



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

For the Three Months Period Ended March 31, 2025

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CARGOJET INC.

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

For the Three Month period Ended March 31, 2025

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1. INTRODUCTION AND KEY ASSUMPTIONS

The following is the Management's Discussion and Analysis ("MD&A") of the condensed consolidated interim financial condition and results of operations of Cargojet Inc. ("Cargojet" or the "Company") for the three month period ended March 31, 2025. The following also includes a discussion of and comparative operating results for the three months ended March 31, 2024.

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

The MD&A was approved by the Board of Directors and authorized for issuance on April 23, 2025. The condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements, under International Accounting Standard 34, Interim Financial Reporting. This MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company for the three month periods ended March 31, 2025 and 2024 and with the audited consolidated financial statements of the Company for the years ended December 31, 2024 and 2023.

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

The results of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of the management of the Company. See the MD&A for the three month period and year ended December 31, 2024 dated February 17, 2025 which was filed with SEDAR+ at www.sedarplus.com 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, climate-change, retention of key personnel, labour relations, terrorist activity, general industry risk and economic sensitivity, the Company's ability to manage growth and profitability, fuel prices, other cost controls and foreign exchange fluctuations, and capability of maintaining its fleet. The risk and uncertainties are detailed in the “Risk Factors” section of the MD&A for the three month period and year ended December 31, 2024 and the Annual Information Form for the fiscal year ended December 31, 2024 (the “AIF”), which were filed with SEDAR+ at www.sedarplus.com. The Company is not aware of any significant changes to its risk factors from those disclosed at that time.

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

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

- Outlook and Strategic Update – Page 6.
- Fleet Overview – Page 8.
- Off-Balance Sheet Arrangements – Page 30.

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

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2. FINANCIAL INFORMATION AND OPERATING STATISTICS HIGHLIGHTS

(Canadian dollars in millions, except where indicated)

	Three Month Period Ended March 31,			
	2025	2024	Change	%
Domestic network, ACMI and charter revenues	\$210.2	\$181.0	\$29.2	16.1%
Fuel surcharge and other revenues	\$45.2	\$55.5	(\$10.3)	-18.7%
Total revenues excluding warrant amortization	\$255.4	\$236.5	\$18.9	8.0%
Amortization of stock warrant contract assets	(\$5.5)	(\$5.3)	(\$0.2)	3.7%
Total revenues	\$249.9	\$231.2	\$18.7	8.1%
Direct expenses	\$197.1	\$186.5	\$10.6	5.7%
Gross margin	\$52.8	\$44.7	\$8.1	18.1%
Gross margin - (%)	21.1%	19.3%	1.8%	
Selling, general and administrative expenses	\$16.3	\$17.4	(\$1.1)	-6.3%
Net finance costs and other gains and losses	(\$13.1)	(\$10.0)	(\$3.1)	31.0%
Share of gain in associate	(\$0.3)	(\$0.3)	-	-
Earnings before income taxes	\$49.9	\$37.6	\$12.3	32.7%
Income taxes	1.9	\$5.1	(\$3.2)	-62.9%
Net earnings	\$48.0	\$32.5	\$15.5	47.7%
Adjusted net earnings⁽¹⁾	\$25.3	\$28.3	(\$3.0)	-10.5%
Earnings per share				
Basic	\$3.07	\$1.94	\$1.13	58.2%
Diluted	\$2.87	\$1.84	\$1.03	56.0%
Adjusted ⁽¹⁾	\$1.62	\$1.69	(\$0.07)	-4.1%
Adjusted EBITDA⁽¹⁾	\$80.8	\$78.4	\$2.4	3.1%
Adjusted EBITDA margin ⁽¹⁾ - (%)	32.3%	33.9%	-1.6%	
Net cash from operating activities	\$64.8	\$80.3	(\$15.5)	-19.3%
Free cash flow⁽¹⁾	(\$45.9)	\$168.7	(\$214.6)	-127.2%
Operating statistics⁽²⁾				
Operating days ⁽³⁾	49	49	-	0.0%
Average domestic network revenue per operating day ⁽⁴⁾	2.14	1.84	0.30	16.3%
Block hours ⁽⁵⁾	17,336	17,315	21	0.1%
B757-200	17	17	-	
B767-200	3	3	-	
B767-300	21	21	-	
Cargo operating fleet	41	41	-	-
Head count	1,935	1,854	81	4.4%

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1. Non-GAAP measures. See "Non-GAAP Financial Measures" section.
2. The definitions for the Operating statistics included in this table are provided in the notes below.
3. Operating days refer to the days on which the full domestic network air cargo network is in operation. The Company's domestic network air cargo network operates primarily from Monday to Thursday with a reduced network operating on Friday, weekends and on certain weekdays that are adjacent to certain statutory holidays.
4. Average domestic network revenue per operating day refers to total domestic network revenues earned by the Company per operating day.
5. Block hours refer 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.

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3. OUTLOOK AND STRATEGIC UPDATE

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

Cargojet Inc. concluded fiscal 2024 with a milestone achievement, surpassing \$1 billion in annual revenue for the first time, underpinned by the strength and diversification of its business model. Looking ahead to 2025, management anticipates sustained revenue growth across all streams, albeit at a moderated pace, reflecting caution due to potential headwinds from proposed tariffs and escalating trade tensions. These factors could dampen global air cargo demand, introducing volatility into market dynamics.

In Q1 2025, Cargojet delivered robust performance, with total revenues reaching \$250 million, driven by a 16% increase in Domestic revenues and an exceptional 131% surge in Charter revenues. The company achieved an adjusted EBITDA margin exceeding 32%, reflecting operational efficiency and disciplined cost management. While Q1 largely sidestepped the impact of tariffs, the onset of Q2 saw trade barriers materialize, triggering volatility across global markets, elevated bond yields, and fluctuations in oil prices amid weaker economic outlooks.

Despite these challenges, Cargojet remains cautiously optimistic in its ability to maintain revenue and volumes with minimal disruption. While the future trade-flow lanes remain highly uncertain, importers in our domestic market will need to bring the product directly into Canada rather than routing through previous optimal points within North America, potentially providing a tailwind to growth.

Management remains steadfast in its cost optimization initiatives, with direct costs (excluding depreciation and fuel) tightly controlled to preserve margins throughout 2025. However, Q1 free cash flow registered a negative \$45.9 million, primarily attributable to growth capital commitments for fleet expansion, including progress payments for three Boeing aircraft conversions and the outright purchase of a factory-converted freighter. These investments, partially funded in prior periods, reflect timing mismatches between cash inflows and outflows. The fleet enhancements are strategic, supporting unprecedented growth in the scheduled charter segment; replacing a leased B767-200 due for return back to lessor on May 31, 2025; and bolstering maintenance spares for heavy maintenance cycles. Management expects to fully offset this cash flow shortfall by Q3 2025 through operational cash generation.

Cargojet continues to advance its operational and technical capabilities, enhancing interconnectivity across its network to drive cost efficiencies. The company remains disciplined in its capital allocation framework, prioritizing:

1. Sustained dividend growth;
2. Pursuit of accretive growth opportunities;
3. Opportunistic execution of its share buyback program; and
4. Maintaining a Net Debt to Adjusted EBITDA leverage ratio of 1.5x to 2.5x.

Management remains confident in its ability to navigate near-term uncertainties while delivering long-term value to shareholders, supported by a resilient operating model and strategic investments in growth.

1. See Caution Concerning Forward Looking Statements, page 3. See "Non-GAAP Financial Measures" section.

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4. RECENT EVENTS

Share buyback

On November 11, 2024, the Company renewed its normal course issuer bid (the "NCIB"). The NCIB allows the Company to repurchase, at its discretion, up to 1,500,000 Voting Shares in the open market, subject to the standard terms and limitations. The NCIB will terminate on November 10, 2025. 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 three month period ended March 31, 2025, the Company purchased for cancellation an aggregate of 272,922 Voting Shares under the NCIB for a total cost of \$32.2 million, including \$0.6 share buyback tax. A corresponding amount of \$32.2 was recorded in shareholder's equity, including \$10.0 under shareholders' capital and \$22.2 under retained earnings. This was offset by reversal of ASPP liability of \$33.4 provided at year ended December 31, 2024, out of which, \$11.9 was reversed under shareholders' capital, \$20.8 under retained earnings, and \$0.7 under share buyback tax. Accordingly, shareholders' equity increased by a net amount of \$1.9.

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 programs. 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 March 31, 2025, no repurchase obligation was recognized under the ASPP (December 31, 2024 - \$33.4 million).

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5. FLEET OVERVIEW

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

The table below sets forth the Company’s cargo operating fleet as at December 31, 2024 and March 31, 2025 as well as the Company’s planned operating fleet for the years ending December 31, 2025, 2026 and 2027:

Aircraft Type		Leased Owned	Average Age	Number of Aircraft in Service					Maximu Payload (lbs.)	Range (miles)
				Actual		Plan				
				December 31,	March 31,	December 31,				
				2024	2025	2025	2026	2027		
B767-300	Freighter	Leased	30	4	4	4	4	4	125,000	6,000
B767-300	Freighter	Owned	31	17	17	21	21	21	125,000	6,000
B767-200	Freighter	Owned	23	2	2	2	2	2	100,000	5,000
B767-200	Freighter	Leased	39	1	1	-	-	-	100,000	5,000
B757-200	Freighter	Owned	31	17	17	17	17	17	80,000	3,900
Total Aircraft				41	41	44	44	44		

The Company has three Boeing 767-300 aircraft that are currently in conversion process and are progressing as planned for induction into the fleet in 2025. The first and second converted freighters are expected to be delivered in the second quarter, and the third converted freighter will be delivered in the fourth quarter. The Company is in the process of buying one factory manufactured freighter that will also be delivered by the end of the second quarter of 2025. One leased Boeing 767-200 aircraft will be returned to the lessor at the end of May 2025 to maintain an optimized fleet level to cover operational requirements, heavy maintenance requirements and additional growth requirements. Cargojet also owns feedstock for two additional freighters that are available for conversion to support additional long-term growth, when required.

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6. 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, North America, South America and Europe; and
- Operating scheduled and adhoc international routes for multiple cargo customers between USA and Bermuda, between Canada and Europe; 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 from Monday to Thursday with a reduced network operating on Friday, weekends and on certain weekdays that are adjacent to certain statutory holidays. The Company defines the term "operating day" to refer to the days on which the full domestic network air cargo network is in operation. Typically, each fiscal year will have between 197 and 199 operating days depending on the timing of certain statutory holidays and leap years. The variance in number of operating days between quarters and year over year will have an impact on comparative quarterly revenues. The Company also provides services to customers on a crew, maintenance and insurance basis ("CMI"). As these services are integrated with the domestic network, the revenues from CMI services are included in domestic network revenues.

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

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

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- The Company provides dedicated aircraft to customers on an ad hoc and scheduled basis typically in the daytime and on weekends for cargo and passenger charters. Ad hoc flights for cargo and passengers are sold under a one-time agreement while scheduled flights are sold under longer - term agreements. The ad hoc 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 ad hoc 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. Ad hoc and scheduled flights are sold either on an "all-in" basis or on an ACMI basis:
 - Under an all-in ad hoc 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 ad hoc or scheduled charter agreement, the customer is responsible for all commercial activities and the Company is paid a fixed amount to operate the flight priced as a rate per block hour (see definition of "block hours" in Expenses on page 10). Variable flight costs such as fuel, navigation fees and landing fees are borne by the customer.
- The Company operates an international route between Newark, New Jersey, USA and Hamilton, Bermuda. This provides a five-day per week air cargo service for multiple customers and is patterned after the domestic business that Cargojet has built in Canada. Customer contracts contain 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.

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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7. RESULT OF OPERATIONS AND SUPPLEMENTARY FINANCIAL INFORMATION

(Unaudited - Canadian dollars in millions, except where indicated or per share amounts)

	Three month period ended	
	March 31,	
	2025	2024
REVENUES	\$249.9	\$231.2
DIRECT EXPENSES	197.1	186.5
GROSS MARGIN	52.8	44.7
Selling, general and administrative expenses	16.3	17.4
Fair value decrease on stock warrant	(39.6)	(17.0)
Loss on swap derivative	14.3	7.8
Finance costs	12.0	15.3
Other loss (gain), net	0.2	(16.1)
Share of gain in associate	(0.3)	(0.3)
EARNINGS BEFORE INCOME TAXES	49.9	37.6
Provision for income taxes		
Deferred	1.9	5.1
NET EARNINGS AND COMPREHENSIVE INCOME	\$48.0	\$32.5
NET EARNINGS PER SHARE		
- Basic	\$3.07	\$1.94
- Diluted	\$2.87	\$1.84
Average number of shares - basic (in thousands of shares)	15,639	16,722
Average number of shares - diluted (in thousands of shares)	17,161	19,150

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8. REVIEW OF OPERATION FOR THE THREE MONTH PERIODS

(Unaudited - Canadian dollars in millions except where indicated)

	Q1		CHANGE	
	2025	2024	\$	%
Domestic network revenues	\$104.8	\$90.0	\$14.8	16.4%
ACMI revenues	59.4	71.1	(11.7)	-16.5%
All-in charter revenues	46.0	19.9	26.1	131.2%
Total domestic network, ACMI and charter revenues	210.2	181.0	29.2	16.1%
Fuel surcharge and other revenues	45.2	55.5	(10.3)	-18.7%
Amortization of stock warrant contract assets	(5.5)	(5.3)	(0.2)	3.7%
Total revenues	249.9	231.2	18.7	8.1%
Operating days	49	49	-	0.0%
Average domestic network revenue per operating day ⁽¹⁾	2.14	1.84	0.30	16.3%
Direct expenses				
Fuel costs	59.1	51.5	7.6	14.8%
Depreciation	36.8	40.2	(3.4)	-8.5%
Aircraft cost	5.4	3.2	2.2	68.8%
Heavy maintenance amortization	5.2	4.1	1.1	26.8%
Maintenance cost	21.4	20.0	1.4	7.0%
Crew costs	22.6	25.6	(3.0)	-11.7%
Ground services	22.5	19.4	3.1	16.0%
Airport services	12.8	11.9	0.9	7.6%
Navigation and insurance	11.3	10.6	0.7	6.6%
Total direct expenses	197.1	186.5	10.6	5.7%
Gross margin	52.8	44.7	8.1	18.1%
Gross margin %	21.1%	19.3%	1.8%	
Selling, general and administrative expenses				
Selling, general and administrative costs excluding depreciation	15.8	16.9	(1.1)	-6.5%
Depreciation	0.5	0.5	-	-
Total selling, general and administrative expenses	16.3	17.4	(1.1)	-6.3%
Net finance costs and other gains and losses				
Fair value decrease on stock warrant	(39.6)	(17.0)	(22.6)	-132.9%
Loss on swap derivative	14.3	7.8	6.5	83.3%
Finance costs	12.0	15.3	(3.3)	-21.6%
Other loss (gain), net	0.2	(16.1)	16.3	101.2%
Total net finance costs and other gains and losses	(13.1)	(10.0)	(3.1)	-31.0%
Share of gain in associate	(0.3)	(0.3)	-	0.0%
Earnings before income taxes	49.9	37.6	12.3	32.7%
Income taxes - deferred	1.9	5.1	(3.2)	-62.7%
Net earnings	\$48.0	\$32.5	\$15.5	47.7%
Earnings per share - \$				
Basic	3.07	1.94	1.13	
Diluted	2.87	1.84	1.03	

⁽¹⁾ Average domestic network revenue per operating day refers to total domestic network revenue earned by the Company per operating day.

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HIGHLIGHTS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2025 AND 2024

- Revenue from domestic network, ACMI and all-in charter for the three month period ended March 31, 2025 was \$210.2 million compared to \$181.0 million for the same period in 2024, representing an increase of \$29.2 million or 16.1%. Total revenue for the three month period ended March 31, 2025 was \$249.9 million compared to \$231.2 million for the same period in 2024, representing an increase of \$18.7 million or 8.1%.
- Average domestic network revenues⁽²⁾ for the three month period ended March 31, 2025 was \$2.14 million per operating day compared to \$1.84 million for the same period in 2024.
- Net earnings for the three month period ended March 31, 2025 was \$48.0 million compared to \$32.5 million for the same period in 2024, an increase of \$15.5 million.
- Adjusted EBITDA⁽¹⁾ for the three month period ended March 31, 2025 was \$80.8 million compared to \$78.4 million for the same period in 2024, an increase of \$2.4 million or 3.1%.
- Cash generated from operating activities was \$64.8 million for the three month period ended March 31, 2025 compared to \$80.3 million for the same period in 2024, a decrease of \$15.5 million.
- Free Cash Flow⁽¹⁾ was an outflow of \$45.9 million for the three month period ended March 31, 2025 compared to an inflow of \$168.7 million for the same period in 2024.
- Earnings per diluted share for the three month period ended March 31, 2025 was \$2.87 compared to \$1.84 for the same period in 2024, an increase of \$1.03.
- Adjusted EPS⁽¹⁾ for the three month period ended March 31, 2025 was \$1.62 compared to \$1.69 for the same period in 2024, a decrease of \$0.07.

⁽¹⁾ Non-GAAP measures. See "Non-GAAP Financial Measures" section.

⁽²⁾ Average domestic network revenue per operating day refers to total domestic network revenue earned by the Company per operating day.

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Revenue

Total revenue for the three month period ended March 31, 2025 was \$249.9 million, compared to \$231.2 million for the same period in 2024, representing an increase of \$18.7 million or 8.1%. The increase in total revenues increased the gross margin to 21.1% in 2025 from 19.3% in 2024. The increase in revenue is primarily due to an increase of \$29.2 million in domestic network, ACMI and charter business, partially offset by an increase of \$0.2 million in amortization of stock warrant contract assets, and a decrease of \$10.3 million in fuel surcharge and other revenues, compared to the same period in 2024. See below for separate discussion of the notable components of the year-over-year change in revenue.

Revenue related to the domestic network business for the three month period ended March 31, 2025 was \$104.8 million compared to \$90.0 million for the same period in 2024, an increase of \$14.8 million or 16.4%. The increase was due primarily to an increase in e-commerce and B2B volumes during the period, and 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 revenues for the three month period ended March 31, 2025 were \$59.4 million compared to \$71.1 million for the same period in 2024, a decrease of \$11.7 million or 16.5%. The decrease was primarily due to transfer of aircraft from long distance routes of Asia and Europe and deployed on South American routes.

All-in charter revenues for the three month period ended March 31, 2025 were \$46.0 million compared to \$19.9 million for the same period in 2024, an increase of \$26.1 million or 131.2%. The increase in revenue was primarily due to the scheduled charter services between China and Canada that started from the second quarter of 2024, as well as an increase in ad hoc charters.

Fuel surcharge and other revenues primarily consist of fuel surcharges and other cost pass-through revenues, aircraft lease revenue, hangar rental revenue, maintenance revenue for aircraft line maintenance services provided to other airlines and ground handling services provided to customers. Fuel surcharge and other revenues were \$45.2 million for the three month period ended March 31, 2025 compared to \$55.5 million for the same period in 2024, representing a decrease of \$10.3 million or 18.7%. The decrease is primarily due to a decrease of \$6.1 million in fuel surcharges and other cost pass-through revenues and a decrease of \$4.2 million in other revenue. 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.

Amortization of stock warrant contract asset, a charge against revenue, was \$5.5 million for the three month period ended March 31, 2025 compared to \$5.3 million for the same period in 2024, an increase of \$0.2 million or 3.7%.

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Direct Expenses

Total direct expenses were \$197.1 million for the three month period ended March 31, 2025 compared to \$186.5 million for the same period in 2024, representing an increase of \$10.6 million or 5.7%. See below for separate discussion of the notable components of the year-over-year change in direct expenses.

Fuel costs were \$59.1 million for the three month period ended March 31, 2025 compared to \$51.5 million for the same period in 2024. The \$7.6 million or 14.8% increase in fuel costs was due primarily to an increase in fuel pass-through costs incurred with providing CMI and ACMI services, partially offset by a 3.3% decrease in fuel prices. Any changes in fuel costs 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 ad hoc rates.

Depreciation expense was \$36.8 million for the three month period ended March 31, 2025 compared to \$40.2 million for the same period in 2024, a decrease of \$3.4 million or 8.5%. The decrease is due primarily to a change in estimated useful lives of engines, partially offset by the addition of aircraft, engines, facilities and other assets.

Aircraft costs were \$5.4 million for the three month period ended March 31, 2025 compared to \$3.2 million for the same period in 2024, representing an increase of \$2.2 million or 68.8%. The increase was primarily due to an increase in temporary sub charter costs on scheduled ACMI routes.

Heavy maintenance amortization costs were \$5.2 million for the three month period ended March 31, 2025 compared to \$4.1 million for the same period in 2024, representing an increase of \$1.1 million or 26.8% 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 \$21.4 million for the three month period ended March 31, 2025 compared to \$20.0 million for the same period in 2024, representing an increase of \$1.4 million or 7.0%. 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 \$22.6 million for the three month period ended March 31, 2025 compared to \$25.6 million for the same period in 2024, representing a decrease of \$3.0 million or 11.7%. The decrease was primarily related to adjustment in share-based crew incentives costs due to change in Company's share price and lower crew training costs in the current quarter compared to 2024.

Ground services costs were \$22.5 million for the three month period ended March 31, 2025 compared to \$19.4 million for the same period in 2024, representing an increase of \$3.1 million or 16.0%. This increase was due primarily to increase in payroll costs, and in ground handling costs.

Airport services costs were \$12.8 million for the three month period ended March 31, 2025 compared to \$11.9 million for the same period in 2024, representing an increase of \$0.9 million or 7.6%.

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Navigation and insurance were \$11.3 million for the three month period ended March 31, 2025 compared to \$10.6 million for the same period in 2024, representing an increase of \$0.7 million or 6.6%. This increase was primarily due to increased navigation costs related to scheduled charters.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the three month period ended March 31, 2025 were \$16.3 million compared to \$17.4 million for the same period in 2024, representing a decrease of \$1.1 million or 6.3%. This decrease was primarily due to \$2.5 million decrease in valuation of share based compensation due to change in Company's share price, partially offset by a \$1.0 million increase in salaries and \$0.4 million in other SG&A expenses.

Net Finance Costs and Other Gains and Losses

Net finance costs and other gains and losses for the three month period ended March 31, 2025 were a net gain of \$13.1 million compared to a net gain of \$10.0 million for the same period in 2024. See below for separate discussion of the notable components of the year-over-year change in net finance costs and other gains and losses.

Fair value adjustment on stock warrant

Fair value adjustment on stock warrant for the three month period ended March 31, 2025 was a gain of \$39.6 million compared to a gain of \$17.0 million for the same period in 2024. The change in the fair value adjustment of stock warrant was primarily due to the change in the Company's share price.

Loss on swap derivatives

Loss on swap derivatives for the three month period ended March 31, 2025 was \$14.3 million compared to loss of \$7.8 million for the same period in 2024. The change was primarily due to the change in the Company's share price.

Finance costs

Finance costs for the three month period ended March 31, 2025 were \$12.0 million compared to \$15.3 million for the same period in 2024, representing a decrease of \$3.3 million or 21.6%. The decrease was primarily due to the decrease in interest rates.

Other loss (gain), net

Other loss, net for the three month period ended March 31, 2025 was \$0.2 million, which consists of a \$1.1 million unrealized foreign exchange loss, partially offset by \$0.9 million gain on disposal of property, plant and equipment.

Other gain, net for the three month period ended March 31, 2024 was \$16.1 million primarily due to a \$18.5 million gain on disposal of property, plant, and equipment and assets held for sale, partially offset by a \$1.3 million unrealized foreign exchange loss and a \$1.1 million loss on impairment of property, plant and equipment.

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Share of gain in associate

Share of gain in associate for the three month period ended March 31, 2025 was \$0.3 (2024 – gain of \$0.3 million) represents the company's share of gain or loss from investment in an associate.

Net Earnings

Net earnings for the three month period ended March 31, 2025 was \$48.0 million compared to \$32.5 million for the same period in 2024, an increase of \$15.5 million or 47.7%. The increase in net earnings was primarily due to gross margin increase of \$8.1 million, a \$3.1 million decrease in net finance costs and other gains and losses, a decrease of \$3.2 million in tax provision, and \$1.1 million decrease in SG&A expenses.

Current Income Taxes

No provision for current income taxes was made for the three month periods ended March 31, 2025 and 2024, due to the current income taxes losses and carry forward of losses from prior years.

Deferred Income Taxes

The deferred income taxes for the three month period ended March 31, 2025 was a provision of \$1.9 million compared to \$5.1 million for the same period in 2024. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA for the three month period ended March 31, 2025 was \$80.8 million compared to \$78.4 million for the same period in 2024. The increase in Adjusted EBITDA of \$2.4 million is primarily due to an increase of \$18.7 million in revenues excluding amortization of stock warrant contract assets and a decrease of \$1.1 million in SG&A expenses, partially offset by an increase of \$12.9 million in direct costs excluding depreciation and amortization.

(1) Non-GAAP measures. See "Non-GAAP Financial Measures" section.

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9. QUARTERLY DIVIDENDS

Total dividends declared for the three month period ended March 31, 2025 were \$5.4 million or \$0.3500 per share. In comparison, total dividends declared for the three month period ended March 31, 2024 were \$5.2 million or \$0.3146 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
March 20, 2025	April 04, 2025	5,431,622	15,518,921	0.3500	-
		5,431,622			-

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		\$		\$	\$
December 20, 2023	January 05, 2024	-	16,922,495	0.3146	5,323,817
March 20, 2024	April 05, 2024	5,202,478	16,536,803	0.3146	-
		5,202,478			5,323,817

10. LIQUIDITY AND CAPITAL RESOURCES

Quarterly Cash Flow Movements

Cash generated by operating activities after net changes in non-cash working capital balances was \$64.8 million for the three month period ended March 31, 2025 (2024 - \$80.3 million). The \$15.5 million decrease in cash generated was due primarily to changes in non-cash working capital items.

Cash used in investing activities during the three month period ended March 31, 2025 was \$110.7 million and was comprised of property, plant and equipment purchases of \$111.9 million, partially offset by proceeds from disposal of \$1.2 million. Cash generated by investing activities during the three month period ended March 31, 2024 was \$88.4 million and was comprised of proceeds from disposal of property, plant and equipment of \$101.3 million, partially offset by property, plant and equipment additions of \$12.9 million.

Cash provided by financing activities during the three month period ended March 31, 2025 was \$51.8 million and was comprised of proceeds from borrowings of \$90.9 million, repayment of obligations under lease liabilities of \$7.5 million, and share buyback of \$31.6 million. Cash used in financing activities during the three month period ended March 31, 2024 was \$180.6 million and was comprised of repayment of obligations under lease liabilities of \$7.6 million, share buyback of \$46.0 million, dividends paid to shareholders of \$5.3 million and proceeds from borrowings of \$121.7 million.

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Free Cash Flow⁽¹⁾

Free cash flow was an outflow of \$45.9 million for the three month period ended March 31, 2025 compared to an inflow of \$168.7 million for the same period in 2024. The decrease in free cash flow was due primarily to higher capital expenditures.

(1) Non-GAAP measures. See “Non-GAAP Financial Measures” section.

Quarterly Liquidity Risk Management

The Company manages its liquidity needs through its balance of cash, cash from operations and its available borrowing capacity under its revolving operating credit facility (the “Credit Facility”). Liquidity needs are primarily related to meeting its financial liabilities, capital commitments, ongoing operations, contractual and other obligations. The Company manages its liquidity risk by preparing cash flow forecasts for a minimum period of at least twelve months after each reporting period, including under various scenarios. As at March 31, 2025, the Company had \$7.4 million in cash and \$274.6 million available in available borrowing capacity under the Credit Facility. The undrawn amount under the delayed-draw term facility (the “DDTL Facility”) expired on January 22, 2024, and the Company had no unused borrowing capacity left under the DDTL Facility. As at March 31, 2025, \$303.6 million of borrowings were outstanding under the DDTL Facility.

The Company considers that its current cash balance, the cash from operations and its available borrowing capacity under the Credit Facility is sufficient to support its operations, meets capital asset requirements and its liquidity needs. As at March 31, 2025, the Company was in compliance with all covenants.

The Credit 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 Credit 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) Asset Additions

The property, plant and equipment additions of \$111.9 million in the three month period ended March 31, 2025 were primarily comprised of additions to property, plant and equipment under development and rotatable spare parts. Out of \$111.9 million capital expenditures, \$78 million was due to maintenance capital expenditure⁽¹⁾ and \$33.9 million was due to growth capital expenditure⁽¹⁾.

The property, plant and equipment additions of \$13.1 million in the three month period ended March 31, 2024 were primarily comprised of additions to aircraft, engines ground services equipment, spares and rotatable spares. Out of \$13.1 million capital expenditures, \$9.3 million was due to maintenance capital expenditure⁽¹⁾ and \$3.8 million was due to growth capital expenditure⁽¹⁾.

(1) Non-GAAP measures. See “Non-GAAP Financial Measures” section.

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11. NON-GAAP FINANCIAL MEASURES

Below is a description of the non-GAAP financial measures and ratios referenced in this MD&A. Non-GAAP financial measures and ratios do not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other issuers.

Management believes that the non-GAAP financial 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 the non-GAAP financial measures 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.

EBITDA and Adjusted EBITDA

"EBITDA" is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is calculated as net income or loss excluding the following: depreciation of property, plant and equipment, interest and provision for current and deferred income taxes. EBITDA is a measure of the Company's operating profitability and by definition excludes certain items as detailed above.

"Adjusted EBITDA" is defined as EBITDA excluding the following: share-based compensation, gain or loss on disposal of property, plant and equipment and assets held for sale, impairment and gain on insurance claim, fair value increase or decrease on stock warrant, amortization of stock warrant contract assets, gain or loss on fair value or settlement of swap derivatives, unrealized foreign exchange gains or losses, gains or losses on settlement of debts, share of gain or loss in associate, and provision for employee pension. Adjusted EBITDA is a measure of the Company's operating profitability and excludes certain items as detailed below. Management views these items as non-cash or non-operating.

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

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

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

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

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

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

Gain or loss on disposal of property, plant and equipment and assets held for sale - 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.

Impairment and gain on insurance claim - the impairment and gain on insurance claim associated with property, plant and equipment and assets held for sale are non-cash items and have no impact on the determination of Adjusted EBITDA.

Fair value increase or decrease on stock warrant - the fair value increase or decrease from the valuation of stock warrant is a non-cash item and has no impact on the determination of Adjusted EBITDA.

Amortization of stock warrant contract asset – amortization of stock warrant contract asset represents a non-cash item and is excluded from Adjusted EBITDA.

Gain or loss on fair value or settlement of swap derivatives related to financing arrangement - the gain or loss arising from the fair value of total return swap or its settlement 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 or settlement of swap derivatives 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 compensation. 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.

Unrealized foreign exchange gain or loss - 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.

Gain and loss on extinguishment of debts - The loss on extinguishment of a long-term debts including borrowings 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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Share of gain or loss in associate - is a different class of income or expense than those included in EBITDA.

Employee pension – the provision for employee pension represents a different class of expense than those included in EBITDA.

“Adjusted EBITDA margin” is defined as Adjusted EBITDA as a percentage of revenue. Adjusted EBITDA margin is commonly used in the airline industry and is used by the Company as a means to measure the operating margin excluding certain items as described above.

Reconciliation of net earnings, which is the most directly comparable GAAP measure, to EBITDA, Adjusted EBITDA and Adjusted EBITDA margin is presented in the table below:

(Unaudited - Canadian dollars in millions, except where indicated)	Three Month Period Ended	
	March 31,	
	2025	2024
<u>Calculation of EBITDA and Adjusted EBITDA</u>	\$	\$
Net earnings	48.0	32.5
Add:		
Interest	12.0	15.3
Provision of deferred taxes	1.9	5.1
Depreciation of property, plant and equipment	42.5	44.8
EBITDA	104.4	97.7
Add:		
Share-based compensation	(4.0)	1.0
Gain on disposal of property, plant and equipment	(0.9)	(18.5)
Impairment and gain on insurance claim	-	1.1
Fair value adjustment on warrant valuation and amortization of stock warrant contract assets	(34.0)	(11.7)
Loss on swap derivative	14.3	7.8
Unrealized foreign exchange loss	1.1	1.3
Share of gain in associate	(0.3)	(0.3)
Employee pension	0.2	-
Adjusted EBITDA	80.8	78.4
Revenue	249.9	231.2
Adjusted EBITDA margin	32.3%	33.9%

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Free Cash Flow

Cargojet uses Free Cash Flow as a measure to evaluate its financial strength and performance of its business, indicating the amount of cash the Company can generate from operations after capital expenditures.

"Free Cash Flow" is defined as cash flows from operating activities less purchases of property, plant and equipment plus proceeds from disposals of property, plant and equipment and assets held for sale, and insurance proceeds related to these assets.

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.

Growth Capital Expenditure - 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.

Reconciliation of Free Cash Flow to cash generated from operating activities, which is the most directly comparable GAAP measure is presented in the table below.

(Unaudited - Canadian dollars in millions)	Three Month Period Ended	
	March 31,	
	2025	2024
Calculation of Free Cash Flow	\$	\$
Net cash from operating activities	64.8	80.3
Purchase of property, plant and equipment ⁽¹⁾	(111.9)	(12.9)
Proceeds from disposal of property, plant and equipment and assets held for sale	1.2	101.3
Free cash flow	(45.9)	168.7

(1) Purchase of property, plant and equipment consists of the following

(Unaudited - Canadian dollars in millions)	Three Month Period Ended	
	March 31,	
	2025	2024
	\$	\$
Maintenance capital expenditures	78.0	9.3
Growth capital expenditures	33.9	3.6
Purchase of property, plant and equipment	111.9	12.9

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Adjusted Net Earnings and Adjusted Net Earnings Per Share

"Adjusted net earnings" and "Adjusted net earnings per share" ("Adjusted EPS") are used to assess the overall financial performance of its business. Prior to the third quarter of 2024, adjusted net earnings and adjusted EPS are defined as net earnings and net earnings per basic share excluding impairment and gain on insurance claim, fair value increase or decrease on stock warrant, amortization of stock warrant contract assets, gain or loss on swap derivatives, and unrealized foreign exchange gain or loss. These items are excluded as they may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. In the third quarter of 2024, the Company updated the definition to further exclude the tax impact of the adjustments where applicable as the net earnings and net earnings per share are also after-tax. Wherever presented, prior periods adjusted net earnings and Adjusted EPS are updated accordingly.

Reconciliation of adjusted net earnings and adjusted net earnings per share to GAAP net earnings is presented in the table below

(Unaudited - Canadian dollars in millions, except where indicated)	Three Month period ended	
	March 31,	
	2025	2024
Calculation of Adjusted Earnings and Adjusted EPS	\$	\$
Net earnings (loss)	48.0	32.5
Add:		
Impairment and gain on insurance claim	-	1.1
Fair value adjustment on stock warrant and amortization of stock warrant contract assets	(34.0)	(11.7)
Loss on swap derivative	14.3	7.8
Unrealized foreign exchange loss	1.1	1.3
Tax impact on items listed above	(4.1)	(2.7)
Adjusted net earnings	25.3	28.3
Weighted average number of shares - basic (in millions of shares)	15.6	16.7
Adjusted EPS	1.62	1.69

Return on Invested Capital

"Return on Invested Capital" ("ROIC") is defined as net operating income after tax, divided by the average invested capital. Net operating income after tax is calculated as the trailing twelve months ("TTM") of operating income, after tax using the statutory tax rate of the Company. Average invested capital is calculated as the total of equity, debentures, borrowings, non-current lease liabilities, net of cash, property, plant and equipment under development (See Note 5 in Financial Statement on Property Plant and Equipment) and assets held for sale, averaged between the beginning and ending balance over the TTM period. Invested capital related to property, plant and equipment under development and assets held for sale are not used in generating revenue, therefore, excluded from the invested capital calculation.

Management believes ROIC is a useful measure in the efficiency in the use of funds. The Company has a performance share unit plan (the "PSU Plan"), which is linked to ROIC. The ROIC is used to measure the performance factor for the achievement of the PSU plan.

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(Canadian dollars in million, except where indicated)

	TTM Period Ended	
	March 31,	
Calculation of Return on Invested Capital	2025	2024
	\$	\$
Gross margin	233.9	137.3
Selling, general and administrative expenses	89.5	70.2
Operating income	144.4	67.1
Taxes @ 26.5%	38.3	17.8
Net operating profit after tax ("NOPAT")	106.1	49.3
Invested capital, end of period		
Equity	780.3	786.4
Debentures	113.8	226.7
Borrowings	629.0	332.2
Non-current lease liabilities	79.7	92.4
Cash	(7.4)	(19.9)
Property, plant and equipment under development	(210.4)	(49.7)
Assets held for sale	-	(3.7)
	1,385.0	1,364.4
Invested capital, beginning of period		
Equity	786.4	857.4
Debentures	226.7	310.3
Borrowings	332.2	306.2
Non-current lease liabilities	92.4	53.9
Cash	(19.9)	(6.9)
Property, plant and equipment under development	(49.7)	(268.8)
Assets held for sale	(3.7)	(110.00)
	1,364.4	1,142.1
Average invested capital	1,374.7	1,253.3
Return on invested capital ⁽¹⁾	7.7%	3.9%

⁽¹⁾ ROIC excluding one-time adjustment of \$29.5 million in warrant asset amortization was 5.7% for the TTM period ended March 31, 2024.

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Net Debt to Adjusted EBITDA Leverage Ratio

"Net Debt to Adjusted EBITDA Leverage Ratio" (or "Leverage Ratio") is obtained by dividing Net Debt by Adjusted EBITDA and is a measure of the Company's ability to meet its financial obligations. Net Debt is a metric obtained by subtracting cash from debt and lease liabilities and is used to monitor the Corporation's financial leverage.

Calculation of Net Debt to Adjusted EBITDA Leverage Ratio and reconciliation to the most directly comparable GAAP measures is presented in the table below.

(Unaudited - Canadian dollars in millions, except where indicated)

	March 31, 2025	December 31, 2024
Calculation of Net Debt to Adjusted EBITDA Leverage ratio		
	\$	\$
Borrowing	629.0	538.1
Debentures	113.8	113.5
Lease liabilities	97.6	103.5
Total	840.4	755.1
Less: Cash	(7.4)	(1.5)
Net debt	833.0	753.6
Adjusted EBITDA (TTM period)	333.8	331.4
Net debt to adjusted EBITDA leverage ratio	2.5	2.3

12. FINANCIAL CONDITION

The following is a comparison of the financial position of the Company as at March 31, 2025 to the financial position of the Company as at December 31, 2024:

Trade and Other Receivables

Trade and other receivables as of March 31, 2025 amounted to \$94.8 million compared to \$103.0 million as at December 31, 2024. The decrease of \$8.2 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, remains excellent.

Property, Plant and Equipment

As at March 31, 2025, property, plant and equipment were \$1,719.3 million compared to \$1,651.1 million as at December 31, 2024. The \$68.2 million net increase in property, plant and equipment was due to net addition of \$110.7 million in property plant and equipment, partially offset by depreciation of \$42.5 million.

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Trade and Other Payables

Trade and other payables as at March 31, 2025 were \$101.4 million compared to \$143.9 million as at December 31, 2024. The decrease of \$42.5 million was primarily due to the \$33.4 million recognized for voting shares repurchased under ASPP as at December 31, 2024 and cleared in the first quarter of 2025 and timing of the supplier payments.

Lease Liabilities

The lease liabilities are in respect of the lease of two B767-300, one B767-200 aircraft, hangars and warehouses. Total leases including the current portion were \$97.6 million as at March 31, 2025 compared to \$103.5 million as at December 31, 2024. The change was due to the scheduled monthly repayments made during the three month period ended March 31, 2025.

13. SUMMARY OF CONTRACTUAL OBLIGATIONS

As at March 31, 2025 (Canadian dollars in millions)	Payments due by Year					
	Total	Remainder of 2025	2026	2027	2028	Thereafter
Lease liabilities	97.6	13.3	18.9	18.6	10.7	36.1
Derivative financial instruments	35.0	35.0	-	-	-	-
Borrowings	629.0	15.2	15.2	598.6	-	-
Debentures	113.8	-	113.8	-	-	-
Share based compensation	26.7	1.2	16.6	0.3	0.9	7.7
Interest on lease	19.9	4.6	5.0	3.7	2.7	3.9
Interest on debentures	10.5	7.0	3.5	-	-	-
	932.5	76.3	173.0	621.2	14.3	47.7

14. QUARTERLY FINANCIAL DATA

(Unaudited - Canadian dollars in millions, except per share amounts)

	Three Month Period Ended							
	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 31 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023
Revenues	\$249.9	\$293.2	\$245.6	\$230.8	\$231.2	\$221.9	\$214.0	\$209.7
Net earnings (loss)	48.0	71.2	29.7	(25.0)	32.5	(34.9)	10.5	31.1
Adjusted net earnings ⁽¹⁾	25.3	27.2	23.6	7.1	28.3	5.8	2.6	12.0
Earnings (loss) per Share								
- Basic	3.07	4.49	1.85	(1.53)	1.94	(2.04)	0.61	1.81
- Diluted	2.87	4.28	1.78	(1.53)	1.84	(2.04)	0.61	1.68
- Adjusted ⁽¹⁾	1.62	1.71	1.48	0.43	1.69	0.34	0.15	0.70
Adjusted EBITDA ⁽¹⁾	80.8	91.7	82.2	79.1	78.4	81.6	70.0	74.3

(1) Non-GAAP measures. See "Non-Financial GAAP Measures" section

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15. 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.

As at March 31, 2025, the fair value measurement of the 5,736 and 567,934 underlying shares under the swap agreements in effect was a liability of \$35.0 (December 31, 2024 - liability of \$20.7). The fair value adjustment for the three month period ended March 31, 2025 was a loss of \$0.1 for the 5,736 share units (2024 - loss of \$1.8 for the 260,000 share units), and loss of \$14.2 for the 567,934 share units (2024 - loss of \$6.0 for the 822,500 share units).

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 \$9.9 million and a decrease of 20% in the share price will result in a loss of the same amount.

Stock Warrant Obligation

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.

The fair value of the warrant obligations was \$23.3 million as at March 31, 2025 (December 31, 2024 - \$62.9 million) and was included within Stock warrant obligations on the Company's Consolidated Balance Sheet. The revaluation resulted in a gain of \$39.6 million for the three month period ended March 31, 2025 (2024 - gain of \$17.0 million) and was included within Fair value decrease on stock warrant on the Company's Consolidated Statements of Earnings and Comprehensive Income.

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 31.5% 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 2.4% and a dividend yield of 1.1%. Significant unobservable inputs for the DHL warrant obligation include volatility of the Company's common shares of 37.0% for tranche I and 37.0% 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 2.3% and a dividend yield of 1.2%.

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Hybrid Debentures

The Company issued \$115 million of 5.25% listed senior unsecured hybrid debentures due June 30, 2026 ("5.25% Debentures").

The debentures were initially recognized at fair value and were measured subsequently at amortized cost using the effective interest method over the life of the debenture. The balance of the 5.25% Debentures was \$113.8 million as at March 31, 2025 (December 31, 2024 – \$113.5 million) and was recorded within on the Company's Consolidated Balance Sheets. The fair value of the 5.25% hybrid debentures due June 30, 2026 as at March 31, 2025 was approximately \$109.2 million (December 31, 2024 - \$110.4 million).

The debentures are categorized as Level 3 under the fair value hierarchy. 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.

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 multiplier is linked 50 percent to return on invested capital ("ROIC") and 50 percent on relative total shareholder returns ("TSR").

As at March 31, 2025, the performance share units due March 15, 2026, March 15, 2027 and March 15, 2028 were valued at \$2.3 million, \$3.0 million and \$5.0 million respectively (December 31, 2024 – March 15, 2026 at \$3.5 million and March 15, 2027 \$4.7 million). During the three months ended March 31, 2025, a net gain of \$1.2 million was recognized in bonus and incentive expense (2024 – net gain of \$0.1 million) with a corresponding amount in liability. As at March 31, 2025, the Company had an outstanding liability of \$3.5 million on 104,885 outstanding PSUs (December 31, 2024 - \$5.6 million on 73,997 PSUs).

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. 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.

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16. 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.

(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. 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.

(e) The Company has provided irrevocable standby letters of credit totaling approximately \$1.1 million as at March 31, 2025. 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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17. 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 Company recognized the lease liability that was measured at the present value of the remaining lease payments determined using the incremental borrowing rate and recorded the right of use asset. 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.

As at March 31, 2025, the Company made lease payments of \$0.3 million (2024 – 0.3 million), out of which \$0.2 million (2024 - \$0.2 million) was adjusted towards principal payments against the liability and \$0.1 million (2024 - \$0.1 million) was recorded as related interest cost. The Company also paid utilities, taxes, maintenance, insurance and other related costs for the leased premises. As at March 31, 2025, the Company had a liability of \$6.9 million (December 31, 2024 - \$7.1 million).

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. Both leases will expire in May 2027.

18. RISK FACTORS

Risks Related to the Business

A detailed description of risk factors associated with the Company's business is given in the "Risk Factors" section of the MD&A for the three months and year ended December 31, 2024 dated February 17, 2025 which was filed with SEDAR+ at www.sedarplus.com. The Company is not aware of any significant changes to its risk factors from those disclosed at that time.

Subsequent to this February 17, 2025 filing, the Company faces new risks arising from recently imposed tariffs by the United States and subsequent retaliatory tariffs by several other countries on certain goods and services, which may adversely impact our operations and financial performance. These tariffs, introduced by United States, could increase the cost of imported materials, disrupt supply chains and international trade, and reduce demand for our services in affected markets. While we are actively exploring mitigation strategies, such as diversifying suppliers and optimizing pricing, the evolving trade environment may lead to increased costs and reduced profitability, the extent of which remains uncertain.

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19. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, the Company's management is required to make judgments, estimates and assumptions that may affect the reported amount of the assets, liabilities, revenues and expenses. Although these estimates are based on management's best knowledge of the current events and actions that the Company may undertake in the future, actual results may differ from these estimates. Reported amounts which require management to make significant estimates and assumptions include impairment and depreciation of property, plant and equipment, lease liabilities, deferred taxes, and stock warrant obligations. These items are discussed below.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Impairment of property, plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. To determine the recoverable amount of the CGU, management is required to estimate its fair value by evaluating expected future cash flow using an appropriate growth rate, margins, and a suitable discount rate to calculate the value in use.

Depreciation of property, plant and equipment

Amounts recorded for depreciation of property, plant and equipment are based on estimates including economic life of the assets and residual values of the asset at the end of its economic life. The actual economic life of the assets and residual values are assessed at reporting period end taking into account factors such as actual utilization and maintenance and service protocols.

Lease Liabilities

The recognition of lease liabilities and the associated right of use assets requires estimation related to discount rate used for discounting the lease payments and for determination of lease period where judgement is required to determine whether it is reasonably certain that option to renew the lease will be exercised (or not exercised).

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Deferred taxes

Deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The Company reviews the carrying amount of deferred tax assets at the end of each reporting period and assesses recoverability using forecasts that are based on the actual operating results and the expected future performance based on management’s estimates and assumptions of revenue growth and the development. The deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Stock warrants

The Company’s accounting for warrants issued to Amazon and DHL are determined in accordance with the financial reporting guidance for financial instruments and revenue recognition. The initial fair value of the warrants issued to a customer are recognized as a contract asset and liability respectively. The contract asset is amortized against revenues in proportion to the payments to date over the total forecasted payments specified in the agreement. Unexercised warrants are remeasured to fair value at each reporting period, resulting in a gain or loss. The valuation involves assumption and estimates including the vesting of shares driven by the forecasted payments specified in the stock warrant agreements, and future share price volatility. The estimate of forecasted payments is based on management’s judgment of business activities in the future. Due to the long-term nature of the warrants, such estimates are subject to significant uncertainty.

20. 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.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 March 31, 2025:

Capital	Authorized/ Principal	Outstanding number of shares
Common Voting Shares	Unlimited	14,149,833
Variable Voting Shares	Unlimited	1,369,088
Total Common and Variable Voting Shares		15,518,921

Exemptive Relief from Take-Over Bid and Early Warning Rules

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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.sedarplus.ca.

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.

21. 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.

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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 as at December 31, 2024 by management. Based on this evaluation, the Co-Chief Executive Officers and the Interim 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.