Condensed Consolidated Interim Financial Statements of

CARGOJET

For the three and six month periods ended June 30, 2024 and 2023

(unaudited - expressed in millions of Canadian dollars)

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CARGOJET INC.

Condensed Consolidated Interim Balance Sheets
As at June 30, 2024 and December 31, 2023

(unaudited - Canadian dollars in millions)

	Note	June 30, 2024	December 31, 2023
		$	$
ASSETS			
CURRENT ASSETS			
Cash		4.6	31.8
Trade and other receivables	3	108.2	119.1
Inventories		1.8	2.6
Prepaid expenses and deposits		12.4	8.6
Income taxes recoverable		0.1	0.1
Derivative financial instruments	21	11.6	-
Assets held for sale	5	3.7	115.9
Total current assets		142.4	278.1
NON-CURRENT ASSETS			
Property, plant and equipment	5,10	1,538.6	1,567.0
Investment in associate	6	7.9	7.3
Long-term loans receivable	6	2.9	2.9
Goodwill		48.3	48.3
Intangible assets		2.0	2.0
Prepaid expenses and deposits		6.4	6.3
Contract assets	3,4	106.8	119.0
Deferred income taxes	12	-	5.4
Total assets		1,855.3	2,036.3
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	100.3	147.0
Debentures	11	114.1	-
Lease liabilities	10	22.0	22.9
Dividends payable	17	5.1	5.3
Derivative financial instruments	21	-	11.1
Total current liabilities		241.5	186.3
NON-CURRENT LIABILITIES			
Borrowings	9	366.1	453.9
Lease liabilities	10	90.0	96.2
Stock warrant obligations	4	141.6	110.1
Trade and other payables		2.2	3.0
Debentures	11	113.0	226.2
Deferred income taxes	12	166.1	154.8
Share-based compensation	8	28.5	21.3
Total liabilities		1,149.0	1,251.8
Total shareholders' equity		706.3	784.5
Total liabilities and shareholders' equity		1,855.3	2,036.3

The accompanying notes are an integral component of these condensed consolidated interim financial statements.

CARGOJET INC.

Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Income

Three and six month periods ended June 30, 2024 and 2023

(unaudited - Canadian dollars in millions except per share data)

		Three months ended June 30,		Six months ended June 30,	
	Note	2024	2023	2024	2023
		$	$	$	$
REVENUES	3	230.8	209.7	462.0	441.6
DIRECT EXPENSES	13	185.7	167.2	372.2	353.5
GROSS MARGIN		45.1	42.5	89.8	88.1
Selling, general and administrative expenses	14	23.6	14.5	41.0	32.2
Fair value increase (decrease) on stock warrant	4	48.5	(32.8)	31.5	(57.3)
(Gain) loss on swap derivative	21	(30.4)	15.0	(22.6)	22.0
Finance costs	15	15.2	13.5	30.5	23.6
Other loss (gain), net	16	1.9	2.0	(14.2)	2.0
Share of (gain) loss in associate	6	(0.3)	(0.4)	(0.6)	0.2
(LOSS) EARNINGS BEFORE INCOME TAXES		(13.4)	30.7	24.2	65.4
PROVISION FOR INCOME TAXES	12				
Deferred		11.6	(0.4)	16.7	3.7
NET (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) INCOME		(25.0)	31.1	7.5	61.7
NET (LOSS) EARNINGS PER SHARE	18				
- Basic		$(1.53)	$1.81	$0.46	$3.59
- Diluted		$(1.53)	$1.68	$0.46	$3.32

The accompanying notes are an integral component of these condensed consolidated interim financial statements.

CARGOJET INC.

Condensed Consolidated Interim Statements of Changes in Equity
Six month periods ended June 30, 2024 and 2023

(unaudited - Canadian dollars in millions)

	Note	Shareholders' capital	Contributed surplus	Surplus on debenture settlement	Retained earnings	Total shareholders' equity
		$	$	$	$	$
Balance, January 1, 2024		609.8	0.8	13.1	160.8	784.5
Net earnings and comprehensive income		-	-	-	7.5	7.5
Share-based compensation	8	-	1.1	-	-	1.1
Restricted shares, vested and exercised	8,17	0.5	(0.5)	-	-	-
Withholding tax paid on vested RSUs	8	-	(0.5)	-	-	(0.5)
Share buyback	17	(3.2)	-	-	(72.8)	(76.0)
Dividends	17	-	-	-	(10.3)	(10.3)
Balance, June 30, 2024		607.1	0.9	13.1	85.2	706.3
Balance, January 1, 2023		650.9	0.7	13.1	166.8	831.5
Net earnings and comprehensive income		-	-	-	61.7	61.7
Share-based compensation	8	-	1.2	-	-	1.2
Restricted shares, vested and exercised	8	0.9	(0.9)	-	-	-
Withholding tax paid on vested RSUs	8	-	(1.1)	-	0.2	(0.9)
Contributed surplus adjustment		-	0.4	-	(0.4)	-
Dividends	17	-	-	-	(9.8)	(9.8)
Balance, June 30, 2023		651.8	0.3	13.1	218.5	883.7

The accompanying notes are an integral component of these condensed consolidated interim financial statements.

CARGOJET INC.

Condensed Consolidated Interim Statements of Cash Flows

Six month periods ended June 30, 2024 and 2023

(unaudited - Canadian dollars in millions)

	Note	Six months ended June 30, 2024	2023
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings		7.5	61.7
Adjustments to reconcile net cash from operating activities			
Depreciation of property, plant and equipment and amortization of contract assets	4,5	99.5	90.2
Share-based compensation expense	8	10.7	3.1
Finance costs	15	30.5	23.6
Impairment on property, plant and equipment	5	1.1	-
(Gain) loss on disposal of property, plant and equipment and assets held for sale	16	(17.3)	2.7
Realized foreign exchange gain on disposal of assets	5	-	(1.3)
Share-based compensation paid	8	(2.4)	(3.0)
Employee pension liability	19	-	0.2
Pension paid	19	(9.8)	(9.7)
Provision for income tax	12	16.7	3.7
Fair value increase (decrease) on stock warrant	4	31.5	(57.3)
(Gain) loss on swap derivative contract	21	(22.6)	22.0
Unrealized foreign exchange loss (gain)	7	2.7	(1.3)
Share of (gain) loss in associate	6	(0.6)	0.2
Withholding tax paid on vested RSUs		(0.5)	-
Interest paid		(25.3)	(18.6)
Cash generated from operating activities		121.7	116.2
Changes in non-cash working capital items and other long-term items			
Contract acquisition asset, net of amortization	3	-	(7.4)
Trade and other receivables		10.9	9.7
Inventories		0.8	1.1
Prepaid expenses and deposits		(3.9)	(2.2)
Trade and other payables		(0.7)	4.5
NET CASH GENERATED FROM OPERATING ACTIVITIES		128.8	121.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(60.9)	(161.7)
Proceeds from disposal of property, plant and equipment and assets held for sale	5	101.3	36.5
NET CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		40.4	(125.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of) proceed from borrowings	9	(87.8)	28.2
Repayment of obligations under lease liabilities	7,10	(14.2)	(14.7)
Share buyback	17	(83.9)	-
Dividends paid to shareholders	17	(10.5)	(9.8)
NET CASH (USED IN) PROVIDED FROM FINANCING ACTIVITIES		(196.4)	3.7
NET CHANGE IN CASH		(27.2)	0.4
CASH, BEGINNING OF PERIOD		31.8	6.1
CASH, END OF PERIOD		4.6	6.5

The accompanying notes are an integral component of these condensed consolidated interim financial statements.

1. NATURE OF THE BUSINESS

Cargojet Inc. (“Cargojet” or the “Company”) operates a domestic air cargo co-load network between sixteen major Canadian cities. The Company also provides dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance (“ACMI”) basis, operating between points in Canada, USA, Mexico, South America, Europe and Asia. As well, the Company operates 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.

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, L5K 2S3, Ontario.

These condensed consolidated interim financial statements (the “financial statements”) were approved by the Board of Directors and authorized for issuance on August 13, 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting.

These financial statements include the accounts of the Company and its wholly owned subsidiary Cargojet Airways Ltd. (“CJA”) and CJA’s subsidiary Aeroship Handling Ltd. (“AH”).

On January 1, 2024, the Company completed an internal reorganization to amalgamate CJA with its wholly owned subsidiary, 2422311 Ontario Inc.

All intra-company balances and transactions are eliminated in full on consolidation.

These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2023 and 2022.

Except as noted below, the Company has followed the same basis of presentation, accounting policies and method of computation for these financial statements as disclosed in the annual audited consolidated financial statements for the years ended December 31, 2023 and 2022.

Change in accounting estimate

During 2024, the estimated useful lives of certain engines were revised. The net effect of the changes was a decrease in depreciation expenses of $5.5 for the three month period ended June 30, 2024 and $11.0 for the six month period ended June 30, 2024, notwithstanding additions during the year. The Company could not determine the effect of the changes in estimate for future periods beyond 2024, due to the timing of capital expenditures and engine overhauls. The revised estimated useful lives of the engines are still within the range of the useful lives disclosed in Note 2 Summary of Material Accounting Policies in the audited consolidated financial statements for the years ended December 31, 2023 and 2022.

(unaudited - Canadian dollars in millions except where noted)

Adoption of new accounting policies

Effective January 1, 2024, the Company adopted the International Accounting Standards Board ("IASB") issued amendment to IAS 1 related to the classification of liabilities as current or non-current and the amendment to IAS 1 related to non-current liabilities with covenants. The adoption of these amendments did not have a material impact on the Company's Condensed Consolidated Interim Financial Statements.

Standards, amendments and interpretations issued and not yet adopted

Presentation and Disclosure in Financial Statements (IFRS 18): In April 2024, the IASB issued IFRS 18, the new standards on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss, where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will replace IAS 1, Presentation of Financial Statements, and retains many of the existing principals in IAS 1. IFRS 18 will be effective for years beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required. The Company is currently evaluating the impact of the new standard.

Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7): In May 2024, the IASB issued amendments to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures". The amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for years beginning on or after January 1, 2026, with earlier application permitted. Retrospective application is not required, and is only permitted without the use of hindsight. The Company is currently evaluating the impact of the amendments.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company has recognized the following amounts relating to revenue in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income for the three and six month periods ended June 30, 2024 and 2023:

	Three month period ended June 30,		Six month period ended June 30,	
	2024	2023	2024	2023
	$	$	$	$
Revenue from air cargo services	210.7	198.4	414.6	418.4
Revenue from other sources	20.1	11.3	47.4	23.2
Total revenue	230.8	209.7	462.0	441.6

(unaudited - Canadian dollars in millions except where noted)

Revenue recognized at a point of time

	Three month period ended June 30, 2024	2023	Six month period ended June 30, 2024	2023
	$	$	$	$
Domestic network[(1)]	89.4	80.7	179.4	164.7
ACMI[(1)]	69.1	64.4	140.2	130.1
All-in charter	27.9	22.5	43.1	38.5
Fuel surcharge and other revenue[(2)]	44.4	39.8	99.4	104.3
Total excluding stock warrant contract assets	230.8	207.4	462.1	437.6
Amortization of contract assets - stock warrant[(1)]	(5.3)	(3.2)	(10.7)	(7.0)
Total revenue	225.5	204.2	451.4	430.6

[(1)] Amortization of contract assets - stock warrant, previously recorded in revenue from domestic network and ACMI, were presented as a separate line as of the fourth quarter 2023 in the table above. This change in presentation provides improved comparison of revenue by stream between periods. Comparative figures for the three and six month periods ended June 30, 2023 have been reclassified to conform with current presentation.
[(2)] Fuel and other revenue comprises of Ground handling and maintenance revenue and Fuel and other surcharges, which were presented as separate line items in prior periods. Comparative figures for 2023 have been updated to conform with current presentation.

Revenue recognized from transfer of services over time

	Three month period ended June 30, 2024	2023	Six month period ended June 30, 2024	2023
	$	$	$	$
All-in-charter	5.0	4.0	9.6	8.2
Fuel surcharge and other revenue	0.3	1.5	1.0	2.8
Total revenue	5.3	5.5	10.6	11.0

Contract assets and liabilities

As at June 30, 2024 and December 31, 2023, the Company’s revenue-related assets and liabilities consist of the following:

(unaudited - Canadian dollars in millions except where noted)

	June 30, 2024	December 31, 2023
	$	$
Contract asset - stock warrants	102.9	113.6
Contract asset - other	3.9	5.4
Trade receivables	102.4	113.7
Other receivables	5.8	5.4
Total contract assets	215.0	238.1
Contract liability - expected rebates to customers	0.2	0.6

4. STOCK WARRANTS

A. Amazon

On August 23, 2019, the Company entered into a stock warrant agreement with Amazon. This agreement is in conjunction with Amazon's existing commercial agreement for overnight air cargo services and charters and is intended to incentivize growth in Amazon's utilization of those services to support fast delivery for Amazon customers in Canada.

Under the agreement, the Company issued warrants to Amazon for the opportunity to purchase variable voting shares that will vest in two tranches based on the achievement of commercial milestones related to Amazon's business with the Company. The warrant agreement grants Amazon the right to acquire up to 14.8% of the issued and outstanding voting shares. Tranche I warrant shares represent 9.8% and Tranche II warrant shares represent 5.0% of the aggregate of the currently issued and outstanding voting shares of the Company. Tranche I, when fully vested, will give Amazon a right to purchase up to an aggregate of 1.59 million shares and Tranche II will give a right to purchase an aggregate of 0.8 million shares. The exercise price of Tranche I is $91.78 per voting share. The exercise price for Tranche II is $186.57 per voting share. 0.4 million warrant shares of Tranche I vested immediately upon the execution of the agreement. Vesting of additional warrants is tied to the revenue generated by Amazon and its affiliates aggregated to an amount specified in the agreement of up to a maximum of $400 for Tranche I. Upon full vesting under Tranche I, vesting of Tranche II warrants will be tied to additional revenue above the Tranche I amounts generated by Amazon and its affiliates aggregated to an amount specified in the agreement of up to a maximum of $200. Tranche I is exercisable in accordance with its terms through February 23, 2026 and Tranche II is exercisable in accordance with its terms through February 23, 2027.

The Company has determined that the warrants are a derivative instrument and should be classified as a liability in accordance with IAS 32 and IFRS 9. The financial instruments are initially recorded at fair value and are then revalued at each reporting date. The initial fair value of the warrants of $72.6 issued to Amazon on August 23, 2019 was recorded as stock warrant obligations, having a fair value of $32.67 per warrant for Tranche I and $25.81 per warrant for Tranche II.

The fair value of warrants under Tranche I and Tranche II was determined using an American option pricing model utilizing Monte Carlo simulation and was classified within Level 3 of the fair value hierarchy. See Note 20 Financial Instruments. The corresponding contract asset was recognized at inception and will amortize against revenue in proportion to the payments to date over the total forecasted payments specified in the agreement. Based on the estimated total forecasted payments, warrants under Tranche II are not expected to vest. The fair value of the stock warrant obligations was revalued using the same American option pricing model utilizing Monte Carlo simulation and resulted in a loss of $13.6 during the six month period ended June 30, 2024 (2023 – gain of $38.4).

(unaudited - Canadian dollars in millions except where noted)

The activity in contract assets and stock warrant obligations during the six month period ended June 30, 2024 and the year ended December 31, 2023 is summarized below:

	June 30, 2024	December 31, 2023
Contract Assets	$	$
Stock warrant and other contract assets - beginning of period	24.3	56.9
Less: Amortization during the period	(4.7)	(32.6)
Contract assets - end of period	19.6	24.3
Stock warrant obligations		
Stock warrant obligations - beginning of period	52.8	97.7
Fair value increase (decrease) during the period	13.6	(44.9)
Stock warrant obligations - end of period	66.4	52.8

B. DHL

On March 28, 2022, the Company entered into a stock warrant agreement with DHL Aviation (Netherlands) B.V. ("DHL") and its affiliates. This agreement is in conjunction with DHL's Consolidated Charter Agreement to provide air transportation services on ACMI basis (by providing aircraft, crew, maintenance and insurance) for DHL's global network for a term of five years with a renewal option for an additional two years.

Under the agreement, the Company issued warrants to DHL for the opportunity to purchase variable voting shares that will vest based on the achievement of commercial milestones related to DHL's existing business with the Company ("Existing Business Warrant Shares") and on achievement of growth targets ("Growth Business Warrant Shares"). The warrant agreement grants DHL the right to acquire up to 10.2% of the issued and outstanding voting shares. Existing Business Warrant Shares represent 5.9% and Growth Business Warrant Shares represent 4.3% of the aggregate of the currently issued and outstanding voting shares of the Company. Existing Business Warrant Shares, when fully vested, will give DHL a right to purchase up to an aggregate of 0.9 million shares and Growth Business Warrant Shares will give a right to purchase an aggregate of 0.7 million shares. The exercise price of both Existing and Growth Warrant Shares is $158.92 per voting share. 0.4 million warrant shares or 2% of Existing Business Warrant Shares vested immediately upon the execution of the agreement. Vesting of warrants is tied to the revenue generated by DHL aggregated to an amount specified in the agreement of up to $2,300 in business volume during the term. Existing and Growth Warrant Shares are exercisable in accordance with their terms through April 30, 2029.

The Company has determined that the warrants are a derivative instrument and should be classified as a liability in accordance with IAS 32 and IFRS 9. The financial instruments are initially recorded at fair value and are then revalued at each reporting date. The initial fair value of the warrants of $104.5 issued to DHL on March 28, 2022 was recorded as stock warrant obligations, having a fair value of $63.50 per warrant.

(unaudited - Canadian dollars in millions except where noted)

The fair value of warrants was determined using an American option pricing model utilizing Monte Carlo simulation and was classified within Level 3 of the fair value hierarchy. See Note 20 Financial Instruments. The corresponding contract asset was recognized at inception and will amortize against revenue in proportion to the payments to date over the total forecasted payments specified in the agreement. The fair value of the stock warrant obligations was revalued as at June 30, 2024 using the same American option pricing model utilizing Monte Carlo simulation and resulted in a loss of $17.9 during the six month period ended June 30, 2024 (2023 – gain of $18.9).

The activity in contract assets and stock warrant obligations during the six month period ended June 30, 2024 and the year ended December 31, 2023 is summarized below:

	June 30, 2024	December 31, 2023
Contract Assets	$	$
Stock warrant and other contract assets - beginning of period	89.3	99.2
Less: Amortization during the period	(6.0)	(9.9)
Contract assets - end of period	83.3	89.3
Stock warrant obligations		
Stock warrant obligations - beginning of period	57.3	57.1
Fair value increase during the period	17.9	0.2
Stock warrant obligations - end of period	75.2	57.3

(unaudited - Canadian dollars in millions except where noted)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Balance as at January 1, 2024	Additions	Transfers	Adjustments	Balance as at June 30, 2024
	$	$	$	$	$
Aircraft hull	857.5	2.3	20.9	(0.8)	879.9
Engines	911.3	-	13.4	(20.8)	903.9
Right of use assets	80.5	1.3	-	-	81.8
Spare parts	12.1	2.3	-	-	14.4
Ground equipment	68.4	0.1	-	-	68.5
Rotable spares	84.8	5.0	(0.4)	-	89.4
Computer hardware and software	16.2	0.1	-	-	16.3
Furniture and fixtures	5.7	0.1	-	-	5.8
Leasehold improvements	25.4	0.1	-	-	25.5
Vehicles	4.1	-	-	-	4.1
Hangar and cross-dock facilities	44.4	-	1.9	-	46.3
Property, plant and equipment under development	72.8	38.3	(35.8)	(1.1)	74.2
Deferred heavy maintenance	187.0	10.4	-	-	197.4
	2,370.2	60.0	-	(22.7)	2,407.5

Accumulated depreciation & adjustments	Balance as at January 1, 2024	Depreciation	Adjustments	Balance as at June 30, 2024	Net Book Value as at June 30, 2024
	$	$	$	$	$
Aircraft hull	208.0	20.8	(0.8)	228.0	651.9
Engines	316.4	44.1	(20.8)	339.7	564.2
Right of use assets	46.5	5.3	-	51.8	30.0
Spare parts	-	-	-	-	14.4
Ground equipment	37.0	2.3	-	39.3	29.2
Rotable spares	41.2	3.8	-	45.0	44.4
Computer hardware and software	14.0	0.5	-	14.5	1.8
Furniture and fixtures	3.6	0.2	-	3.8	2.0
Leasehold improvements	16.5	0.5	-	17.0	8.5
Vehicles	2.7	0.1	-	2.8	1.3
Hangar and cross-dock facilities	15.5	1.0	-	16.5	29.8
Property, plant and equipment under development	-	-	-	-	74.2
Deferred heavy maintenance	101.8	8.7	-	110.5	86.9
	803.2	87.3	(21.6)	868.9	1,538.6

(unaudited - Canadian dollars in millions except where noted)

Cost	Balance as at January 1, 2023	Additions	Transfers	Assets Held for Sale and Adjustments	Balance as at December 31, 2023
	$	$	$	$	$
Aircraft hull	683.5	44.5	132.3	(2.8)	857.5
Engines	756.8	8.2	165.0	(18.7)	911.3
Right of use assets	67.7	12.8	-	-	80.5
Spare parts	12.9	-	-	(0.8)	12.1
Ground equipment	63.6	4.7	0.2	(0.1)	68.4
Rotable spares	79.6	5.5	-	(0.3)	84.8
Computer hardware and software	15.8	0.4	-	-	16.2
Furniture and fixtures	5.5	0.2	-	-	5.7
Leasehold improvements	25.2	-	0.2	-	25.4
Vehicles	4.0	0.1	-	-	4.1
Hangar and cross-dock facilities	44.3	0.1	-	-	44.4
Property, plant and equipment under development	383.1	229.9	(315.1)	(225.1)	72.8
Deferred heavy maintenance	145.2	24.4	17.4	-	187.0
	2,287.2	330.8	-	(247.8)	2,370.2

Accumulated depreciation & adjustments	Balance as at January 1, 2023	Depreciation	Adjustments	Balance as at December 31, 2023	Net Book Value December 31, 2023
	$	$	$	$	$
Aircraft hull	165.5	43.5	(1.0)	208.0	649.5
Engines	242.1	92.0	(17.7)	316.4	594.9
Right of use assets	36.1	10.4	-	46.5	34.0
Spare parts	-	-	-	-	12.1
Ground equipment	32.5	4.6	(0.1)	37.0	31.4
Rotable spares	33.9	7.4	(0.1)	41.2	43.6
Computer hardware and software	12.9	1.1	-	14.0	2.2
Furniture and fixtures	3.1	0.5	-	3.6	2.1
Leasehold improvements	15.5	1.0	-	16.5	8.9
Vehicles	2.4	0.3	-	2.7	1.4
Hangar and cross-dock facilities	13.7	1.8	-	15.5	28.9
Property, plant and equipment under development	-	-	-	-	72.8
Deferred heavy maintenance	85.9	15.9	-	101.8	85.2
	643.6	178.5	(18.9)	803.2	1,567.0

Property, plant and equipment under development of $74.2 as at June 30, 2024 relates to purchase and/or modification primarily of aircraft and aircraft engines that are not yet available for use (December 31, 2023 - $72.8).

Right of use assets consists of hangars, warehouses, offices and one Boeing 767-200 aircraft on lease.

Depreciation expense on property, plant and equipment for the three and six month periods ended June 30, 2024 totaled $42.5 and $87.3 (2023 - $43.3 and $83.3) out of which $42.1 and $86.4 (2023 – $42.7 and $82.3) was recorded in direct expenses and $0.4 and $0.9 (2023 - $0.5 and $1.0) was recorded in general and administrative expenses.

Costs of engine overhauls are capitalized and amortized on a straight-line basis over the period to the next overhaul. The accumulated depreciation and the corresponding cost before the overhaul are derecognized. During the six months ended June 30, 2024, the Company derecognized cost and accumulated depreciation of $20.8 (2023 - $11.0) related to the previous engine overhauls.

During the six month period ended June 30, 2024, the Company wrote off $1.1 related to the facility for a simulator which will no longer be used (2023 - $nil).

Sale of aircraft and simulator

During the six month period ended June 30, 2024, the Company sold four Boeing 777-200 aircraft, one simulator and one Beechcraft aircraft for proceeds of $130.5, resulting in gain of $17.1. Out of the $130.5 proceeds, $29.2 was received in 2023 as deposits and payments of $101.3 were received during the first quarter of 2024.

Assets held for sale

As of June 30, 2024, assets held for sale include $3.7 in one Beechcraft aircraft, that was purchased for crew transportation. The Company expects to complete the sale later in the year.

6. INVESTMENT IN ASSOCIATE

On August 10, 2021, the Company acquired an investment in Avia Acquisition LLC for cash consideration of $6.5 and a participation interest in Avia notes that entitles the Company to receive any payment of principal and accrued interest therein for cash consideration of $2.9. The Company applied equity accounting on the investment, and recognized $9.4 as the value of the investment at inception. 21 Air, which is wholly owned by Avia Acquisition LLC, is one of the vendors of the Company and is principally engaged in providing ACMI, Crew, Maintenance and Insurance (“CMI”) and charter services from Miami, Florida. Avia Acquisition LLC is not a publicly listed Company. During the six month period ended June 30, 2024, Avia Acquisition LLC generated a net gain of $2.5 (2023 – loss of $0.8) and the Company’s share of the net gain was $0.6 (2023 – loss of $0.2). The Company increased the value of the investment by the share of the net gain. No dividend was declared or paid by Avia Acquisition LLC during the period.

(unaudited - Canadian dollars in millions except where noted)

Summarized financial information in respect of the Company's associate is as follows:

	June 30, 2024	December 31, 2023
	$	$
Current assets	20.7	14.4
Non-current assets	19.0	27.9
Total assets	39.7	42.3
Current liabilities	26.7	23.0
Non-current liabilities	19.4	24.8
Total liabilities	46.1	47.8
Net	(6.4)	(5.5)

	Six month period ended June 30,	
	2024	2023
	$	$
Revenue	46.3	34.2
Expenses	43.8	35.0
Net gain (loss)	2.5	(0.8)
Company's share of net gain (loss)	0.6	(0.2)

Movement in investment in associate balance

	Six month period ended June 30,	
	2024	2023
	$	$
Investment in associate - beginning of period	7.3	7.4
Company's share of net gain (loss)	0.6	(0.2)
Investment in associate - end of period	7.9	7.2

Reconciliation of carrying amount

	June 30, 2024	December 31, 2023
	$	$
Net liability	(6.4)	(5.5)
Company's share	(1.6)	(1.4)
Goodwill	6.6	5.8
Notes participation	2.9	2.9
Investment in associate	7.9	7.3

(unaudited - Canadian dollars in millions except where noted)

As at June 30, 2024, the Company has $2.9 in long-term loan receivable from 21 Air (December 31, 2023 - $2.9). This long-term loan receivable carries interest at US prime rate plus 1% and is payable on demand. During the six month period ended June 30, 2024, the Company accrued interest of $0.1 (2023 - $0.1).

7. NET DEBT RECONCILIATION

The analysis of net debt as at June 30, 2024 and December 31, 2023 is presented below:

	June 30, 2024	December 31, 2023
	$	$
Cash	4.6	31.8
Gross debt - repayable within one year	(136.1)	(22.9)
Gross debt - repayable after one year	(569.1)	(776.3)
Net debt	(700.6)	(767.4)
Cash	4.6	31.8
Gross debt - fixed interest rates	(339.1)	(345.3)
Gross debt - variable interest rates	(366.1)	(453.9)
Net debt	(700.6)	(767.4)

	Cash / bank overdraft	**Lease liabilities**	**Borrowing**	**Debentures**	**Total**
	$	$	$	$	$
Net debt as at January 1, 2023	6.1	(89.0)	(308.4)	(309.6)	(700.9)
Cash flows	25.7	42.7	(145.5)	86.3	9.2
Loss on extinguishment of lease liabilities	-	(0.2)	-	(0.3)	(0.5)
Acquisitions - leases	-	(66.1)	-	-	(66.1)
Interest accretion	-	(8.0)	-	(2.6)	(10.6)
Foreign exchange adjustment	-	1.5	-	-	1.5
Net debt as at December 31, 2023	31.8	(119.1)	(453.9)	(226.2)	(767.4)
Cash flows	(27.2)	14.2	87.8	-	74.8
Interest accretion	-	(4.4)	-	(0.9)	(5.3)
Foreign exchange adjustment	-	(2.7)	-	-	(2.7)
Net debt as at June 30, 2024	4.6	(112.0)	(366.1)	(227.1)	(700.6)

8. SHARE-BASED COMPENSATION

Crew incentive program

The Company implemented a long-term incentive plan for its pilots in 2019. Under the plan, the Company provided an option of $0.1 of cash or a one-time grant of $0.1 value of deferred stock units (“DSU’s”) to all active crewmembers. One-half of the cash payment or DSUs was vested on June 30, 2023 and the second half will vest on June 30, 2026. For the purpose of this offer, the grant and valuation of DSUs took place on July 1, 2019 based on the market price of the Company’s shares on that date.

The Company further extended its long-term incentive plan for its pilots hired on April 1, 2020, or after. Under the plan, the Company provided an option of $0.1 of cash or a one-time grant of $0.1 value of deferred stock units (“DSU’s”) to all active crewmembers. The cash payment or DSUs will vest 50% on June 30, 2026, and the remaining 50% on June 30, 2029. For the purpose of this offer, the grant and valuation of DSUs took place on July 1, 2022 based on the market price of the Company’s shares on that date.

The Company again extended its long-term incentive plan for its pilots hired on July 1, 2022, or after. Under the plan, the Company provided an option of $0.1 of cash or a one-time grant of $0.1 value of deferred stock units (“DSU’s”) to all active crewmembers. The cash payment or DSUs will vest 50% on October 31, 2026, and the remaining 50% on October 31, 2029. For the purpose of this offer, the grant and valuation of DSUs took place on November 1, 2022 based on the market price of the Company’s shares on that date.

As the liability under the plan will be settled in cash based on the value of the common shares at a future date, the fair value of the service received is recognized as an expense/income with a corresponding increase/decrease in the liability at the end of each reporting period up to the date of the settlement. Changes in value will be recognized as crew cost in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income proportional to the period of service rendered by the employees.

As at June 30, 2024, the Company re-measured the fair value of DSUs granted to crew members and recorded a liability of $14.4 (December 31, 2023 – $10.0). For the six month period ended June 30, 2024, the Company recognized a cost of $4.4 in crew cost for the services rendered in the Consolidated Statements of Earnings and Comprehensive Income.

For the crew members who elected to receive $0.1 cash at the end of the vesting period, the Company also recognized a $0.6 as crew cost expenses for the services rendered for the six month period ended June 30, 2024, in the Consolidated Statements of Earnings and Comprehensive Income. As at June 30, 2024, the Company had a total liability of $3.4 (December 31, 2023 – $2.8) for the cash incentives.

Deferred share units

The Company implemented a DSU plan for its non-employee directors in 2020. According to the plan, each director receives a portion of his or her annual retainer in DSUs that is predetermined for the year end. The amount may only be amended in accordance with any amendments to the director's compensation program as adopted by the Board from time to time. Directors may also make a written election to receive a portion of their annual cash retainer in DSUs in lieu of cash. Any remaining portion of the annual retainer will be paid in cash. The annual DSU amount for each director is $0.1.

These DSUs vest upon grant. DSUs are redeemable only when the director ceases to be a member of the Board provided that he or she is not otherwise engaged or employed by the Company. The cost of the vested DSUs is recognized as a liability under share-based compensation plans in the Condensed Consolidated Interim Balance Sheet and a corresponding expense is recognized.

The DSUs accrue dividend equivalents according to the plan. Additional DSUs will be issued equal to the aggregate amount of dividends that would have been paid to the director if the DSUs in the director's account on the record date had been shares divided by the market price of the shares on the date on which dividends were paid by the Company equal to a whole number rounded down. Fractional DSU will be disregarded.

Thereafter, the liability will be re-measured to fair value based on the market price of the Company's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in selling, general and administrative expenses in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income.

During the period ended June 30, 2024, the Company granted 1,586 DSUs including dividend equivalents to the independent directors and credited them to their notional account. On April 11, 2024, one of the directors resigned from the Board and 5,068 DSUs outstanding in his notional account were cash settled. The Company disbursed a sum of $0.3 to the executive and remitted an amount of $0.3 equal to the monetary value of the tax obligation determined based on the market price of $110.32 per DSU. As of June 30, 2024, a total of 11,797 DSUs were outstanding in the directors' notional accounts with a carrying amount of liability of $1.6 (December 31, 2023 – 15,279 DSUs with carrying amount of liability of $1.8).

Restricted share units

The Company's Omnibus Plan provides the Company the ability to grant restricted share units ("RSUs") and options ("Options") to certain key executives, non-employee directors and senior management as part of its long-term incentive plan. Each RSU granted entitles the holder to one common voting share or one variable voting share of the Company on the settlement thereof. Each Option granted entitles the holder to one common voting share or one variable voting share of the Company on due exercise thereof or, if the holder duly elects a cashless exercise of the Option, the holder will receive that number of common voting shares or variable voting shares, as the case may be, equal to the excess of the five day volume weighted average trading price of the shares (as determined in accordance with the rules of the TSX) ending on the trading day before the exercise date of the Option (the "Market Price") over the exercise price of the Option, multiplied by the number of shares in respect of which the Option is exercised, divided by the Market Price, less any amount to be deducted or withheld in respect of taxes or otherwise pursuant to law. Option holders can also request to settle options in cash subject to the approval by the management of the Company.

(unaudited - Canadian dollars in millions except where noted)

During the six month period ended June 30, 2024, in accordance with the Omnibus Plan, the Company granted 13,827 RSUs to certain executives and consultants. Each RSU had an average value per share of $110.39 calculated as the volume weighted average closing price of the common voting shares of the Company on the TSX for the five trading days prior to the grant date. One-half of the RSUs vested immediately, and the second half will vest in the first quarter of 2025. Vested RSUs were settled in cash and net settled due to the Company's obligation to withhold tax equal to the tax obligation of the participant and the amount withheld was remitted to the tax authority. Accordingly, payments of $0.4 were issued to the senior management and consultants for vested RSUs and the Company remitted an amount of $0.4 equal to the monetary value of the tax obligation determined based on the Market Price of $110.39.

During the six month period ended June 30, 2024, the remaining 7,791 of the RSUs granted in 2022 were vested. Prior to vesting, and in accordance with the RSU Plan, the Company accrued notional dividends on the RSUs, equivalent to 90 RSUs that were also issued and vested upon the satisfaction of the RSUs vesting conditions. Vested RSUs were net settled due to the Company's obligation to withhold tax equal to the tax obligation of the participant and the amount withheld was remitted to the tax authority per the terms and conditions of the RSU Plan. Accordingly, 3,659 shares were issued to the senior management for vested RSUs and the Company remitted an amount of $0.5 equal to the monetary value of the tax obligation determined based on the Market Price of $110.39 per share of 4,219 shares withheld that otherwise would have been issued upon vesting.

During the six month period ended June 30, 2024, in accordance with the Omnibus Plan, the Company also granted 25,872 RSUs to certain other executives. Each RSU had an average value per share of $119.55 calculated as the volume weighted average closing price of the common voting shares of the Company on the TSX for the five trading days prior to the grant date. One-third of the RSUs vested immediately, and one-third will vest in the first quarter of 2025 and 2026, respectively. Vested RSUs were settled in cash and net settled due to the Company's obligation to withhold tax equal to the tax obligation of the participant and the amount withheld was remitted to the tax authority. Accordingly, payments of $0.5 were issued to the senior management and consultants for vested RSUs and the Company remitted an amount of $0.5 equal to the monetary value of the tax obligation determined based on the Market Price of $119.55.

The RSU activity for the six month period ended June 30, 2024 and the year ended December 31, 2023 is summarized below:

RSUs	Number of RSUs	Fair value $
Balance at January 1, 2023	23,413	1.8
Share dividend	116	-
Share based compensation - vested and settled	(15,738)	(1.0)
Share based compensation - unvested and amortized	-	(0.7)
Balance at December 31, 2023	7,791	0.1
Share dividend	90	-
Granted during the period	39,699	4.6
Share based compensation - vested and settled	(23,274)	(1.8)
Share based compensation - unvested and amortized	-	(1.0)
Balance at June 30, 2024	24,306	1.9

(unaudited - Canadian dollars in millions except where noted)

During the six month period ended June 30, 2024, the total share-based compensation expense of $2.8 related to the RSUs was included in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income (June 30, 2023 – $1.2). As at June 30, 2024, unrecognized share-based compensation expense related to these RSUs was $1.9 on 24,306 outstanding RSUs (December 31, 2023 – $0.1 on 7,791 RSUs).

Options

The Options activity during the six month period ended June 30, 2024 and for the year ended December 31, 2023 is summarized below:

OPTIONS	Number of Options	Weighted average exercise price
Balance as at December 31, 2023	92,904	123.71
Granted during the period	43,637	119.23
Exercised during the period	(9,057)	104.36
Balance as at June 30, 2024	127,484	123.60
Vested & exercisable at June 30, 2024	52,481	131.75

As at June 30, 2024, there were 52,481 vested Options outstanding (December 31, 2023 – 38,531) and the weighted average contractual life remaining of the outstanding vested Options is 2.0 years (December 31, 2023 – 1.7 years).

During the period ended June 30, 2024, participants of the stock option plan exercised 2,964 Options granted on November 29, 2019, 4,266 Options granted on March 5, 2020, and 1827 Options granted on March 17, 2023, when the average volume weighted average trading price per share was $126.5. The Company settled the Options at the request of option holders in cash pursuant to the Stock Option Plan. The cash disbursed to the participants was net of the obligation to withhold tax equal to the tax obligation of each participant and the Company remitted the amount withheld to the tax authority per the terms and conditions of the Stock Option Plan.

During the six-month period ended June 30, 2024, the fair value of options was determined, and the Company recognized an expense of $1.2 in bonuses and incentives expense in the Consolidated Statements of Earnings and Comprehensive Income with corresponding adjustment in the liability (June 30, 2023 – gain of $0.5). As at June 30, 2024, the Company had a total liability of $3.4 (December 31, 2023 – $2.2) for Options.

(unaudited - Canadian dollars in millions except where noted)

Weighted average assumptions on grant date

	14-Jun-24	17-Mar-23	17-Dec-22	13-May-22	16-Mar-21	5-Mar-20	29-Nov-19
	Series 10	**Series 9**	**Series 8B**	**Series 8A**	**Series 7**	**Series 6**	**Series 5**
Exercise price redemption	119.23	$108.05	$123.68	$147.98	$176.56	$104.95	$98.90
Expected volatility	41.32%	40.89%	40.10%	36.45%	34.62%	28.51%	28.47%
Option life in years	5	5	5	5	5	5	5
Dividend yield	1.03%	1.06%	0.94%	0.74%	0.59%	0.87%	0.94%
Risk-free rate	4.00%	2.75%	2.75%	1.25%	0.25%	1.25%	1.00%
Vesting period	2025-2027	2024-2026	2023-2025	2023-2025	2022-2024	2021-2023	2020-2022
Options granted	43,637	38,144	1,486	19,543	12,357	26,168	29,915
Options outstanding	43,637	35,342	1,486	18,278	12,086	10,955	5,701
Fair value per option on grant date	$45.81	$38.96	$44.37	$46.37	$50.64	$25.85	$23.66
Fair value per option on June 30, 2024	$60.81	$60.15	$52.07	$39.11	$20.52	$41.03	$43.43

Performance share units

The Company's performance share unit plan (the "PSU Plan") provides the Company the ability to grant PSUs to certain of its executive officers and senior management as part of its long-term incentive plan. The plan consists of three-year cash settled units based on total value of the units awarded multiplied by the performance factors. The PSUs will vest over a three-year period but are settled only at the end of the third year. The multiplier is linked 50 percent to return on invested capital ("ROIC") and 50 percent on relative total shareholder returns ("TSR"). The Board of Directors will approve the ROIC target for each year and Company's TSR versus TSX is to be calculated on a three-year cycle. Overachievement against targets will result in eligibility for a multiplier ranging from zero to the maximum specific to each executive. Vesting is not affected by ROIC or TSR performance.

During the six month period ended June 30, 2024, out of the 7,093 PSUs granted in 2021, 323 PSUs were forfeited and all others fully vested at the end of the three-year period. Based on the achievement of performance objectives relating to TSR and ROIC, the previously granted performance units were adjusted to 6,020 units. The Company also accrued notional dividends on the PSUs, equivalent to 167 units that were also issued and vested upon the satisfaction of the PSUs vesting conditions. The Company settled the vested PSUs in cash at Market Price of the share pursuant to the PSU Plan. As of June 30, 2024, an amount of $0.3 was disbursed to the executives, net of the tax obligation of each participant and $0.3 was remitted to the tax authority.

During the six month period ended June 30, 2024, the Company also granted 33,532 PSUs to its executives (2023 – 27,512). The fair value of the units for the TSR was determined using Monte Carlo simulation based on the estimated market price per share, risk free discount rate, volatility and applicable multiplier on the date of the settlement and for the ROIC was determined by dividing the net profit after tax with the capital invested including debt.

A net cost of $1.8 was recognized in bonus and incentive expense during the six month period ended June 30, 2024 (2023 – a cost of $1.2) with a corresponding amount in liability. As at June 30, 2024, the Company had an outstanding liability of $5.6 on 73,997 PSUs (December 31, 2023 – $4.5 on 47,558 PSUs).

(unaudited - Canadian dollars in millions except where noted)

9. BORROWINGS

The balance of borrowings as at June 30, 2024 and December 31, 2023 consists of the following:

	June 30, 2024	December 31, 2023
	$	$
Delayed-draw term loan facility	303.6	426.9
Revolving credit facility	62.5	27.0
	366.1	453.9
Long-term portion	366.1	453.9

Revolving syndicate credit facility and term loan

The Company has a syndicated committed revolving credit facility with a syndicate of financial institutions (collectively, the “Lenders”), in respect of which Royal Bank of Canada acts as administrative agent, under which a revolving operating credit facility (the “Credit Facility”) and a delayed-draw term facility (the “DDTL Facility” and, together with the Credit Facility, the “Facilities”) availed through its subsidiary Cargojet Airways Ltd., as borrower. The maturity date of the Facilities is July 22, 2027.

In June 2024, the Company amended its Credit Facility to transition from Canadian Dollar Offered Rate ("CDOR") to Canadian Overnight Repo Rate Average (“CORRA”) as CDOR was discontinued. All references to CDOR were replaced with CORRA.

The Credit Facility has a revolving borrowing capacity of up to $600, subject to certain conditions. The Company is not required to create any additional security on newly acquired aircraft and aircraft lease buybacks unless and until the Total Adjusted Leverage Ratio exceeded 2.0 as at the end of any fiscal quarter.

The DDTL was established with a limit up to an aggregate amount of US$400. The DDTL Facility was available to be drawn until January 22, 2024 by way of advances subject to minimum draws. As of January 22, 2024, a principal amount of US$322.9 ($427.0) was drawn under the DDTL Facility. Any undrawn amount under the DDTL Facility thus expired as of such date and the Company had no unused borrowing capacity left under the DDTL Facility. During the six month period ended June 30, 2024, the Company repaid US$90.2 ($123.4) under the DDTL Facility.

For each advance under the DDTL Facility, the borrower is required to pay a quarterly principal amortization payment in respect thereof in an amount equal to 1.25% of such advance. On the DDTL maturity date, the borrower shall pay all amounts then outstanding under the DDTL Facility. The DDTL Facility can be used for general purposes, including purchase of aircraft and other capital expenditures. The outstanding borrowings under the Credit Facility were rolled over and considered as withdrawals from the DDTL Facility. All terms and conditions of the DDTL Facility became applicable on said borrowings.

The Credit Facility bears interest payable monthly, at the lead Lender’s prime lending rate / US base rate plus 20 basis points to 250 basis points, depending on the currency of the advance and certain financial ratios of the Company. No scheduled repayments of principal are required under the Credit Facility prior to maturity. Amounts drawn on the Credit Facility may be advanced to the Company and its subsidiaries by way of intercompany loans. The Credit Facility is used primarily to finance the working capital requirements and capital expenditures of the Company and its subsidiaries.

The Facilities are secured by the following:

- general security agreement constituting a first ranking security interest over all personal property of Cargojet Airways Ltd., as borrower, subject to certain permitted encumbrances (including those of aircraft financing parties);
- guarantee and postponement of claim supported by a general security agreement constituting a first ranking security interest over all personal property of the Company and its other material subsidiaries subject to certain permitted encumbrances;
- charge over real property of the Company at Hamilton airport;
- security over aircraft owned by the Company which are otherwise unencumbered; and
- assignment of insurance proceeds.

The Facilities are available at the Company's option by way of advances in the form of prime rate loan, and CORRA loan, Secured Overnight Financial Rate ("SOFR") loan and US base rate loan in US dollars and letter of credits in Canadian or US dollars. Advances under the Facilities are repayable without any prepayment penalties and bear interest based on the prevailing prime rate, US base rate or at CORRA, as applicable, plus an applicable margin to those rates. The Facilities are subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the Lenders, and restrictions on the Company's ability to pay dividends in certain circumstances. The Facilities are also subject to the maintenance of a minimum fixed charge coverage ratio and a total adjusted leverage ratio.

The Company was in compliance with the terms of the lending agreements for the Facilities as at June 30, 2024 and 2023.

Included in the Condensed Consolidated Interim Statement of Earnings and Comprehensive Income for the three and six month periods ended June 30, 2024 was interest expense on the facility and DDTL of $7.3 and $15.0 respectively (2023 - $6.9 and $10.6 respectively).

The Company has provided irrevocable standby letters of credit totaling $1.3 to financial institutions as security for its loan, corporate credit cards and to several vendors as security for the Company's ongoing purchases. The letters of credit expire unless further renewed.

10. LEASE LIABILITIES

The Company has lease arrangements for two Boeing 767-300 aircraft that include a bargain purchase option. The estimated effective interest rates for these leases are 6.7% and 6.4% respectively. These leases are deemed to be maturing on the exercise date of the bargain purchase options in October 2027 and June 2030 respectively. As at June 30, 2024, the total outstanding balance of these lease arrangements is $76.6 (December 31, 2023 - $79.7), out of which $12.7 (December 31, 2023 - $11.8) is presented as a current liability on the Condensed Consolidated Interim Balance Sheets.

As at June 30, 2024, the Company also has $30.0 (December 31, 2023 - $34.0) of right of use assets and $35.4 (December 31, 2023 - $39.4) of lease liabilities, which consists of hangars, warehouses, offices and one Boeing 767-200 aircraft, out of which $9.3 (December 31, 2023 - $11.1) is presented as a current liability on the Condensed Consolidated Interim Balance Sheets.

The following is a schedule of future minimum annual lease payments for aircraft, hangars, offices and warehouses under leases together with the balance of the obligations as at June 30, 2024:

(unaudited - Canadian dollars in millions except where noted)

	Minimum lease payments	Present value of minimum lease payments
	$	$
Not later than one year	28.9	21.9
Later than one year and not later than five years	75.2	60.2
Later than five years	32.4	29.7
	136.5	111.8
Less: interest	24.5	-
Total obligations under leases	112.0	111.8
Less: current portion	22.0	22.0
Non-current portion	90.0	89.8

Interest amounts on the lease liabilities for the three and six month periods ended June 30, 2024 totaled $2.2 and $4.4 respectively (2023 - $1.6 and $3.4 respectively).

11. DEBENTURES

The balance of debentures as at June 30, 2024 and December 31, 2023 consists of the following:

	June 30, 2024	December 31, 2023
	$	$
Hybrid debentures - 5.75% due April 30, 2025	114.1	113.6
Hybrid debentures - 5.25% due June 30, 2026	113.0	112.6
Balance-end of period	227.1	226.2
Less: current portion	114.1	-
Non-current portion	113.0	226.2

Hybrid debentures – 5.75% due April 30, 2025

In April 2019, $115 of senior unsecured debentures were issued at a price of 1000 dollars per debenture with a term of six years due April 30, 2025. These debentures bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on April 30 and October 31 of each year, commencing October 31, 2019. The intended use of the net proceeds of the debentures is to pay down the Credit Facility and fund anticipated capital expenditures, including aircraft in the future.

On or after April 30, 2023, but prior to April 30, 2024, the debentures are redeemable, in whole at any time or in part from time to time at the option of the Company at a price equal to 102.875% of the principal amount of the debentures redeemed plus accrued and unpaid interest. On or after April 30, 2024, but prior to the maturity date of April 30, 2025, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on April 30, 2025, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company. The number of common shares to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the common shares.

(unaudited - Canadian dollars in millions except where noted)

In the event of a change in control, as defined in the indenture agreement, the Company will be required to make an offer to the holders of debentures to repurchase the debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest.

The 5.75% debentures were therefore recorded as a financial instrument. The debt was recorded at fair value of $110 net of deferred financing costs of $4.9. Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics are closely related to the host contract and therefore were not accounted for as separate financial instruments.

The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture. The balance of the hybrid debentures as at June 30, 2024 and December 31, 2023 consists of the following:

	June 30, 2024	December 31, 2023
	$	$
Principal balance - beginning of period	113.6	112.6
Accretion during the period	0.5	1.0
Balance - end of period	114.1	113.6

Interest expense on the hybrid debentures for the three and six month periods ended June 30, 2024 totaled $1.9 and $3.8 respectively (June 30, 2023 - $1.9 and $3.7 respectively).

Hybrid debentures – 5.25% due June 30, 2026

In July 2020, $115 of senior unsecured debentures were issued at a price of 1000 dollars per debenture with a term of six years due June 30, 2026. These debentures bear a fixed interest rate of 5.25% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2020. The intended use of the net proceeds of the debentures is to pay down the Credit Facility and fund anticipated capital expenditures, including aircraft in the future.

On or after June 30, 2023, but prior to June 30, 2024, the debentures are redeemable, in whole at any time or in part from time to time at the option of the Company at a price equal to 103.9375% of the principal amount of the debentures redeemed plus accrued and unpaid interest. On or after June 30, 2024, but prior to June 30, 2025 the debentures are redeemable, in whole at any time or in part from time to time at the option of the Company at a price equal to 102.625% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On or after June 30, 2025 but prior to the maturity date of June 30, 2026, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on June 30, 2026, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company. The number of common shares to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the common shares.

In the event of a change in control, as defined in the indenture agreement, the Company will be required to make an offer to the holders of the debentures to repurchase the debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest.

(unaudited - Canadian dollars in millions except where noted)

The 5.25% debentures were therefore recorded as a financial instrument. The debt was recorded at fair value of $109.9 net of deferred issuance costs of $5.1. Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics of certain prepayment options are not closely related to the host contract and therefore required to be accounted for as separate financial instruments.

The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture. The balance of the hybrid debentures as at June 30, 2024 and December 31, 2023 consists of the following:

	June 30, 2024	December 31, 2023
	$	$
Principal balance - beginning of period	112.6	111.8
Accretion during the period	0.4	0.8
Balance - end of period	113.0	112.6

Interest expense on the hybrid debentures for the three and six month periods ended June 30, 2024 totaled $1.7 and $3.5 respectively (June 30, 2023 - $1.7 and $3.4 respectively).

12. INCOME TAXES

The reconciliation between the Company’s statutory and effective tax rate are as follows:

	Three month periods ended June 30,		Six month periods ended June 30,	
	2024	2023	2024	2023
	$	$	$	$
(Loss) earnings before income taxes	(13.4)	30.7	24.2	65.4
Provision for income taxes at statutory rate of 26.5% (2023 - 26.5%)	(3.6)	8.1	6.4	17.3
Adjustment:				
Share based compensation	0.5	(0.2)	0.6	-
Meals and entertainment	-	-	0.2	-
Stock warrant	14.7	(8.3)	11.6	(13.6)
Non-taxable capital gains	-	-	(2.1)	-
Provision for income taxes	11.6	(0.4)	16.7	3.7

(unaudited - Canadian dollars in millions except where noted)

The tax effect of significant temporary differences are as follows:

	December 31, 2023	Recognized in earnings	June 30, 2024
	$	$	$
Property, plant and equipment	163.5	4.9	168.4
Operating loss carryforward	(39.7)	4.8	(34.9)
Licenses	0.3	-	0.3
Intangible assets	(0.3)	-	(0.3)
Equity transaction cost	(1.7)	0.4	(1.3)
Pension costs	(2.7)	2.6	(0.1)
Swap valuation adjustment	(1.9)	5.8	3.9
Long-term incentive plan	(5.0)	(1.6)	(6.6)
Deferred heavy maintenance	36.9	(0.2)	36.7
Net deferred income tax liability	149.4	16.7	166.1
Deferred income taxes assets	5.4	(5.4)	-
Deferred income taxes liabilities	154.8	11.3	166.1

13. DIRECT EXPENSES

	Three month periods ended June 30, 2024	2023	Six month periods ended June 30, 2024	2023
	$	$	$	$
Fuel costs	50.7	41.6	102.2	93.7
Maintenance costs	19.8	17.0	39.8	34.7
Heavy maintenance amortization	4.6	4.2	8.7	7.6
Aircraft costs	4.4	6.7	7.6	13.1
Crew costs	28.3	19.7	53.9	44.0
Depreciation	37.5	38.5	77.7	74.7
Ground services	19.9	16.5	39.3	36.8
Airport services	9.4	10.5	21.3	24.0
Navigation and insurance	11.1	12.5	21.7	24.9
Direct expenses	185.7	167.2	372.2	353.5

(unaudited - Canadian dollars in millions except where noted)

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month periods ended June 30, 2024	2023	Six month periods ended June 30, 2024	2023
	$	$	$	$
Salaries and benefits	10.5	9.8	20.4	18.5
Depreciation	0.4	0.5	0.9	1.0
Net realized foreign exchange gain	-	(1.1)	(0.1)	(2.1)
Bonuses, incentives and management fees	5.5	(0.5)	6.4	1.4
Audit, legal and consulting	1.2	1.0	1.8	2.1
IT network and communications	1.6	1.3	2.7	2.7
Sales and marketing expenses	0.5	0.3	1.2	1.1
Subscription and office supplies	1.1	1.1	2.6	2.3
Other selling, general and administrative	2.8	2.1	5.1	5.2
Selling, general and administrative expenses	23.6	14.5	41.0	32.2

15. FINANCE COSTS

	Three month periods ended June 30, 2024	2023	Six month periods ended June 30, 2024	2023
	$	$	$	$
Interest on leases	2.2	1.7	4.4	3.4
Interest on swap derivatives	2.2	2.0	4.3	3.9
Interest on debentures	3.7	5.0	7.3	10.1
Credit facilities and other interest	7.1	6.9	14.5	10.7
Borrowed interest capitalized	-	(2.1)	-	(4.5)
Finance costs	15.2	13.5	30.5	23.6

16. OTHER LOSS (GAIN), NET

	Three month periods ended June 30, 2024	2023	Six month periods ended June 30, 2024	2023
	$	$	$	$
Impairment on property, plant and equipment[1]	-	-	1.1	-
Unrealized foreign exchange loss (gain)	0.7	(0.7)	2.0	(0.7)
Loss (gain) on disposal of property, plant and equipment and assets held for sale[1]	1.2	2.7	(17.3)	2.7
Other loss (gain), net	1.9	2.0	(14.2)	2.0

[1] See Note 5, Property, plant and equipment

17. SHAREHOLDERS' CAPITAL

On November 9, 2023, Cargojet commenced a Normal Course Issuer Bid ("NCIB"). The NCIB allows the Company to repurchase, at its discretion, up to 1,500,000 common voting shares and variable voting shares (together, "Voting Shares") in the open market, subject to the standard terms and limitations. The program will terminate on November 8, 2024. Under the NCIB, other than purchases made under block purchase exemptions, Cargojet may purchase up to the daily limit, as approved by TSX, on the TSX during any trading day, which represents approximately 25% of the average daily trading volume, as calculated in accordance with TSX rules.

During the six months ended June 30, 2024, the Company purchased for cancellation an aggregate of 0.7 million Voting Shares under the NCIB for a total cost of $82.6, including $1.6 share buyback tax. A corresponding amount of $82.6 was recorded in shareholder's equity including $23.4 under shareholders' capital and $59.2 under retained earnings.

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market.

As at June 30, 2024, the obligation for the repurchase of $20.0 was recognized in trade and other payable under the ASPP liability and a corresponding amount of $20.0 was recorded in shareholder's equity, including $6.4 under shareholders' capital and $13.6 under retained earnings.

a) Authorized

The Company is authorized to issue an unlimited number of no par value common voting shares, variable voting shares and preferred shares. The common voting shares are held only by shareholders who are "Canadian" as such term is defined in the Canada Transportation Act. The variable voting shares are held only by shareholders who are not Canadian. Under the articles of incorporation and bylaws of the Company, any common voting share that is sold to a non-Canadian is automatically converted to a variable voting share. Similarly, a variable voting share that is sold to a Canadian is automatically converted to a common voting share.

Variable voting shares carry one vote per share held, except where (i) the number of issued and outstanding variable voting shares exceeds 25% of the total number of all issued and outstanding common and variable voting shares, or (ii) the total number of votes cast by or on behalf of the holders of variable voting shares at any meeting on any matter on which a vote is to be taken exceeds 25% of the total number of votes that may be cast at such meeting.

If either of the above noted thresholds is surpassed at any time, the vote attached to each variable voting share will decrease automatically without further act or formality. Under the circumstances described in (i) above, the variable voting shares as a class cannot carry more than 25% of the total voting rights attached to the aggregate number of issued and outstanding common and variable voting shares. Under the circumstances described in (ii) above, the variable voting shares as a class cannot, for a given shareholders' meeting, carry more than 25% of the total number of votes that may be cast at the meeting.

(unaudited - Canadian dollars in millions except where noted)

b) Issued and outstanding

The following table shows the changes in shareholders' capital for the period ended June 30, 2024:

	Number of shares	Amount
		$
Consisting of:		
Common voting shares	15,740,740	569.1
Variable voting shares	1,126,503	40.7
Outstanding - January 1, 2024	16,867,243	609.8
Changes during the period:		
Restricted share units, vested and exercised	3,659	0.5
Share buyback	(719,701)	(3.2)
	16,151,201	607.1
Consisting of:		
Common voting shares	13,912,403	522.9
Variable voting shares	2,238,798	84.2
Outstanding - June 30, 2024	16,151,201	607.1

Dividends

Dividends to shareholders declared for the three and six month periods ended June 30, 2024 amounted to $5.1 ($0.3146 per share) and $10.3 ($0.6292 per share) respectively and for the three and six month periods ended June 30, 2023 amounted to $4.9 ($0.2860 per share) and $9.8 ($0.5720 per share) respectively for both common and variable voting shares.

As at June 30, 2024, a dividend of $5.1 was payable to the shareholders (December 31, 2023 - $5.3).

18. NET EARNINGS PER SHARE

The following table shows the computation of basic earnings per share for the three and six month periods ended June 30, 2024 and 2023:

(unaudited - Canadian dollars in millions except where noted)

	Three month periods ended June 30,		Six month periods ended June 30,	
	2024	2023	2024	2023
Net (loss) earnings	$(25.0)	$31.1	$7.5	$61.7
Interest on debentures, net of taxes [1]	-	3.7	-	7.4
Net (loss) earnings for shareholders (diluted)	$(25.0)	$34.8	$7.5	$69.1
Weighted average number of shares	16.4	17.2	16.4	17.2
Dilutive impact of share - based awards, hybrid debentures and vested warrant number of shares	-	3.5	-	3.6
Diluted weighted average number of shares	16.4	20.7	16.4	20.8
Net (loss) earnings per share - basic	$(1.53)	$1.81	$0.46	$3.59
Net (loss) earnings per share - diluted	$(1.53)	$1.68	$0.46	$3.32

[1] Interest on debentures, net of tax was $2.7 and $5.3 for the three and six month periods ended June 30, 2024. The amounts are not included in the table above for the computation of diluted net earnings for shareholders as they are anti-dilutive.

19. EMPLOYEE BENEFITS

The Company has an unfunded defined benefit plan for one of its senior executives. The executive is entitled to receive benefit in the form of lump sum payments. During the six month period ended June 30, 2024, the Company paid the remaining amount of $9.8 (2023 - $9.7) to the executive from the benefit plan and accrued interest of $nil (2023 - $0.2) in respect of the defined pension plan. There was no pension liability outstanding as at June 30, 2024.

20. RELATED PARTY TRANSACTIONS

Head office

The Company entered into a lease agreement in February 2017 with respect to a 62,000 square feet head office and warehouse area that is indirectly and beneficially owned by one of the Company’s executive officers and directors. The lease will expire in 2032. The basic rent is subject to revision every five years at a predetermined rate per the terms of the lease.

During the six month period ended June 30, 2024, the Company made lease payments of $0.6 (2023 - $0.6), out of which $0.4 (2023 - $0.4) was adjusted towards principal payments against the liability and $0.2 (2023 - $0.2) was recorded as related interest cost. The Company also paid utilities, taxes, maintenance, insurance and other related costs for the leased premises. As at June 30, 2024, the Company had a liability of $7.5 (December 31, 2023 - $7.7) due under the lease.

(unaudited - Canadian dollars in millions except where noted)

Investment in associate

The Company acquired an investment in Avia Acquisition LLC in August 2019. See Note 6 Investment in Associate. 21 Air, which is wholly owned by Avia Acquisition LLC, is one of the vendors of the Company and provides charter services to the Company.

The Company also leased two Boeing 767-200 aircraft to 21 Air in October 2019 and January 2021 respectively. In the second quarter of 2024, both leases were extended to May 2027.

The following is the summary of transactions between the Company and 21 Air for the three and six month periods ended June 30, 2024 and 2023:

	Three month period ended		Six month period ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	$	$	$	$
Aircraft lease revenue	1.1	1.0	2.1	2.0
Engine lease revenue	0.1	0.4	0.4	0.6
Sub-charter expenses	-	0.1	-	0.8

21. FINANCIAL INSTRUMENTS

Total return swap

The Company has a total return swap agreement with a financial institution to manage its exposure related to options to be issued under the Stock Option Plan for certain employees and DSUs to be issued under the long-term incentive plan for its existing pilots. The Company also has an additional total return swap agreement with a financial institution to manage its exposure related to the warrants to be issued under the stock warrant agreement with DHL.

The Company did not designate the total return swap agreements as a hedging instrument for accounting purposes.

In May 2024, the Company amended the total return swap agreements to transition from CDOR to CORRA. Under the agreements, the Company pays interest based on CORRA on the total value of the notional equity amount of $138.2, which is equal to the total cost of the underlying shares. At the settlement of the total return swap agreements, the Company will receive or remit the net difference between the total value of the notional equity amount and the total proceeds of sale of the underlying shares.

As at June 30, 2024, the fair value measurement of the 260,000 and 822,500 underlying shares under the swap agreements in effect was an asset of $11.6 (December 31, 2023 – liability of $11.1). The fair value adjustment for the three and six month periods ended June 30, 2024 was a gain of $7.3 and $5.5 respectively for the 260,000 share units (2023 – loss of $3.6 and $5.3 respectively), and a gain of $23.1 and $17.1 respectively for the 822,500 share units (2023 – loss of $11.4 and $16.7 respectively).

The fair value of the total return swap is classified as level 3 under the fair value hierarchy and is determined by using the mark to market method provided by the financial institutions. An increase of 20% in the share price will result in a gain of $30.3 and a decrease of 20% in the share price will result in a loss of the same amount.

Fair values

The fair value of the 5.75% hybrid debentures due April 30, 2025 as at June 30, 2024, was approximately $110.1 (December 31, 2023 - $112.9). The fair value of the debentures was determined using the discounted cash flow method using a discount rate of 7.0%. The discount rate is determined by using the government of Canada's benchmark bond rate adjusted for the Company's specific credit risk. The debentures are categorized as Level 3 under the fair value hierarchy. An increase or decrease of 10% in the discount rate used for valuation of the debentures will decrease or increase the fair value by $0.6 respectively.

The fair value of the 5.25% hybrid debentures due June 30, 2026 as at June 30, 2024 was approximately $106.5 (December 31, 2023 - $108.8). The fair value of the debentures was determined using the discounted cash flow method using a discount rate of 7.0%. The discount rate is determined by using the government of Canada's benchmark bond rate adjusted for the Company's specific credit risk. The debentures are categorized as Level 3 under the fair value hierarchy. An increase or decrease of 10% in the discount rate used for valuation of the debentures will decrease or increase the fair value by $1.4 respectively.

The fair value of the performance share units due March 15, 2025, March 15, 2026 and March 15, 2027 are classified as Level 3 financial liabilities. As at June 30, 2024, the performance share units due March 15, 2025, March 15, 2026 and March 15, 2027 were valued at $2.1, $6.0 and $7.6 respectively (December 31, 2023 - March 15, 2025 at $1.7 and March 15, 2026 at $4.9). The Company used an option pricing model utilizing Monte Carlo simulation to value the TSR-PSUs and analytically valued the ROIC-PSUs at inception and on subsequent valuation dates. The discount rate was determined by using the Canadian deposit and swap rates adjusted for the Company's specific credit risk. Other significant inputs consisted of historical volatility and dividend rates.

The fair value of the warrant obligations was $141.6 as at June 30, 2024 (December 31, 2023 - $110.1). The revaluation resulted in a loss of $31.5 for the six month period ended June 30, 2024 (2023 – gain of $57.3). The warrants were classified as Level 3 derivative liabilities that are valued using an American option pricing model utilizing Monte Carlo simulation. Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. Significant unobservable inputs for the Amazon warrant obligation include volatility of the Company's common shares of 32.8% for tranche I and forecasted revenues from Amazon associated with this arrangement utilized to predict future vesting events. Other inputs include a risk-free rate of 4.6% and a dividend yield of 1.0%. Significant unobservable inputs for the DHL warrant obligation include volatility of the Company's common shares of 40.8% for tranche I and 40.8% for tranche II, and forecasted revenues from DHL associated with this arrangement utilized to predict future vesting events. Other inputs include a risk free rate of 3.5% and a dividend yield of 1.0%.

A significant increase in the volatility in isolation would result in a significantly higher fair value measurement. Changes in the values of the derivative liabilities were recorded in other gains or losses on the Company's Condensed Consolidated Interim Statements of Earnings and Comprehensive Income. A significant change to the forecasted revenues may change the vesting dates. Changes to the vesting dates will not significantly affect the fair value of the warrant obligations. For every increase or decrease of volatility by 10% with all other factors remaining the same, the estimated fair value of the Amazon warrants will increase by $1.2 and decrease by $1.0. For every increase or decrease in share price by 20% with all other factors remaining the same, the estimated fair value of warrants will increase by $31.5 or decrease by $28.6. For every increase or decrease of volatility by 10% with all other factors remaining the same, the estimated fair value of the DHL warrants will increase by $7.2 and decrease by $7.3. For every increase or decrease in share price by 20% with all other factors remaining the same, the estimated fair value of warrants will increase by $30.9 or decrease by $27.4.

The fair value of borrowings approximates their carrying value.

The fair values of all other financial assets and liabilities approximate their carrying values given the short-term nature of these items. The fair values of the interest rate swap are the estimated amounts the issuer would receive or pay to terminate the agreement at the reporting date. Unrealized gains on derivatives are recorded as derivative instrument assets and unrealized losses are recorded as derivative instrument liabilities in the Condensed Consolidated Interim Balance Sheets.

Credit risk

The Company's principal financial assets that expose it to credit risk are accounts receivable and loans receivable.

The Company is subject to risk of non-payment of accounts receivable and loans receivable. The amounts disclosed in the balance sheet represent the maximum credit risk and are net of allowances for bad debts, based on management estimates taking into account the Company's prior experience and its assessment of the current economic environment. The Company's trade receivables are concentrated among several of its largest customers with approximately 88.7% (December 31, 2023 – 90.1%) of total trade receivables on account of the Company's ten largest customers. However, the Company believes that the credit risk associated with these receivables is limited for the following reasons:

(a) Only a small portion (2.8%) of trade receivables are outstanding for more than 60 days and are considered past due. The Company considers all of these amounts to be fully collectible. Trade receivables that are not past due are also considered by the Company to be fully collectible. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9 which requires expected lifetime losses to be recognized from initial recognition of receivables. Such expected lifetime losses were immaterial and consistent with its past collection history, the Company has not recognized any significant provisions for bad debts.

(b) The Company mitigates credit risk by monitoring the creditworthiness of its customers.

(c) A majority of the Company's major customers are large public corporations with positive credit ratings and history.

(unaudited - Canadian dollars in millions except where noted)

Liquidity risk

The Company monitors and manages its liquidity risk to ensure it has access to sufficient funds to meet operational and investing requirements. The management of the Company is confident that future cash flows from operations, the availability of credit under existing bank arrangements, and current debt market financing is adequate to support the Company's financial liquidity needs. Available sources of liquidity include the Credit Facility with a Canadian chartered bank. The borrowing capacity is up to $600. As at June 30, 2024, $62.5 of borrowings were outstanding under the Credit Facility. The Company was in compliance with all covenants as at June 30, 2024. The undrawn amount under the DDTL Facility expired on January 22, 2024, and the Company had no unused borrowing capacity left under the DDTL Facility. As at June 30, 2024, $303.6 of borrowings were outstanding under the DDTL facility.

The Company has financial liabilities with varying contractual maturity dates. Total financial liabilities at June 30, 2024 based on contractual undiscounted payments are as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	$	$	$	$	$
Borrowings and debentures	114.1	113.0	366.1	-	593.2
Lease liabilities	22.0	15.5	44.8	29.7	112.0
Interest on leases	6.9	5.1	9.8	2.7	24.5
Interest on debentures	13.4	7.0	-	-	20.4
Trade and other payables	100.3	2.2	-	-	102.5
Share-based compensation	0.2	2.1	21.0	5.2	28.5
Dividends payable	5.1	-	-	-	5.1
Total	262.0	144.9	441.7	37.6	886.2

Total financial liabilities at December 31, 2023 based on contractual undiscounted payments are as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	$	$	$	$	$
Borrowings and debentures	-	113.6	566.5	-	680.1
Lease liabilities	22.9	17.6	44.3	34.3	119.1
Derivative financial instruments	11.1	-	-	-	11.1
Interest on leases	7.7	5.8	10.7	3.8	28.0
Interest on debentures	14.5	9.6	3.5	-	27.6
Trade and other payables	147.0	3.0	-	-	150.0
Share-based compensation	1.1	1.7	14.4	4.0	21.2
Dividends payable	5.3	-	-	-	5.3
Total	209.6	151.3	639.4	42.1	1,042.4

Market risk

In the normal course of business, the financial position of the Company is routinely subject to a variety of risks. The Company regularly assesses these risks and has established policies and business practices to protect against the adverse effects of these and other potential exposures. As a result, the Company does not anticipate any material losses from these risks.

The Company performs a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of the Company's debt and other financial instruments. The financial instruments that are included in the sensitivity analysis comprise all of the Company's cash, borrowings, hybrid debentures and all derivative financial instruments. To perform the sensitivity analysis, the Company assesses the risk of loss in fair values from the effect of hypothetical changes in interest rates and foreign currency exchange rates on market-sensitive instruments.

Interest rate risk is the risk that the fair value or future cash flows of a financial liability will fluctuate because of changes in market interest rates. The Company enters into both fixed and floating rate debt and also leases certain assets with fixed rates. The Company's risk management objective is to minimize the potential for changes in interest rates to cause adverse changes in cash flows to the Company. The ratio of fixed to floating rate obligations outstanding is designed to maintain flexibility in the Company's capital structure and is based upon a long-term objective of minimum 70% fixed and maximum 30% floating but allows flexibility in the short-term to adjust to prevailing market conditions. These practices aim to minimize the net interest cost volatility. As at June 30, 2024, 48% of the total debt outstanding was fixed rate debt and 52% was floating rate debt. A 10% increase in interest rates with all other factors remaining the same will increase the interest expense by $1.3 and a 10% decrease in interest rates with all other factors remaining the same will decrease the interest expense by the same amount.

Foreign exchange risk

The Company earns revenue and undertakes purchase transactions in foreign currencies, and therefore is subject to gain and losses due to fluctuations in the foreign currencies. The Company also enters into contracts attributed to asset purchases including aircraft and aircraft parts and pays debt in foreign currency.

Total unrealized foreign exchange loss for the three and six month periods ended June 30, 2024 on foreign exchange transactions was $0.7 and $2.0 (2023 – gain of $0.7 and $0.7).

As at June 30, 2024, a weakening of the Canadian dollar that results in a 10% increase in the exchange rate for the purchase of US dollars would increase the value of the Company's net financial assets and liabilities denominated in US dollars by approximately $5.5 (2023 - $4.4). The decrease in the exchange rate for the purchase of US dollars of 10% would decrease the value of these net financial assets and liabilities by the same amount (2023 - $4.4).

As at June 30, 2024, a weakening of the Canadian dollar that results in a 10% increase in the exchange rate for the purchase of EURO would increase the value of the Company's net financial assets and liabilities denominated in EURO by approximately $0.2 (2023 - $0.3). The decrease in the exchange rate for the purchase of EURO of 10% would decrease the value of these net financial assets and liabilities by the same amount (2023 - $0.3).

22. GUARANTEES

In the normal course of business, the Company enters into agreements that meet the definition of a guarantee. The Company's primary guarantees are as follows:

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

(b) In the normal course of business, the Company has entered into agreements that include indemnities in favor 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.

(c) The Company participates in 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 as part of the Condensed Consolidated Interim Financial Statements of the Company. The Company views this loss potential as remote. The airlines that participate in the FFC guarantee on a pro-rata basis the share of the debt based on system usage.

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.