuel surcharges passed on to the customers are based on the index published by Statistics Canada which lag the current market rates by two months.

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 \$6.0 million for the three month period ended December 31, 2022 compared to \$5.4 million for the same period in 2021, an increase of \$0.6 million or 11.1%.

Direct Expenses

Total direct expenses were \$205.1 million for the three month period ended December 31, 2022 compared to \$157.7 million for the same period in 2021, representing an increase of \$47.4 million or 30.1%. The increase in direct expenses decreased the gross margin to 23.2% in 2022 from 33.1% in 2021. The overall increase in direct expenses was due primarily to a \$22.0 million increase in fuel costs, a \$9.7 million increase in depreciation, a \$1.6 million increase in aircraft costs, a \$1.1 million increase in heavy maintenance amortization costs, a \$2.0 million increase in maintenance costs, a \$4.8 million increase in crew costs, \$5.5 million increase in ground services costs, a \$1.3 million increase in navigation and insurance costs partially offset by a \$0.6 million decrease in airport services costs.

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

Fuel costs were \$63.4 million for the three month period ended December 31, 2022 compared to \$41.4 million for the same period in 2021. The \$22.0 million or 53.1% increase in fuel costs was due primarily to a 61.9% increase in fuel prices, partially offset by a 3.1% decrease 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 \$37.0 million for the three month period ended December 31, 2022 compared to \$27.3 million for the same period in 2021. The \$9.7 million or 35.5% increase in depreciation expenses was due primarily to the addition of aircraft hull, engines, hangar and cross-dock facilities, rotatable spares and ground equipment.

Aircraft costs were \$6.8 million for the three month period ended December 31, 2022 compared to \$5.2 million for the same period in 2021, representing an increase of \$1.6 million or 30.8%. The increase was primarily due to an increase in temporary sub charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were \$3.9 million for the three month period ended December 31, 2022 compared to \$2.8 million for the same period in 2021, representing an increase of \$1.1 million or 39.3% 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 \$16.5 million for the three month period ended December 31, 2022 compared to \$14.5 million for the same period in 2021, representing an increase of \$2.0 million or 13.8%. This increase was due to increase in fleet size, periodic line maintenance and the hiring of additional maintenance personnel.

Crew costs including salaries, training and positioning were \$26.2 million for the three month period ended December 31, 2022 compared to \$21.4 million for the same period in 2021, representing an increase of \$4.8 million or 22.4%. 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 \$24.3 million for the three month period ended December 31, 2022 compared to \$18.8 million for the same period in 2021, representing an increase of \$5.5 million or 29.3%. This increase was due primarily to a \$0.4 million increase in payroll cost due to hiring of additional personnel and annual wage increase. Increased revenue resulted in a \$5.1 million increase in ground services, line haul and cartage cost.

Airport services costs were \$12.4 million for the three month period ended December 31, 2022 compared to \$13.0 million for the same period in 2021, representing a decrease of \$0.6 million or 4.6%. This decrease was primarily due to a \$0.8 million decrease in aircraft landing, de-icing and parking costs due to network changes, partially offset by a \$0.2 million higher warehouse facilities costs.

Navigation and insurance were \$14.6 million for the three month period ended December 31, 2022 compared to \$13.3 million for the same period in 2021, representing an increase of \$1.3 million or 9.8%. This increase was primarily due to a \$1.3 million increase in navigation cost due to increased activities.

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

Selling, General, Administrative & Marketing Expenses

Selling, general and administrative ("SG&A") expenses for the three month period ended December 31, 2022 were \$30.4 million compared to \$14.1 million for the same period in 2021, representing an increase of \$16.3 million or 115.6%. This increase was primarily due to a \$9.2 million increase in salaries and benefits and pension, a \$4.6 million increase in bonuses due to timing, a \$1.7 million increase in audit, legal and consulting expenses and a \$0.8 million increase in other administrative expenses.

Net finance costs and other gains and losses

Net finance costs and other gains and losses for the three month period ended December 31, 2022 were \$21.7 million compared to a recovery of \$50.3 million for the same period in 2021, representing an increase of \$72.0 million or 143.1%. The increase in other SG&A expenses was due primarily to a \$80.1 million increase in the fair value adjustment on the stock warrant obligation and a \$6.0 million increase in finance costs, partially offset by a \$13.1 million increase in gains on swap derivative and a \$1.0 million decrease in other losses and gains.

Fair value adjustment on stock warrant

Fair value adjustment on stock warrant for the three month period ended December 31, 2022 was a loss of \$11.5 million compared to a gain of \$68.6 million for the same period in 2021, representing an increase of \$80.1 million or 116.8%. The gain in the fair value adjustment of stock warrant was primarily due to the change in the Company's share price.

Finance costs

Finance costs for the three month period ended December 31, 2022 were \$13.2 million compared to \$7.2 million for the same period in 2021, representing an increase of \$6.0 million or 83.3%. The increase was primarily due to interest on withdrawals from DDTL facility, partially offset by capitalization of borrowing costs amounting to \$2.2 million at an average cost of debt of 6.5%

Gain and loss on swap derivative

Gain and loss on swap derivative for the three month period ended December 31, 2022 were a gain of \$3.4 million compared to a loss of \$9.7 million for the same period in 2021, representing an increase of \$13.1 million or 135.1%. The increase was primarily due to the change in the Company's share price.

Other loss and gains

Other losses and gains for the three month period ended December 31, 2022 were a loss of \$0.4 million (December 31, 2021 – loss of \$1.4 million) primarily due to loss on extinguishment of lease liabilities in 2021.

Share of loss of associate

Share of gain of associate for the three month period ended December 31, 2022 were a gain of \$0.2 million (December 31, 2021 – \$nil) represents the company's share of the net gain from investment in an associate.

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

Adjusted EBITDA ⁽¹⁾

Adjusted EBITDA for the three month period ended December 31, 2022 was \$82.9 million compared to an Adjusted EBITDA of \$90.5 million for the same period in 2021. The decrease in Adjusted EBITDA of \$7.6 million was due primarily to the following:

- Decrease in domestic network revenues due to an decrease in domestic network volumes, partially offset by
- Significant increase in ACMI revenues partially offset with corresponding increase in variable costs
- Increase in All-in Charter revenues

Net Income

Net income for the three month period ended December 31, 2022 was \$2.6 million compared to \$102.0 million for the same period in 2021, a decrease of \$99.4 million or 97.5%. The decrease in net income was primarily due to the change in the fair value adjustment of stock warrants, partially offset by increase in ACMI and All-in charter revenues.

Current Income Taxes

No provision for current income taxes was made due to the current and carry forward losses of prior years for the three month periods ended December 31, 2022 and 2021.

Deferred Income Taxes

The deferred income taxes for the three month period ended December 31, 2022 was a provision of \$7.4 million compared to a provision of \$12.4 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 \$36.7 million for the three month period ended December 31, 2022 compared to an inflow of \$21.0 million for the same period in 2021, an increase of \$15.7 million or 74.8%. The increase in standardized free cash flow was due primarily to higher cash generated by operating activities, partially offset by lower maintenance capital expenditure.

Adjusted Free Cash Flow was an inflow of \$33.6 million for the three month period ended December 31, 2022 compared to an inflow of \$37.8 million for the same period in 2021, representing a decrease of \$4.2 million. The decrease in Adjusted Free Cash Flow during the three month period ended December 31, 2022 was due to the effect of changes in non-cash working capital items and deposits, partially offset by higher standardized free cash flow.

⁽¹⁾Adjusted EBITDA 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.

CARGOJET INC.

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

For the Three Months and Year Ended December 31, 2022

Quarterly Dividends

Total dividends declared for the three month period ended December 31, 2022 were \$4.9 million or \$0.2860 per share. In comparison, total dividends declared for the three month period ended December 31, 2021 were \$4.5 million or \$0.2600 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
September 20, 2022	October 05, 2022	-	17,202,186	0.2860	4,919,826
December 20, 2022	January 05, 2023	4,919,826	17,202,186	0.2860	-
		4,919,826			4,919,826

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

Liquidity and Capital Resources

Cash generated by operating activities after net changes in non-cash working capital balances was \$64.2 million for the three month period ended December 31, 2022 (December 31, 2021 - \$61.2 million). The \$3.0 million increase in cash generated was due primarily to change in non-cash working capital items, deposits, partially offset by a decrease in EBITDA.

Cash provided by financing activities during the three month period ended December 31, 2022 was \$99.8 million (December 31, 2021 - cash used \$31.0 million) and was comprised of proceeds from borrowings of \$111.7 million (December 31, 2021 - \$nil). This was partially offset by repayment of obligations under lease liabilities of \$7.0 million (December 31, 2021 - \$26.5 million), and dividends paid to shareholders of \$4.9 million (December 31, 2021 - \$4.5 million).

Cash used in investing activities during the three month period ended December 31, 2022 was \$166.1 million (December 31, 2021 - \$68.3 million), and was comprised of property, plant and equipment additions of \$164.1 million (December 31, 2021 - \$74.8 million), loans to associate of \$0.3 million (December 31, 2021 - \$nil), contract acquisition asset of \$2.0 million (December 31, 2021 - \$nil). This was partially offset by proceeds from disposal of property, plant and equipment of \$0.3 million (December 31, 2021 - \$0.2 million) and proceeds from total return swap & settlement of derivative financial instrument of \$nil (December 31, 2021 - \$6.3 million).

CARGOJET INC.

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

For the Three Months and Year Ended December 31, 2022

Quarterly 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 the Company 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.

On July 25, 2022, the Company further amended 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"), and established a non-revolving USD \$400 million delayed-draw term loan facility ("DDTL Facility"). (See Recent events - Amended credit facility and DDTL facility)

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 month after each reporting period, including under various scenarios. At December 31, 2022, the Company had \$600 million available under undrawn Facility and USD \$170.5 million under the DDTL 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 December 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 \$165.4 million in the three month period ended December 31, 2022 were primarily comprised of additions to aircraft, engines ground services equipment, spares and rotatable spares of \$164.2 and ROU asset addition of \$1.2 million. Out of \$164.2 million capital expenditure addition \$27.8 million was due to maintenance capital expenditure ⁽¹⁾ and \$136.4 was due to growth capital expenditure ⁽¹⁾.

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

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

REVIEW OF OPERATION FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

(Canadian dollars in millions except where indicated)

	YTD		CHANGE	
	2022 (unaudited)	2021 (unaudited)	\$	%
Domestic network revenues	\$360.7	\$324.6	\$36.1	11.1%
ACMI revenues	239.6	175.5	64.1	36.5%
All-in charter revenues	112.7	90.4	22.3	24.7%
Total domestic network, ACMI and charter revenues	713.0	590.5	122.5	20.7%
Total revenue - fixed based operations	7.4	2.4	5.0	208.3%
Total fuel and other cost pass through	233.6	147.4	86.2	58.5%
Fuel surcharge and other pass through revenues	241.0	149.8	91.2	60.9%
Other revenue	25.9	17.5	8.4	48.0%
Total revenues	979.9	757.8	222.1	29.3%
Operating days	197	198	(1)	-0.5%
Average domestic network revenue per operating day	1.83	1.64	0.19	11.6%
Direct expenses				
Fuel costs	228.4	122.0	106.4	87.2%
Depreciation	126.7	103.8	22.9	22.1%
Aircraft cost	24.5	15.6	8.9	57.1%
Heavy maintenance amortization	13.3	10.5	2.8	26.7%
Maintenance cost	63.0	51.6	11.4	22.1%
Crew costs	91.4	74.2	17.2	23.2%
Ground services	84.7	59.0	25.7	43.6%
Airport services	47.0	43.9	3.1	7.1%
Navigation and insurance	53.4	44.8	8.6	19.2%
Total direct expenses	732.4	525.4	207.0	39.4%
Gross margin	247.5	232.4	15.1	6.5%
Gross margin %	25.3%	30.7%	-5.4%	
Selling, general and administrative expenses				
General and administrative costs	72.4	57.4	15.0	26.1%
Depreciation	2.2	2.1	0.1	4.8%
Total selling, general and administrative expenses	74.6	59.5	15.1	25.4%
Net finance costs and other gains and losses				
Fair value adjustment on stock warrant	(122.1)	(79.0)	(43.1)	54.6%
Loss (gain) on swap derivative	36.5	15.6	20.9	134.0%
Finance Costs	33.6	30.9	2.7	8.7%
Other (gains) loss	2.9	4.6	(1.7)	-37.0%
Total net finance costs and other gains and losses	(49.1)	(27.9)	(21.2)	-76.0%
Share of loss of associate	2.0	-	2.0	100.0%
Earnings before income taxes	220.0	200.8	19.2	9.6%
Income taxes-current	29.4	33.4	(4.0)	-12.0%
Net earnings	\$190.6	\$167.4	\$23.2	13.9%
Earnings per share - \$				
Basic	11.04	9.73	1.31	13.5%
Diluted	10.15	9.51	0.64	6.7%
Adjusted ⁽¹⁾	6.95	6.06	0.89	14.7%

(1). Adjusted EPS is not an earning measure recognized by IFRS and is defined as earnings per share from continuing operations before fair value increase (decrease) on stock warrant, losses (gains) on swap derivatives, amortization on stock warrants and unrealized foreign exchange losses (gains).

CARGOJET INC.

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

For the Three Months and Year Ended December 31, 2022

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

- Total revenue for the year ended December 31, 2022 was \$979.9 million compared to \$757.8 million for the same period in 2021, representing an increase of \$222.1 million or 29.3%.
- Average domestic network revenues for the year ended December 31, 2022 was \$1.83 million per operating day compared to \$1.64 million for the same period in 2021, representing an increase of \$0.19 million per operating day or 11.6%.
- Adjusted EBITDA ⁽¹⁾ for the year ended December 31, 2022 was \$329.0 million compared to \$293.1 million for the same period in 2021, an increase of \$35.9 million or 12.2%.
- Adjusted EPS ⁽²⁾ for the year ended December 31, 2022 was \$6.95 compared to \$6.06 for the same period in 2021, an increase of \$0.89 or 14.7%.
- Net income for the year ended December 31, 2022 was \$190.6 million compared to income of \$167.4 million for the same period in 2021, an increase of \$23.2 million or 13.9%.
- Adjusted Free Cash Flow ⁽¹⁾ was an inflow of \$165.3 million for the year ended December 31, 2022 compared to an inflow of \$146.5 million for the same period in 2021, an increase of \$18.8 million or 12.8%.
- Standardized Free Cash Flow ⁽¹⁾ was an inflow of \$154.2 million for the year ended December 31, 2022 compared to an inflow of \$119.0 million for the same period in 2021, an increase of \$35.2 million or 29.6%.

⁽¹⁾ Adjusted EBITDA 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.

⁽²⁾ Adjusted EPS is not an earning measure recognized by IFRS and is defined as earnings per share from continuing operations before fair value increase (decrease) on stock warrant, losses (gains) on swap derivatives, amortization on stock warrants and unrealized foreign exchange losses (gains).

Revenue

Total revenue for the year ended December 31, 2022 was \$979.9 million compared to \$757.8 million for the same period in 2021, representing an increase of \$222.1 million or 29.3%. An increase in revenue is primarily due to a \$36.1 million increase in domestic network revenues, a \$64.1 million increase in ACMI revenues, a \$22.3 million increase in all-in charter revenues, a \$8.4 million increase in lease and other revenue and a \$91.2 million increase in fuel surcharges and other cost pass-through revenues.

CARGOJET INC.

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

For the Three Months and Year Ended December 31, 2022

Revenue related to the domestic network business excluding fuel surcharges and other cost pass-through revenues for the year ended December 31, 2022 was \$360.7 million compared to \$324.6 million for the same period in 2021, an increase of \$36.1 million or 11.1%. The increase was due primarily to increase in e-commerce and B2B volumes during the period. The Company has relied on the periodic discussions with its customers and their operations in specific types of transactions to estimate the growth in B2B and B2C volumes where it receives business-level and industry-level information necessary for future capacity planning purposes, monitors demand from certain of its customers that are not intermediaries themselves and operate their business in specific types of transactions, and analyzes information published by Statistics Canada and other industry sources, including with respect to the growth of e-commerce in the Canadian retail market.

ACMI scheduled and adhoc charter revenue for the year ended December 31, 2022 was \$239.6 million compared to \$175.5 million for the same period in 2021, an increase of \$64.1 million or 36.5%. The increase was due primarily to new routes to the USA, South America, Europe and Asia and by an increase in adhoc ACMI charter flights

All-in scheduled and adhoc cargo and passenger charter revenue for the year ended December 31, 2022 was \$112.7 million compared to \$90.4 million for the same period in 2021, an increase of \$22.3 million or 24.7%. The increase in revenue was primarily due to increase in adhoc charters to Asia, partially offset by a decrease in All-in scheduled flights to Europe.

Fuel surcharges and other cost pass-through revenues were \$241.0 million for the year ended December 31, 2022 compared to \$149.8 million for the same period in 2021. During the period, fuel surcharges increased due to a 75.3% increase in fuel prices, and a 11.1% increase in domestic revenues from new and existing customers that attracted fuel surcharges. Fuel surcharges and other cost pass-through revenues also consist of fuel sales to third parties of \$7.4 million for the year month periods ended December 31, 2022 and \$2.4 million for the same period in 2021. Fuel surcharges passed on to the customers are based on the index published by Statistics Canada which lag the current market rates by two month.

Other revenues consist primarily of aircraft lease revenue, hangar rental revenues, ground handling services provided to customers and maintenance revenues for aircraft line maintenance provided to other airlines. Other revenues for the year ended December 31, 2022 were \$25.9 million compared to \$17.5 million for the same period in 2021, an increase of \$8.4 million or 48.0%.

Direct Expenses

Total direct expenses were \$732.4 million for the year ended December 31, 2022 compared to \$525.4 million for the year ended December 31, 2021. This increase in direct costs reduced gross margin to 25.3% in 2022 from 30.7% in 2021. The overall increase in direct expenses was due primarily to a \$106.4 million increase in fuel costs, an \$22.9 million increase in depreciation, a \$8.9 million increase in aircraft costs, an \$2.8 million increase in heavy maintenance amortization, a \$11.4 million increase in maintenance costs, a \$17.2 million increase in crew costs, \$25.7 million increase in ground services costs, a \$3.1 million increase in airport services costs and a \$8.6 million increase in navigation and insurance costs.

CARGOJET INC.

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Fuel costs were \$228.4 million for the year ended December 31, 2022 compared to \$122.0 million for the same period in 2021. The \$106.4 million or 87.2% increase in fuel costs was due primarily to a 75.3% increase in fuel prices and by a 8.6% increase in block hours on the domestic network. Any changes in fuel cost experienced by the Company due to changes in fuel prices are mostly passed on to customers as an increase or decrease in their fuel surcharges or adhoc rates.

The depreciation expense was \$126.7 million for the year ended December 31, 2022 compared to \$103.8 million for the same period in 2021. The \$22.9 million or 22.1% increase in depreciation expenses was due primarily to the addition of aircraft, engines, facilities and other assets.

Aircraft costs were \$24.5 million for the year ended December 31, 2022 compared to \$15.6 million in 2021, representing an increase of \$8.9 million or 57.1%. The increase in aircraft costs was due primarily to the increase in sub charter costs on certain scheduled ACMI routes.

Heavy maintenance amortization costs were \$13.3 million for the year ended December 31, 2022 compared to \$10.5 million in 2021, representing an increase of \$2.8 million or 26.7%. 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 \$63.0 million for the year ended December 31, 2022 compared to \$51.6 million for the same period in 2021, representing an increase of \$11.4 million or 22.1%. This increase was due to the increase in fleet size, additional block hours and the hiring of additional maintenance personnel.

Total crew costs including salaries, training and positioning were \$91.4 million for the year ended December 31, 2022 compared to \$74.2 million for the same period in 2021, representing an increase of \$17.2 million or 23.2%. The increase was due primarily to increase in the number of crew personnel hired, annual crew salary increase as per the collective agreement with the union and increased crew positioning and training costs.

Ground services costs were \$84.7 million for the year ended December 31, 2022 compared to \$59.0 million for the same period in 2021, representing an increase of \$25.7 million or 43.6%. This increase was due primarily to a \$10.5 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 \$15.2 million increase in ground services, line haul and cartage cost.

Airport services costs were \$47.0 million for the year ended December 31, 2022 compared to \$43.9 million for the same period in 2021, representing an increase of \$3.1 million or 7.1%. This increase was primarily due to a \$2.2 million increase in landing and parking costs due to increased activity and a \$1.2 million increase in warehouse facilities cost, partially offset by a \$0.3 million decrease in de-icing costs.

Navigation and insurance costs were \$53.4 million for the year ended December 31, 2022 compared to \$44.8 million for the same period in 2021, representing an increase of \$8.6 million or 19.2%. This increase was primarily due to a \$9.6 million increase in navigation costs due to increased activity, partially offset by a \$1.0 million reduction in aircraft insurance costs.

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

Selling, General and Administrative Expenses

SG&A expenses for the year ended December 31, 2022 were \$74.6 million compared to \$59.5 million for the same period in 2021, representing an increase of \$15.1 million or 25.4%. This increase was primarily due to a \$1.9 million increase in sales and marketing costs, a \$14.7 million increase in salaries and benefits and pension costs, a \$3.4 million increase in audit, legal and consulting expenses, a \$0.9 million increase in office supplies and a \$1.0 million increase in other general and administrative expenses, partially offset by a \$6.8 million decrease in bonus and incentives due to change in the fair value of options.

Net finance costs and other gains and losses

Net finance costs and other gains and losses for the year ended December 31, 2022 were gains of \$49.1 million compared to \$27.9 million for the same period in 2021, representing an increase of \$21.2 million or 76.0%. The increase was due primarily to a \$43.1 million decrease in the fair value adjustment on the stock warrant obligation and a \$1.7 million decrease in other losses, partially offset by a \$20.9 million increase in loss on swap derivative and a \$2.7 million increase in finance costs.

Fair value adjustment on stock warrant

Fair value adjustment on stock warrant for the year ended December 31, 2022 was a gain of \$122.1 million compared to a gain of \$79.0 million for the same period in 2021, representing an increase of \$43.1 million or 54.6%. The increase was due primarily to the change in the Company's share price.

Loss on swap derivative

Loss on swap derivative for the year ended December 31, 2022 was a loss of \$36.5 million compared to a loss of 15.6 million for the same period in 2021, representing an increase of \$20.9 million or 134.0%. The increase was due primarily to the change in the Company's share price.

Finance costs

Finance costs for the year ended December 31, 2022 were \$33.6 million compared to \$30.9 million for the same period in 2021, representing an increase of \$2.7 million or 8.7%. The increase was primarily due to interest on withdrawals from DDTL facility, partially offset by capitalization of borrowing costs amounting to \$5.2 million at an average cost of debt of 6.5%.

CARGOJET INC.

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

For the Three Months and Year Ended December 31, 2022

Other losses

Other losses for the year ended December 31, 2022 were \$2.9 million (December 31, 2021 - \$4.6 million). Other losses in 2021 were primarily due to a \$3.6 million foreign exchange loss (December 31, 2021 - \$0.1 million) and a \$nil million loss on extinguishment of lease liabilities (December 31, 2021 - \$4.8 million), partially offset by a \$0.7 million gain on disposal of property, plant and equipment (December 31, 2021 - \$0.3 million)

Share of loss of associate

Share of loss of associate for the year ended December 31, 2022 were a loss of \$2.0 million (December 31, 2021 – \$nil) represents the company's share of the net loss from investment in an associate.

Adjusted EBITDA ⁽¹⁾

Adjusted EBITDA for the year ended December 31, 2022 was \$329.0 million compared to \$293.1 million for the same period in 2021. The increase in Adjusted EBITDA of \$35.9 million or 12.2% was due primarily to the following:

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

Net Income

Net income for the year ended December 31, 2022 was \$190.6 million compared to income of \$167.4 million for the same period in 2021, an increase of \$23.2 million or 13.9%. The increase in net revenue was primarily due to increase in domestic, ACMI revenues and All-in Charter revenues.

Current Income Taxes

No provision for current income taxes were made for the year ended December 31, 2022 or 2021, due to the current and carry forward losses of prior years.

Deferred Income Taxes

The deferred income taxes recognized for the year ended December 31, 2022 was a provision of \$29.4 million compared to a provision of \$33.4 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.

CARGOJET INC.
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For the Three Months and Year Ended December 31, 2022

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

Standardized free cash flow was an inflow of \$154.2 million for the year ended December 31, 2022 compared to an inflow of \$119.0 million for the same period in 2021, an increase of \$35.2 million or 29.6%. The increase in standardized free cash flow was due primarily to higher cash generated by operating activities, partially offset by higher maintenance capital expenditure. Adjusted Free Cash Flow was an inflow of \$165.3 million for the year ended December 31, 2022, compared to an inflow of \$146.5 million for the same period in 2021, representing an increase of \$18.8 million. The increase was due to an increase in adjusted EBITDA and changes in non-cash working capital items, partially offset by a higher maintenance capital expenditure.

(1) Adjusted EBITDA, standardized free cash flow and Adjusted Free Cash Flow are non-GAAP financial measures. Reconciliations of these measures to comparable GAAP measures can be found in the Non-GAAP Measures section of this MD&A. Definitions of these measures can be found in the “End Notes” section of this MD&A.

Dividends

Total dividends declared for the year ended December 31, 2022 were \$19.3 million or \$1.1180 per share. In comparison, total dividends declared for the year ended December 31, 2021 were \$18.0 million or \$1.0400 per share.

Date Dividends		Declared	Number of Shares	Per Share	Paid
Record Date	Paid/Payable				
		\$		\$	\$
December 20, 2021	January 05, 2021	-	17,324,258	-	4,504,307
March 21, 2022	April 05, 2022	4,504,307	17,324,258	0.2600	4,504,307
June 20, 2022	July 05, 2022	4,954,738	17,324,258	0.2860	4,954,738
September 20, 2022	October 05, 2022	4,919,826	17,202,186	0.2860	4,919,826
December 20, 2022	January 05, 2023	4,919,826	17,202,186	0.2860	-
		19,298,697		1.1180	18,883,178

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

CARGOJET INC.

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For the Three Months and Year Ended December 31, 2022

Liquidity and Capital Resources

Cash generated by operating activities after net changes in non-cash working capital balances was \$282.5 million (December 31, 2021 - \$231.2 million). The \$51.3 million increase in cash generated was primarily due to increase in EBITDA and change in non-cash working capital items, deposits.

Cash provided from financing activities during the year ended December 31, 2022 was \$244.0 million (cash provided December 31, 2021 - \$140.2 million) and was comprised of proceeds from borrowings \$308.4 million (December 31, 2021 - \$nil) and proceeds from net equity issuance \$nil (December 31, 2021 - \$349.8 million), partially offset by the repayment of borrowings of \$nil (December 31, 2021 - \$72.9 million), the repayment of obligations under finance lease of \$28.5 million (December 31, 2021 - \$116.8 million), share buyback of \$16.7 million (December 31, 2021 - \$nil), withholding tax paid on vested restricted share units of the Company of \$0.3 million (December 31, 2021 - \$2.8 million) and dividends paid to shareholders of \$18.9 million (December 31, 2021 - \$17.1 million).

Cash used in investing activities during the year ended December 31, 2022 was \$615.1 million (December 31, 2021 - \$280.4 million) and was comprised primarily of property, plant and equipment additions of \$611.2 million (December 31, 2021 - \$277.6 million), acquisition of interest in associate \$nil (December 31, 2021 - \$9.4 million), contract acquisition asset of \$2.0 million (December 31, 2021 - \$nil) and loans to associate of \$2.6 million (December 31, 2021 - \$nil). This was partially offset by proceeds from the disposal of property, plant and equipment of \$0.7 million (December 31, 2021 - \$0.3 million) and proceed from total return swap & settlement of derivative financial instrument \$nil (December 31, 2021 - \$6.3 million).

See "Highlights for the Three Month Periods ended December 31, 2022 and 2021" - "Liquidity and Capital Resources" - "Liquidity and Risk Management".

Capital Expenditures and ROU Additions

The property, plant and equipment additions of \$629.6 million in the current year were primarily comprised of additions to aircraft, engines, ground services equipment, leasehold improvements, rotatable spares, heavy maintenance, facilities and other equipment and spares of \$614.9 million and ROU asset additions of \$14.7 million. Out of \$614.9 million capital expenditure additions \$129.0 million was due to maintenance capital expenditure ⁽¹⁾ and \$485.9 was due to growth capital expenditure ⁽¹⁾.

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

CARGOJET INC.
**Management's Discussion and Analysis of Financial Condition
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For the Three Months and Year Ended December 31, 2022

Selected Annual Information
(Canadian dollars in millions, except where indicated)

	Year Ended December 31		
	2022	2021	2020
	\$	\$	\$
Revenue	979.9	757.8	668.5
Direct expenses	732.4	525.4	418.0
Gross margin	247.5	232.4	250.5
Selling, general & administrative expenses and income taxes	56.9	65.0	338.3
Net income	190.6	167.4	(87.8)
Earnings (loss) per share - CAD\$			
Basic	11.04	9.73	-5.63
Diluted	10.15	9.51	-5.63
EBITDA ⁽¹⁾	395.8	348.1	95.3
Adjusted EBITDA ⁽¹⁾	329.0	293.1	281.7
Adjusted Free Cash Flow ⁽¹⁾	165.3	146.5	196.8
Cash, cash equivalents and short term investments	6.1	94.7	3.7
Total assets	1,986.3	1,489.6	1,223.9
Total long-term liabilities	1,004.3	715.2	870.9
Total liabilities	1,154.8	813.2	1,048.7
Dividends per share - CAD\$	\$1.1180	\$1.0400	\$0.9360

⁽¹⁾ EBITDA, Adjusted EBITDA and Adjusted Free Cash Flow are non-GAAP financial measures and are not earning measures recognized by IFRS. Please refer Page 15 of this MD&A for a more detailed discussion

FINANCIAL CONDITION

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

Trade and Other Receivables

Trade and other receivables as of December 31, 2022 amounted to \$95.6 million compared to \$75.0 million as at December 31, 2021. The increase of \$20.6 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.

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Property, Plant and Equipment

As at December 31, 2022, property, plant and equipment were \$1,643.6 million compared to \$1,159.9 million as at December 31, 2021. The \$483.7 million net increase in property, plant and equipment was primarily due to the net addition of \$614.9 million in property plant and equipment, a \$14.7 million addition in ROU assets partially offset by depreciation of \$132.7 million, amortization of ROU asset of \$9.5 million and net adjustment of \$3.7 million.

Trade and Other Payables

Trade and other payables as at December 31, 2022 were \$105.2 million compared to \$78.1 million as at December 31, 2021. The increase of \$27.1 million was due primarily to the timing of supplier payments and increased revenue volumes and the current portion of pension liability.

Lease Liabilities

The lease liabilities are in respect of the lease of two B767-300, one B767-200 aircraft, hangars and warehouses. Total leases including the current portion were \$89.0 million as at December 31, 2022 compared to \$91.4 million as at December 31, 2021. The change was due to the scheduled monthly repayments made during the year ended December 31, 2022.

SUMMARY OF CONTRACTUAL OBLIGATIONS

As at December 31, 2022 (Canadian dollars in millions)	Total	Payments due by Year				
		2023	2024	2025	2026	Thereafter
Lease liabilities	89.0	31.4	16.9	11.4	10.5	18.8
Derivative financial instruments	13.8	13.8	-	-	-	-
Current portion of pension liability	9.5	9.5	-	-	-	-
Borrowings	308.4	-	-	-	-	308.4
Debentures	309.6	-	85.2	112.6	111.8	-
Stock warrant obligations	154.8	-	-	-	-	154.8
	885.1	54.7	102.1	124.0	122.3	482.0

OFF-BALANCE SHEET ARRANGEMENTS

Note: See Caution Concerning Forward Looking Statements, page 3.

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.

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(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 prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

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

MAJOR CUSTOMERS

During the year ended December 31, 2022, the Company had sales to three customers that represented 62.4% of the total revenues (December 31, 2021 – 60.3%). 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 \$1.7 million as at December 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.

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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. On adoption of IFRS 16, the Company recognized the lease liability that was measured at the present value of the remaining lease payments determined using the incremental borrowing rate as of January 1, 2019 and recorded the right of use asset and the lease liability under the standard. The lease will expire in 2032. The transaction is in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The basic rent is subject to revision every five years at a predetermined rate per the terms of the lease.

Under the lease, the Company paid \$1.1 million during the period out of which \$0.5 million was adjusted towards principal payments against the liability and \$0.6 million was recorded as related interest cost. The Company also paid utilities, taxes, maintenance, insurance and other related costs for the leased premises. As at December 31, 2022, the Company had a liability of \$8.4 million due under the lease.

Investment in Associate

The Company has acquired an investment 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.

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.

RISK FACTORS

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

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

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Risks Related to recent events:

Cargojet's operations and financial results may be adversely affected by future restrictions from COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. It is possible that there may be future events of the re-emergence of the virus, in present or mutated form, renewed announcements of pandemic responses related to new outbreaks or new/ongoing government and agency responses and limitations imposed in response to COVID-19. Instances of actual or perceived risk of infection among the Company's employees, or suppliers' or service providers' employees, could negatively impact its operations. The Company relies on a skilled workforce to perform aircraft maintenance. Similarly, the Company staffs personnel near airports to sort customer packages, load aircraft and maintain related equipment. In addition to the Company's employees, the Company relies on services from suppliers and customers to operate efficiently and safely. The Company's operations could be negatively affected if its own personnel or those of its suppliers and customers are quarantined or sickened as a result of exposure to COVID-19, or if they are subject to further restrictions, stay at home orders, advisories and quarantining requirements for future developments or outbreaks of the virus. Future COVID-19 outbreaks at one of the Company's facilities could result in workforce shortages or facilities closures causing reduced revenues and higher expenses. Measures restricting the ability of airport or aircraft personnel to work may result in the reductions of flights. In addition, the re-emergence of COVID-19 and future pandemics may result in parts shortages, maintenance delays and facility closures, any of which could result in reduced revenues and additional expenses.

While the COVID-19 pandemic has generally increased the demand for the Company's domestic and international air cargo services, future business-to-business volumes may be impacted by government restrictions and stay-at-home orders (similar to how they declined at the onset of the pandemic) and charter volumes may be impacted by aircraft utilization for other services.

The pandemic did not have a significant adverse impact on the Company's operations or financial results, however, it is not able to predict the effect of any future pandemic and/or future COVID-19 outbreaks on its future operations or financial results. The extent of the impact that the pandemic will have on the Company's operations and financial results will depend on future developments, including the duration, spread, severity and any recurrence of the COVID-19 virus; the duration and scope of government orders and restrictions; the effectiveness and availability of vaccines, and the extent of the impact of the pandemic on the competitive landscape and overall economic conditions. These are highly uncertain and cannot reasonably be predicted. For example, a prolonged pandemic and/or economic downturn may have negative effects on the overall demand for the Company's services, increase the difficulty and costs of protecting its employees and customers from the spread of the virus and potentially result in increased or new competition.

If the Company is unable to successfully mitigate potential impacts from a future COVID-19 pandemic break-out or re-emergence, it could have a material adverse effect on its operations and financial results.

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Risks Related to the Business

Loss of Customer Contracts

The Company's ten largest customers accounted for approximately 80.2% of Fiscal 2022 revenues of the Company and the Company's top three customers each accounted for over 10% of the Company's Fiscal 2022 revenues. The loss of any one of these contracts of the Company would cause immediate disruption and would adversely affect the Company's revenues. Any such loss could have a material adverse effect on the results of operations of the Company and there is no assurance that the contracts will be renewed for an additional term or that the commercial terms of any such renewal would be as favorable to the Company as the existing contracts. The inability of the Company to renew these contracts could have a material adverse effect on the Company's business, results of operations or financial condition.

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

In 2014, the Company was awarded the DACNS contract and signed the MSA with CPGOC. The terms of the MSA require the Company to maintain specific on time performance metrics and provide minimum levels of dedicated cargo space. To fulfill its requirements under the contract, the Company has made material investments in its fleet, equipment and the hiring of new personnel. In January 2023, Cargojet announced an extension to its existing master services agreement with Canada Post Group of Companies, including Purolator Inc. until September 30, 2029, with an additional option to renew the MSA until March 31, 2031, remaining available, further strengthening its existing customer base. The cancellation of the MSA without penalty could have a material adverse effect on the Company's business, results of operations or financial condition.

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

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

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

Canada — US Open Skies

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

Competition

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

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Agreements with Amazon and DHL

While the Company believes that the strategic agreements with Amazon and DHL will deliver important financial and strategic benefits, including anticipated revenue growth from Amazon and DHL's respective business and the associated margins and that such revenue growth will be meaningfully accretive to Cargojet's earnings and cash flows over time as well as create other benefits and opportunities, including to Cargojet's existing network, there is a risk that some or all of the anticipated benefits associated with the Amazon and DHL strategic agreements may fail to materialize, or may not occur within the time periods currently anticipated by the Company. As part of the strategic agreements with Amazon and DHL, the Company issued: (i) the Amazon Warrants to the Amazon Warrant holder, with vesting tied to the delivery by Amazon of up to \$600 million in business volumes over seven and a half years; and (ii) the DHL Warrants to DHL, with vesting tied to the delivery by DHL of up to \$2,300 million in business volumes over seven years.

If, as a result of Amazon or DHL meeting its respective business volume requirements and pursuant to the Amazon Warrants and DHL Warrants, as applicable, Amazon or DHL exercises their right to acquire Voting Shares, it will dilute the ownership interests of the Company's then-existing shareholders and reduce the Company's earnings per share. In addition, any sales in the public market of any Voting Shares issuable upon the exercise of the Amazon Warrants or DHL Warrants could adversely affect prevailing market prices of the Voting Shares. The realization of the expected benefits from the Amazon and DHL strategic agreements may be affected by a number of factors, including credit, market, currency, operational, capital expenditures, liquidity and funding risks generally, including changes in economic conditions, interest rates, exchange rates or tax rates, risks and uncertainties relating to retail, e-commerce growth, labour, technology, changes in law or regulation, competition, and business generally and other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

Government Regulations

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

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

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

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

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

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

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

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Insurance

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

Dependence on Technology and Cyber security

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

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

Maintaining Leased Aircraft and Availability of Future Aircraft

The Company currently owns and operates thirteen B757-200s and fourteen B767-300s, and has four B767-300 that are under finance lease. It also owns two B767-200 aircraft and leases one B767-200. The Company also owns two Challenger 601 aircraft, one Cessna 750, one Beechcraft 1900D and a B767-200 passenger aircraft which are operating under a charter agreement with a third party.

The Company has current open purchase agreements to acquire four fully converted B757 aircraft. The remaining open purchase agreements for four B757 aircraft pertain to contracted business. Cargojet signed an agreement to lease one converted B767-300 aircraft with a purchase option. This aircraft has an expected delivery date of Q2 2023 and will be under a finance lease arrangement. Cargojet also acquired one B757, two B767-300 and two B767-200 for its current business for which conversion slots are already reserved. However, Cargojet is deferring the conversion of two B767-200 from 2023 to 2024 further preserving capital and keeping the option to retain conversion slots for future. As part of its stated growth strategy, Cargojet announced plans to add B-777 long-range, fuel efficient aircraft to its fleet to expand international reach, strategically enhance its domestic network and broaden its capability for long-range charters. A total fleet of eight B-777s was planned with four aircraft earmarked to be deployed as part of the DHL strategic agreement, and the remaining four to expand its charter and international reach. The four DHL designated aircraft will continue in conversion and Cargojet will take delivery as planned. However, given recent forecasts for slowing global growth from the World Bank, the U.S. Federal Reserve and the Bank of Canada, Cargojet will curtail its capital expenditures and defer taking delivery of the other four B-777 freighters while maintaining full access to the conversion delivery slots. Arrangements with our MRO partner give us full flexibility to maintain optionality on these valuable B-777 conversion slots for 2024 through 2026 while at the same time better timing our capital commitments taking into account global recessionary risk. As passenger airlines retire B-777 to move up to B-787 aircraft, the feedstock market for B-777 is expected to remain strong, allowing Cargojet to initially divest its feedstock of B-777s freeing up liquidity immediately. The success of the Company will depend, in part, on its ability to replace owned aircraft when necessary and to maintain favorable leases for its leased aircraft. There can be no assurance that the Company will be able to lease or purchase aircraft in the future on acceptable terms or to maintain favorable leases for its aircraft or be able to arrange financing for its current commitment of aircraft purchases or future replacements and expansions. Such risk could have a material adverse effect on the Company's business, results of operations or financial condition. The success of the Company will depend, in part, on its ability to replace owned aircraft when necessary and to maintain favorable leases for its leased aircraft. There can be no assurance that the Company will be able to lease or purchase aircraft in the future on acceptable terms or to maintain favorable leases for its aircraft or be able to arrange financing for its current commitment of aircraft purchases or future replacements and expansions. Such risk could have a material adverse effect on the Company's business, results of operations or financial condition.

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Fixed Costs

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

Fuel Prices

The Company requires significant quantities of fuel for its aircraft. Historically, fuel costs represented 20% to 30% of the Company's direct operating cost. The Company is therefore exposed to commodity price risk associated with variations in the market price for petroleum products. The price of fuel is sensitive to, among other things, the price of crude oil, which has increased dramatically over the past few years, refining costs, and the cost of delivering the fuel. Although the Company historically has implemented fuel surcharges to mitigate the earnings impact of unusually high fuel prices, competitive and other pressures may prevent the Company from passing these costs on to its customers in the future. The Company cannot provide any assurance that its supply of fuel will continue uninterrupted, that rationing will not be imposed or that the prices of, or taxes on, fuel will not increase significantly in the future. An extremely high fuel cost could adversely affect customer volumes as other cheaper modes of transportation are sought. Increases in prices that the Company is unable to pass on to its customers could have a material adverse effect on the Company's business, results of operations or financial condition.

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

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

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Foreign Exchange Fluctuations

The Company undertakes sales and purchase transactions including aircraft maintenance costs, lease payments, loan payments, crew training and certain operating costs in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. Changes in the value of the Canadian dollar relative to the United States dollar or other foreign currencies could increase the costs of the Company relative to its United States or other foreign competitors and could have a negative effect on the profitability of the Company. For Fiscal 2022, the Company had a net cash flow exposure to the United States dollar of approximately USD. \$28.1 million and to the Euro of approximately €3.4 million. As of the date of this MD&A, the Company is exposed to fluctuations in the US-dollar exchange rate relating to two B767-300 and one B767-200 lease agreements. To the extent that the Company does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the United States dollar may have a material adverse effect on the Company's business, results of operations or financial condition.

Ability to Maintain Profitability and Manage Growth

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

Despite the pursuit of strategic and business initiatives, there can be no assurance that the Company will be successful in achieving its business initiatives or strategic plan or that this strategic plan will enable the Company to grow at historical rates or to sustain profitability. Failure to successfully execute any material part of the Company's strategic plan including those which seek to increase revenues, decrease costs, generate sufficient returns on capital expenditures or offset or mitigate risks facing the Company including those described in this "Risk Factors" section, could have a material adverse effect on the Company's business, result of operations or financial condition.

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

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Industry Risk and Economic Sensitivity

The Company serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of the Company. Demand for the Company's services could be materially adversely affected by downturns in the businesses of its customers. The Company's revenues are impacted by the health of the economy in the regional markets in which the Company operates. Although the Company cannot specifically correlate the impact of macro-economic conditions on its business activities, the Company believes that a decline in economic conditions in Canada may result in decreased demand for the services the Company provides and, to the extent that this decline continues or increases in severity, the Company's business, results of operations or financial condition could be materially adversely affected. In addition, given the nature of the Company's business and its fixed cost structure, any prolonged impact arising from economic and geopolitical conditions, including a breakdown of political or economic relationships within or between jurisdictions where the Company does business or a deterioration of the Canadian, U.S. or international economies, could have a material adverse effect on the Company's business, results of operations or financial condition.

Dependence on Key Personnel

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

Labour Relations

On October 19, 2012, the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW – Canada) became certified by Cargojet's pilots as their bargaining union by the Canadian Industrial Relations Board (the "CIRB").

On May 21, 2019, the Company and UNIFOR agreed to bring in changes in the terms of the agreement to meet the requirements of the Transportation Canada fatigue regulations. The changes include the extension of the contract for three more years until June 30, 2026, workload scheduling and introduction of a new incentive program.

On September 17, 2021, the CIRB certified the Air Line Pilots Association ("ALPA") as the representative of Company's pilots replacing UNIFOR. The terms and conditions of the contract will remain in place and in effect.

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

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

Severe Weather Patterns

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

Seasonal Fluctuations

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

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Dependence on International Trade

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

The North American Free Trade Agreement was terminated and replaced with USMCA. Canada, the United States and Mexico concluded negotiations and agreed to terms on the USMCA on October 1, 2018, and signed the USMCA on November 30, 2018.

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

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

The directors and officers of Cargojet directly or indirectly hold in aggregate 483,735 Voting Shares, or approximately 2.81% of the outstanding Voting Shares on a non-diluted basis. If the directors and officers of Cargojet sell substantial amounts of Voting Shares in the public market, the market price of the Voting Shares could decrease. The perception among the public that these sales will occur could also produce such an effect.

Income Tax Matters

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

Increase in Interest Rates

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

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Future Legal Proceedings

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

Interline Partnerships and Alliances

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

Key Supplies and Suppliers

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

Terrorist Activity

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

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General Economic Conditions – General economic conditions could have an adverse effect on the Company's growth, future profitability, ability to finance and operations

Global financial conditions continue to be characterized as volatile. In recent years, global markets have been adversely impacted by various credit crises and significant fluctuations in key commodity prices and costs. Many industries have been impacted by these market conditions. Global financial conditions remain subject to sudden and rapid destabilizations in response to future events. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's growth and profitability. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on investor confidence and general financial market liquidity, all of which may adversely affect our business and the market price of our Voting Shares.

Financial Risks

Declaration of Dividends

Dividends are dependent on cash flows of the Company. The declaration and payment of future dividends will be at the discretion of the Board, are subject to restrictions under our Credit Facility and may be affected by various other factors, including our earnings, levels of indebtedness, financial condition and legal or contractual restrictions. While it is the intention of the Board, subject to financial results, capital requirements, available cash flow and any other factors that the Board may consider relevant, to declare a quarterly dividend on an ongoing basis, there can be no assurance that we will have the financial flexibility to pay dividends at the same rate (or at all) in the future.

potential Volatility of Voting Share Price

The market price of our Voting Shares could be subject to significant fluctuations. Some of the factors that may cause the market price of our Voting Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our Voting Shares;
- litigation or regulatory action against us;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements;
- publication of research reports or news stories about us, our competitors or our industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of our Voting Shares by existing shareholders;
- recruitment or departure of key personnel;

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- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- the other risk factors described in this section of this Annual Information Form.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in our Voting Shares by those institutions, which could materially adversely affect the trading price of our Voting Shares. There can be no assurance that fluctuations in price and volume in our Voting Shares will not occur. In recent periods, the stock market has experienced extreme declines and volatility. This volatility, from time to time, has had a significant negative impact on the market price of securities issued by many companies, including Cargojet and other companies in its industry. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of our Voting Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our Voting Shares. Hence, the price of our Voting Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our Voting Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company.

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

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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.

ROU 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 judgment is required to determine whether, it is reasonably certain that option to renew the lease will be exercised (or not exercised). Judgment 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 TSX. The Company completed the necessary searches through broker intermediaries. The following table sets out the shares of the Company outstanding as of December 31, 2022:

Capital	Authorized/ Principal	Outstanding number of shares
Common Shares	Unlimited	14,873,583
Variable Voting Shares	Unlimited	2,328,603
Total Common and Variable Voting Shares	\$	17,202,186

Exemptive Relief from Take-Over Bid and Early Warning Rules

On May 1, 2019, the Company received an exemption to treat its variable voting shares and common shares as a single class for the purposes of applicable take-over bid requirements and early warning reporting requirements contained under Canadian securities laws. The securities regulatory authorities in each of the provinces of Canada granted exemptive relief (the “Decision”) from: (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20 per cent or more of the outstanding variable voting shares and common shares of the Company on a combined basis; (ii) applicable early warning reporting requirements, as contained under Canadian securities laws, such that those requirements would only apply to an acquirer who acquires or holds beneficial ownership of, or control or direction over, 10 per cent or more of the outstanding variable voting shares and common shares of the Company on a combined basis (or five per cent in the case of acquisitions during a take-over bid or an issuer bid); and (iii) applicable alternative monthly reporting requirements, as contained under Canadian securities laws, such that eligible institutional investors may meet the eligibility criteria for alternative monthly reporting by calculating its security holdings using (A) a denominator comprised of all outstanding common shares and variable voting shares on a combined basis, and (B) a numerator including all of the common shares and variable voting shares owned or controlled by the eligible institutional investor. A copy of the Decision is available under the Company’s profile on SEDAR at www.sedar.com.

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The Decision takes into account that the Company's dual class shareholding structure was implemented solely to ensure compliance with the foreign ownership requirements of the *Canada Transportation Act* (the "CTA"). An investor does not control or choose which class of shares it acquires and holds. The class of shares ultimately available to an investor is solely a function of the investor's status as a Canadian or non-Canadian (as defined in the CTA). Due to the relatively small number of outstanding variable voting shares, absent the Decision, it may have been more difficult for non-Canadian investors to acquire variable voting shares in the ordinary course without the apprehension of inadvertently triggering the take-over bid rules or early warning requirements. The Decision considered the fact that the variable voting shares and common shares have identical terms except for the foreign ownership voting limitations applicable in the case of the variable voting shares.

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, 2022 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, 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.

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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. Management views these items 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.

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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 contract 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.

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

Share-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 than 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 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 as 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) "Adjusted Free Cash Flow" is a term, that 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, that 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 MD&A 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."

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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.

- (d) **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.
- (e) **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
- (f) **Net debt** – is a metric obtained by subtracting cash from debt and lease liabilities and is used to monitor the Company's financial leverage.