

Condensed Consolidated Interim Financial Statements of



**For the three month periods ended March 31, 2026 and  
2025**

(unaudited - expressed in millions of Canadian dollars)

This page is intentionally left blank

# CARGOJET INC.

## Condensed Consolidated Interim Balance Sheets

As at March 31, 2026 and December 31, 2025

(unaudited - Canadian dollars in millions)

	Note	March 31, 2026	December 31, 2025
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		1.6	6.7
Trade and other receivables	3	136.5	123.9
Inventories		6.0	4.5
Prepaid expenses and deposits		35.5	38.1
Notes receivable	6	-	63.8
<b>Total current assets</b>		<b>179.6</b>	<b>237.0</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6,11	1,714.2	1,724.5
Investment in associate	7,24	9.8	9.9
Goodwill		48.3	48.3
Intangible assets	5	4.9	2.0
Prepaid expenses and deposits		15.4	15.2
Contract assets	3	88.5	96.5
<b>Total assets</b>		<b>2,060.7</b>	<b>2,133.4</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	111.3	105.9
Lease and financial liabilities	11	24.8	25.7
Share-based compensation	9	16.1	17.3
Derivative financial instruments	22	36.2	34.2
Stock warrant obligations	4	8.3	9.9
<b>Total current liabilities</b>		<b>196.7</b>	<b>193.0</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	10	489.8	560.8
Lease and financial liabilities	11	153.7	159.7
Stock warrant obligations	4	20.7	23.3
Debentures	12	248.5	248.4
Deferred income taxes	13	195.8	193.1
Employee pension and share-based compensation	9	13.6	12.7
<b>Total liabilities</b>		<b>1,318.8</b>	<b>1,391.0</b>
<b>Total shareholders' equity</b>		<b>741.9</b>	<b>742.4</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,060.7</b>	<b>2,133.4</b>

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

# CARGOJET INC.

## Condensed Consolidated Interim Statements of Earnings and Comprehensive Three month periods ended March 31, 2026 and 2025

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

		Three months ended March 31,	
	Note	2026	2025
		\$	\$
REVENUES	3	254.7	249.9
DIRECT EXPENSES	14	214.3	197.1
GROSS MARGIN		40.4	52.8
Selling, general and administrative expenses	15	24.7	16.3
Fair value decrease on stock warrants	4	(2.4)	(39.6)
Loss on swap derivative	22	2.0	14.3
Finance costs	16	11.8	12.0
Other (gain) loss, net	17	(2.6)	0.2
Share of loss (income) in associate	7	0.1	(0.3)
EARNINGS BEFORE INCOME TAXES		6.8	49.9
PROVISION FOR INCOME TAXES	13		
Deferred		2.7	1.9
NET EARNINGS AND COMPREHENSIVE INCOME		4.1	48.0
NET EARNINGS PER SHARE	19		
- Basic		\$0.28	\$3.07
- Diluted		\$0.27	\$2.87

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

# CARGOJET INC.

## Condensed Consolidated Interim Statements of Changes in Equity Three month periods ended March 31, 2026 and 2025

(unaudited - Canadian dollars in millions)

	Note	Shareholders' capital	Contributed surplus	Surplus on debenture settlement	Retained earnings	Total shareholders' equity
		\$	\$	\$	\$	\$
Balance, January 1, 2026		567.0	1.3	13.1	161.0	742.4
Net earnings and comprehensive income		-	-	-	4.1	4.1
Share-based compensation	9	-	3.5	-	-	3.5
Restricted shares, vested and exercised	9,18	2.1	(2.1)	-	-	-
Withholding tax paid on vested RSUs	9	-	(2.4)	-	-	(2.4)
Dividends	18	-	-	-	(5.7)	(5.7)
<b>Balance, March 31, 2026</b>		<b>569.1</b>	<b>0.3</b>	<b>13.1</b>	<b>159.4</b>	<b>741.9</b>
Balance, January 1, 2025		588.5	2.1	13.1	134.0	737.7
Net earnings and comprehensive income		-	-	-	48.0	48.0
Share-based compensation	9	-	(1.2)	-	-	(1.2)
Share buyback	18	1.9	-	-	(0.7)	1.2
Dividends	18	-	-	-	(5.4)	(5.4)
<b>Balance, March 31, 2025</b>		<b>590.4</b>	<b>0.9</b>	<b>13.1</b>	<b>175.9</b>	<b>780.3</b>

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

# CARGOJET INC.

## Condensed Consolidated Interim Statements of Cash Flows Three month periods ended March 31, 2026 and 2025

(unaudited - Canadian dollars in millions)

	Note	Three months ended	
		March 31,	
		2026	2025
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings		4.1	48.0
Adjustments to reconcile net cash from operating activities			
Depreciation of property, plant and equipment and amortization of contract assets	3,4,6	60.3	48.4
Share-based compensation expense	9	5.1	(3.4)
Finance costs	16	11.8	12.0
Share-based compensation paid	9	(1.1)	(1.1)
Employee pension liability	20	0.4	-
Provision for income tax	13	2.7	1.9
Fair value decrease on stock warrants	4	(2.4)	(39.6)
Unrealized loss on swap derivative contract	22	2.0	14.3
Unrealized foreign exchange loss (gain)	8	0.9	(0.1)
Share of loss (income) in associate	7	0.1	(0.3)
Gain on extinguishment of stock warrant obligation	4	(1.8)	-
Withholding tax paid on vested RSUs & PSUs	9	(3.6)	(1.3)
Interest paid		(9.0)	(10.0)
Cash generated from operating activities		69.5	68.8
Changes in non-cash working capital items and other long-term items			
Trade and other receivables		(11.3)	8.2
Inventories		(1.5)	(0.3)
Prepaid expenses and deposits		2.5	(2.2)
Trade and other payables		10.7	(9.7)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>69.9</b>	<b>64.8</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment and intangible assets	5, 6	(44.6)	(111.9)
Proceeds from asset disposals and related notes receivable	6	62.1	1.2
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		<b>17.5</b>	<b>(110.7)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of (proceeds from) borrowings	10	(71.0)	90.9
Repayments of obligations under lease and financial liabilities	8,11	(10.5)	(7.5)
Share buyback	18	-	(31.6)
Dividends paid to shareholders	18	(11.0)	-
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>		<b>(92.5)</b>	<b>51.8</b>
<b>NET CHANGE IN CASH</b>		<b>(5.1)</b>	<b>5.9</b>
<b>CASH, BEGINNING OF PERIOD</b>		<b>6.7</b>	<b>1.5</b>
<b>CASH, END OF PERIOD</b>		<b>1.6</b>	<b>7.4</b>

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

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

### **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 and Europe, between Canada and Asia and between Canada and Mexico.

Cargojet is publicly listed with shares 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 May 4, 2026.

### **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, under 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 Aersh Ship Handling Ltd. (“AH”).

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 year ended December 31, 2025 and 2024.

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 year ended December 31, 2025 and 2024.

#### **Intangible assets**

Indefinite life intangible assets, such as licenses, have no foreseeable limit to the period over which they are expected to generate net cash inflows and are carried at cost less impairment losses and are not amortized.

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

Development costs that are directly attributable to the design, development, implementation and testing of identifiable software are recognized as intangible assets when the capitalization criteria are met. These criteria include technical feasibility, the intention and ability to complete and use the software, and the ability to demonstrate that the asset will generate probable future economic benefits. Costs that do not meet these criteria are expensed as incurred. Directly attributable costs include software-related employee costs, third-party development costs and an appropriate allocation of directly attributable overhead.

Capitalized internal-use software costs are amortized on a straight-line basis over their estimated useful lives once the software is available for use and are assessed for impairment when indicators of impairment exist. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### **Adoption of new accounting policies**

Effective January 1, 2026, the Company adopted the International Accounting Standards Board (“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 Company elected to apply the exception to derecognize financial liabilities settled through an electronic payment system at an earlier date. 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 for operating, investing, financing, income taxes and discontinued operations. Some additional prescribed subtotals must be presented, including operating income. 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.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

### 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 month periods ended March 31, 2026 and 2025:

	Three month period ended	
	March 31,	
	2026	2025
	\$	\$
Revenue from air cargo services	240.9	230.4
Revenue from other sources	13.8	19.5
Total revenue	254.7	249.9

#### Revenue recognized at a point of time

	Three month period ended	
	March 31,	
	2026	2025
	\$	\$
Domestic network	104.8	104.8
ACMI	54.2	59.4
All-in charter	56.6	41.9
Fuel surcharge and other revenue	44.7	43.8
Total excluding amortization of contract assets	260.3	249.9
Amortization of contract assets	(8.0)	(5.5)
Total revenue	252.3	244.4

#### Revenue recognized from transfer of services over time

	Three month period ended	
	March 31,	
	2026	2025
	\$	\$
All-in charter	1.5	4.1
Fuel surcharge and other revenue	0.9	1.4
Total revenue	2.4	5.5

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

### Contract assets and liabilities

As at March 31, 2026 and December 31, 2025, the Company's revenue-related assets and liabilities consist of the following:

	March 31, 2026	December 31, 2025
	\$	\$
Contract asset - stock warrants <sup>(1)</sup>	86.1	94.5
Contract asset - other	2.4	2.0
Trade receivables	109.1	91.8
<b>Total contract assets</b>	<b>197.6</b>	<b>188.3</b>
<b>Contract liability - expected rebates to customers</b>	<b>0.4</b>	<b>0.3</b>

<sup>(1)</sup> See Note 4 Stock warrants

## 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 16.1% of the issued and outstanding voting shares. Tranche I warrant shares represent 10.7% and Tranche II warrant shares represent 5.4% 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 was exercisable in accordance with its terms through February 23, 2026 and expired unexercised on that date. Under the terms of the warrant agreement, if the Tranche I warrant shares are not vested in full as of the Tranche I expiration time, the Tranche II expiration time is deemed to be the Tranche I expiration time and accordingly Tranche II also expired on February 23, 2026.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

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 22 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. As the warrants were expired on February 23, 2026, no gain or loss was recognized from the fair value remeasurement during the three month period ended March 31, 2026 (2025 – gain of \$20.4). A gain of \$1.8 was recognized on the extinguishment of stock warrant obligations and was recorded within Other gain or loss, net, during the three month period ended March 31, 2026 (2025 – \$nil).

The activity in contract assets and stock warrant obligations during the three month period ended March 31, 2026 and the year ended December 31, 2025 is summarized below:

	March 31, 2026	December 31, 2025
<b>Contract assets</b>	\$	\$
Stock warrant and other contract assets - beginning of period	2.1	14.3
Less: Amortization during the period	(2.1)	(12.2)
Contract assets - end of period	-	2.1
<b>Stock warrant obligations</b>		
Stock warrant obligations - beginning of period	1.8	28.7
Gain on extinguishment of stock warrant obligations	(1.8)	-
Fair value decrease during the period	-	(26.9)
Stock warrant obligations - end of period	-	1.8

### 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 ("CCA") 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

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

business with the Company (“Existing Business Warrant Shares”) and on achievement of growth targets (“Growth Business Warrant Shares”).

On August 6, 2025, the Company amended this agreement under which both parties agreed to cancel all vested and unvested outstanding warrants and issued a new warrant certificate dated August 6, 2025 to DHL and its affiliates to purchase up to an aggregate of 1,000,000 variable voting shares at an exercise price of \$93.61 representing 6.6% of the Company’s issued and outstanding equity shares as on March 31, 2026. The parties also agreed to extend the term of the current CCA to provide air transportation services on ACMI basis (by providing aircraft, crew, maintenance and insurance) for DHL’s global network for an additional six years after its expiry on March 28, 2027, with a renewal option for two additional terms of two years. Under the revised warrant agreement, Existing Business Warrant Shares represent 1.6% and Growth Business Warrant Shares represent 3.3% 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 250,000 shares and Growth Business Warrant Shares will give a right to purchase an aggregate of 500,000 shares. The exercise price of both Existing and Growth Warrant Shares is \$93.61 per voting share. 250,000 warrant shares or 1.6% of 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 \$3,200 in business volume during the term. Existing and Growth Warrant Shares are exercisable in accordance with their terms through August 6, 2033.

The Company has determined that the CCA contract modification does add additional services that are distinct from those already provided, however they are not offered at their stand-alone selling price. Therefore, this contract modification will be accounted for prospectively. Accordingly, the fair value of the Company’s obligation was determined on August 6, 2025, that increased by \$16.6 to a total value of \$41.6 in 2025, with a corresponding increase recognized in the value of the contract asset. The revised value of the contract asset was amortized against future revenues in proportion to the payments to date over the total forecasted payments specified in the agreement.

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 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 22 Financial Instruments. The corresponding contract asset was recognized at inception and amortized against revenue in proportion to the payments to date over the total forecasted payments specified in the CCA. The fair value of the stock warrant obligations was revalued as at March 31, 2026 using the same American option pricing model utilizing Monte Carlo simulation and resulted in a gain of \$2.4 during the three month period ended March 31, 2026 (2025 – gain of \$19.2).

The activity in contract assets and stock warrant obligations during the three month period ended March 31, 2026 and the year ended December 31, 2025 is summarized below:

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

	March 31, 2026	December 31, 2025
<b>Contract assets</b>	\$	\$
Stock warrant and other contract assets - beginning of period	87.4	78.2
Add: Stock warrant and other contract assets	-	16.6
Less: Amortization during the period	(1.3)	(7.4)
Contract assets - end of period	86.1	87.4
<b>Stock warrant obligations</b>		
Stock warrant obligations - beginning of period	31.4	34.2
Add: Stock warrant obligations during the period	-	16.6
Fair value decrease during the period	(2.4)	(19.4)
Stock warrant obligations - end of period	29.0	31.4

## 5. INTANGIBLE ASSETS

	Licenses	Internal-Use Software	Total
	\$	\$	\$
As at January 1, 2025	2.0	-	2.0
As at December 31, 2025	2.0	-	2.0
Cost	2.0	-	2.0
As at December 31, 2025	2.0	-	2.0
Additions	-	1.1	1.1
Transfer from property, plant and equipment	-	1.8	1.8
As at March 31, 2026	2.0	2.9	4.9
Cost	2.0	2.9	4.9
As at March 31, 2026	2.0	2.9	4.9

During the three month period ended March 31, 2026, the Company capitalized \$1.1 of costs related to the internal-use software under development. No amortization was recognized as the assets have not yet reached the stage at which they are available for use. During the three month period ended March 31, 2026, the Company transferred \$1.8 of costs related to internal-use software from property, plant and equipment to intangible assets.

As at March 31, 2026, the Company had licenses with indefinite lives carried at \$2.0 (December 31, 2025 – \$2.0). The Company believes that licenses have indefinite useful lives as the licenses provide a renewal option, at Transport Canada's discretion, provided that licensing conditions are met and the Company complies with the licensing conditions specified in the existing laws, agreements, treaties and regulations.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

### 6. PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>	Balance as at				Balance as at
	January 1, 2026	Additions	Transfers	Adjustments <sup>1</sup>	March 31, 2026
	\$	\$	\$	\$	\$
Aircraft hull	944.8	-	4.6	(0.8)	948.6
Engines	1,073.5	0.3	4.4	(13.5)	1,064.7
Right of use assets	92.0	0.2	-	-	92.2
Spare parts	19.7	3.3	(2.2)	-	20.8
Ground equipment	76.9	0.8	-	-	77.7
Rotable spares	139.3	6.5	0.3	-	146.1
Computer hardware and software	17.4	-	0.2	-	17.6
Furniture and fixtures	6.1	-	-	-	6.1
Leasehold improvements	26.4	-	0.5	-	26.9
Vehicles	4.1	-	-	-	4.1
Hangar and cross-dock facilities	46.8	-	-	-	46.8
Property, plant and equipment under development	84.2	25.7	(9.3)	(1.8)	98.8
Deferred heavy maintenance	253.4	7.0	1.5	-	261.9
	<u>2,784.6</u>	<u>43.8</u>	<u>-</u>	<u>(16.1)</u>	<u>2,812.3</u>

<sup>1</sup> Included adjustment of \$14.3 for engine and APU overhauls and transfer of \$1.8 to intangible assets.

<b>Accumulated depreciation &amp; adjustments</b>	Balance as at			Balance as at	Net Book Value
	January 1, 2026	Depreciation	Adjustments <sup>1</sup>	March 31, 2026	as at March 31, 2026
	\$	\$	\$	\$	\$
Aircraft hull	286.8	11.7	(0.8)	297.7	650.9
Engines	392.5	26.0	(13.5)	405.0	659.7
Right of use assets	68.2	2.9	-	71.1	21.1
Spare parts	-	-	-	-	20.8
Ground equipment	46.4	1.2	-	47.6	30.1
Rotable spares	59.6	3.0	-	62.6	83.5
Computer hardware and software	15.8	0.2	-	16.0	1.6
Furniture and fixtures	4.5	0.1	-	4.6	1.5
Leasehold improvements	19.1	0.3	-	19.4	7.5
Vehicles	3.3	0.1	-	3.4	0.7
Hangar and cross-dock facilities	18.1	0.3	-	18.4	28.4
Property, plant and equipment under development	-	-	-	-	98.8
Deferred heavy maintenance	145.8	6.5	-	152.3	109.6
	<u>1,060.1</u>	<u>52.3</u>	<u>(14.3)</u>	<u>1,098.1</u>	<u>1,714.2</u>

<sup>1</sup> Included adjustment \$14.3 for engine and APU overhauls.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

<b>Cost</b>	Balance as at January 1, 2025	Additions	Transfers	Assets Held for Sale and Adjustments <sup>1</sup>	Balance as at December 31, 2025
	\$	\$	\$	\$	\$
Aircraft hull	900.1	0.6	101.9	(57.8)	944.8
Engines	942.8	18.0	188.2	(75.5)	1,073.5
Right of use assets	81.8	10.2	-	-	92.0
Spare parts	15.8	3.9	-	-	19.7
Ground equipment	74.1	2.7	0.1	-	76.9
Rotable spares	106.9	32.7	(0.3)	-	139.3
Computer hardware and software	16.4	0.4	0.6	-	17.4
Furniture and fixtures	6.0	-	0.1	-	6.1
Leasehold improvements	26.0	-	0.4	-	26.4
Vehicles	4.1	-	-	-	4.1
Hangar and cross-dock facilities	46.4	0.4	-	-	46.8
Property, plant and equipment under development	149.3	232.7	(297.8)	-	84.2
Deferred heavy maintenance	215.5	36.1	6.8	(5.0)	253.4
	<u>2,585.2</u>	<u>337.7</u>	<u>-</u>	<u>(138.3)</u>	<u>2,784.6</u>

<sup>1</sup> Included adjustment of \$90.9 related to assets held for sale and \$45.3 for engine overhauls.

<b>Accumulated depreciation &amp; adjustments</b>	Balance as at January 1, 2025	Depreciation	Assets Held for Sale and Adjustments <sup>1</sup>	Balance as at December 31, 2025	Net Book Value December 31, 2025
	\$	\$	\$	\$	\$
Aircraft hull	248.3	45.1	(6.6)	286.8	658.0
Engines	361.7	84.7	(53.9)	392.5	681.0
Right of use assets	57.0	11.2	-	68.2	23.8
Spare parts	-	-	-	-	19.7
Ground equipment	41.5	4.9	-	46.4	30.5
Rotable spares	49.2	10.4	-	59.6	79.7
Computer hardware and software	14.9	0.9	-	15.8	1.6
Furniture and fixtures	4.1	0.4	-	4.5	1.6
Leasehold improvements	17.7	1.4	-	19.1	7.3
Vehicles	3.0	0.3	-	3.3	0.8
Hangar and cross-dock facilities	16.7	1.4	-	18.1	28.7
Property, plant and equipment under development	-	-	-	-	84.2
Deferred heavy maintenance	120.0	26.5	(0.7)	145.8	107.6
	<u>934.1</u>	<u>187.2</u>	<u>(61.2)</u>	<u>1,060.1</u>	<u>1,724.5</u>

<sup>1</sup> Included adjustment of \$14.9 related to assets held for sale and \$45.3 for engine overhauls.

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

Property, plant and equipment under development of \$98.8 as at March 31, 2026 relates to purchase and/or modification primarily of aircraft and aircraft engines that are not yet available for use (December 31, 2025 – \$84.2).

Right of use assets consists of hangars, warehouses and offices.

Depreciation expense on property, plant and equipment for the three month period ended March 31, 2026 totaled \$52.3 (2025 – \$42.5), out of which \$51.9 (2025 – \$42.0) was recorded in direct expenses and \$0.4 (2025 – \$0.5) was recorded in selling, general and administrative expenses.

Costs of engine and APU overhauls are capitalized and amortized on a straight-line basis over the period to the next overhaul. Before the overhaul, the cost and the corresponding accumulated depreciation are derecognized as adjustments. During the three month period ended March 31, 2026, the Company derecognized cost and accumulated depreciation of \$14.3 (2025 – \$4.2) related to the previously capitalized engine and APU overhauls.

As at March 31, 2026, the Company had contractual commitments of \$20.9 for the acquisition of property, plant and equipment.

In 2025, the Company received notes receivable for the sale of two aircraft of \$63.5 (USD \$45.5) in lieu of the cash payment to be settled on or before the due date of January 9, 2026. The notes bore an interest rate of 6.25% per annum. The Company accrued interest income of \$0.3 for the year ended December 31, 2025, and added to the outstanding balance of notes receivable to \$63.8. During the three month period ended March 31, 2026, cash payment of \$62.4 was received. The remaining balance of \$1.4 was expected to be received by the end of 2026 and reclassified to trade and other receivables as it is non-interest-bearing.

### **7. INVESTMENT IN ASSOCIATE**

On August 10, 2021, the Company acquired an investment in Avia Acquisition LLC (“Avia”) for cash consideration of \$6.5 and applied equity accounting on the investment. The Company also purchased 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. 21 Air LLC (“21 Air”), which is wholly owned by Avia, 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 is not a publicly listed Company.

In 2024, Avia issued Class B non-voting shares to a third party. The Company still holds 25% voting rights in Avia while its ownership was reduced from 25% to 21.5%.

During the three month period ended March 31, 2026, Avia generated net loss of \$0.4 (2025 – net income of \$1.2) and the Company’s share of the net loss was \$0.1 (2025 – net income of \$0.3). The Company changed the value of the investment by the share of the net income or loss. No dividend was declared or paid by Avia during the period.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

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

	March 31, 2026	December 31, 2025
	\$	\$
Current assets	53.8	53.5
Non-current assets	64.5	64.6
Total assets	118.3	118.1
Current liabilities	42.4	43.2
Non-current liabilities	31.8	33.2
Total liabilities	74.2	76.4
Net assets	44.1	41.7

	Three month period ended March 31,	
	2026	2025
	\$	\$
Revenue	46.8	37.8
Expenses	47.2	36.6
Net (loss) income	(0.4)	1.2
Company's share of net (loss) income	(0.1)	0.3

### Movement in investment in associate balance

	Three month period ended March 31,	
	2026	2025
	\$	\$
Investment in associate - beginning of period	9.9	7.7
Company's share of net (loss) income	(0.1)	0.3
Investment in associate - end of period	9.8	8.0

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

### 8. NET DEBT RECONCILIATION

The analysis of net debt as at March 31, 2026 and 2025 is presented below:

	March 31, 2026	December 31, 2025
	\$	\$
Cash	1.6	6.7
Gross debt - repayable within one year	(24.8)	(25.7)
Gross debt - repayable after one year	(892.0)	(968.9)
Net debt	(915.2)	(987.9)
Cash	1.6	6.7
Gross debt - fixed interest rates	(427.0)	(433.8)
Gross debt - variable interest rates	(489.8)	(560.8)
Net debt	(915.2)	(987.9)

	Cash / bank overdraft	Lease and financial liabilities	Borrowing	Debentures	Total
	\$	\$	\$	\$	\$
Net debt as at January 1, 2025	1.5	(103.5)	(538.1)	(113.5)	(753.6)
Cash flows	5.2	(66.8)	(22.7)	(133.3)	(217.6)
Loss on extinguishment of debts	-	-	-	(0.8)	(0.8)
Acquisitions - leases and financial liabilities	-	(10.2)	-	-	(10.2)
Interest accretion	-	(8.2)	-	(0.8)	(9.0)
Foreign exchange adjustment	-	3.3	-	-	3.3
Net debt as at December 31, 2025	6.7	(185.4)	(560.8)	(248.4)	(987.9)
Cash flows	(5.1)	10.5	71.0	-	76.4
Acquisitions - leases and financial liabilities	-	(0.2)	-	-	(0.2)
Interest accretion	-	(2.5)	-	(0.1)	(2.6)
Foreign exchange adjustment	-	(0.9)	-	-	(0.9)
Net debt as at March 31, 2026	1.6	(178.5)	(489.8)	(248.5)	(915.2)

### 9. 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 ("DSUs") to all active crewmembers. One-half of the cash payment or DSUs 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.

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

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 DSUs to all active crew members. 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 DSUs to all active crew members. 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 March 31, 2026, the Company re-measured the fair value of DSUs granted to crew members and had a liability of \$13.5 (December 31, 2025 – \$13.3). For the three month period ended March 31, 2026, the Company recognized an expense of \$0.2 in crew cost for the services rendered in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income (2025 – gain of \$1.8).

For the crew members who elected to receive \$0.1 cash at the end of the vesting period, the Company also recognized \$0.4 as crew cost expenses for the services rendered for the three month period ended March 31, 2026 (2025 – \$0.4), in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income. As at March 31, 2026, the Company had a total liability of \$5.9 (December 31, 2025 – \$5.5) 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.

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

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 three month period ended March 31, 2026, the Company granted 2,869 DSUs including dividend equivalents to the independent directors and credited them to their notional account.

As at March 31, 2026, a total of 26,134 DSUs were outstanding in the directors' notional accounts with a carrying amount of liability of \$2.1 (December 31, 2025 – 23,265 DSUs with a carrying amount of liability of \$2.0).

### **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.

During the three month period ended March 31, 2026, 8,624 remaining RSUs granted in prior years vested. 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 \$94.4.

During the three month period ended March 31, 2026, in accordance with the Omnibus Plan, the Company granted 95,275 RSUs to certain key executives. Each RSU had an average value per share of \$94.40 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. 47,641 of the RSUs vested immediately, and 47,634 RSUs will vest in 2027. 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, 22,138 shares were issued to the senior management for vested RSUs and the Company remitted an amount of \$2.4 equal to the monetary value of the tax obligation determined based on the Market Price of \$94.4 per share of 22,138 shares withheld that otherwise would have been issued upon vesting. An amount of \$2.1 was transferred to share capital.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

During the three month period ended March 31, 2026, out of the 342 RSUs granted to an executive in prior year, 171 RSUs vested. 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, 79 shares were issued to the executive for vested RSUs.

The RSU activity for the three month period ended March 31, 2026 and 2025 is summarized below:

RSUs	Number of RSUs	Fair value \$
Balance as at January 1, 2025	24,306	0.6
Granted	3,318	0.3
Share based compensation - vested and settled	(16,131)	(0.1)
Share based compensation - unvested and amortized	-	(0.6)
Forfeited	(543)	-
Balance as at December 31, 2025	10,950	0.2
Granted	95,275	9.0
Share based compensation - vested and settled	(56,436)	(4.5)
Share based compensation - unvested and amortized	-	(0.4)
Balance as at March 31, 2026	49,789	4.3

During the three month period ended March 31, 2026, the total share-based compensation expense of \$4.9 related to the RSUs was included in the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income (2025 – \$0.3). As at March 31, 2026, unrecognized share-based compensation expense related to these RSUs was \$4.3 on 49,789 outstanding RSUs (December 31, 2025 – \$0.2 on 10,950 RSUs).

### Options

The Options activity during the three month periods ended March 31, 2026 and 2025 is summarized below:

OPTIONS	Number of Options	Weighted average exercise price
Balance as at January 1, 2025	109,310	126.25
Granted	67,475	88.96
Forfeited	(3,515)	111.69
Exercised	(1,198)	108.05
Balance as at December 31, 2025	172,072	112.05
Forfeited	(7,225)	111.53
Expired unexercised	(11,494)	176.56
Balance as at March 31, 2026	153,353	107.24
Vested & exercisable as at March 31, 2026	96,595	113.83

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

As at March 31, 2026, there were 96,595 vested Options outstanding (December 31, 2025 – 65,119) and the weighted average contractual life remaining of the outstanding vested Options is 2.6 years (December 31, 2025 – 1.9 years).

During the three month period ended March 31, 2026, the fair value of options was determined, and the Company recognized a gain of \$0.1 in bonuses and incentives expense in the Consolidated Statements of Earnings and Comprehensive Income with corresponding adjustment in the liability (2025 – gain of \$1.1). As at March 31, 2026, the Company had a total liability of \$1.5 (December 31, 2025 – \$1.6) for Options.

	<b>27-Mar-25</b>	<b>14-Jun-24</b>	<b>17-Mar-23</b>	<b>17-Dec-22</b>	<b>13-May-22</b>
	<b>Series 11</b>	<b>Series 10</b>	<b>Series 9</b>	<b>Series 8B</b>	<b>Series 8A</b>
Exercise price redemption	\$88.96	\$119.23	\$108.05	\$123.68	\$147.98
Expected volatility	38.51%	41.32%	40.89%	40.10%	36.45%
Option life in years	5	5	5	5	5
Dividend yield	1.62%	1.03%	1.06%	0.94%	0.74%
Risk-free rate	2.75%	4.00%	2.75%	2.75%	1.25%
Vesting period	2026-2028	2025-2027	2024-2026	2023-2025	2023-2025
Options granted	67,475	43,637	38,144	1,486	19,543
Options outstanding	65,283	39,709	30,476	1,486	16,399
Fair value per option on grant date	\$28.90	\$45.81	\$38.96	\$44.37	\$46.37
Fair value per option on March 31, 2026	\$20.32	\$11.16	\$8.89	\$5.28	\$1.27

### Performance share units

The Company's performance share unit plan provides the Company the ability to grant performance share units ("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.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

During the three month period ended March 31, 2026, out of the 26,216 PSUs granted in 2023, 3,729 PSUs were forfeited and all others fully vested at the end of the three-year period. The Company also settled 2,129 units from 2024 and 2025 PSUs grant for certain executives as part of their retirement settlement and forfeited 3,942 units from 2024 and 2025 for employees who voluntarily left the Company. The Company also accrued notional dividends on the PSUs, equivalent to 878 units that were also issued and vested upon the satisfaction of the PSUs vesting conditions. Based on the achievement of performance objectives relating to TSR and ROIC, the previously granted performance units and vested PSUs dividends were adjusted to 18,000 units. Except for 2,371 units for a retired executive pending settlement, the Company settled the vested PSUs in cash at Market Price of the share pursuant to the PSU Plan. During the three month period ended March 31, 2026, an amount of \$0.7 was disbursed to the executives, net of the tax obligation of each participant and \$0.8 was remitted to the tax authority.

During the three month period ended March 31, 2026, the Company also granted 57,583 PSUs to its executives (2025 – 43,841). 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.

During the three month period ended March 31, 2026, the total share based expense related to PSUs was \$0.4 (2025 – net gain of 1.2). As at March 31, 2026, the Company had an outstanding liability of \$5.1 on 127,711 PSUs (December 31, 2025 – \$6.4 on 102,415 PSUs).

### 10. BORROWINGS

The balance of borrowings as at March 31, 2026 and December 31, 2025 consists of the following:

	March 31, 2026	December 31, 2025
	\$	\$
Term loan facility	303.6	303.6
Revolving credit facility	186.2	257.2
<b>Total borrowings</b>	<b>489.8</b>	<b>560.8</b>

#### Revolving syndicate credit facility and term loan

On June 27, 2025, the Company entered into a fourth amended and restated credit agreement with Royal Bank of Canada, as administrative agent and a syndicate of financial institutions, which extended the maturity date of the \$600.0 revolving operating credit facility (the “Credit Facility”) to June 27, 2030 and replaced the delayed draw term loan facility (the “DDTL Facility”) with a new term loan facility (the “Term Loan Facility” and, together with the Credit Facility, the “Facilities”). The Term Loan Facility constitutes an advance of \$303.6 which represents the outstanding balance under the DDTL facility as of June 27, 2025. The Term Loan Facility is a non-revolving facility and any repayments under the Term Loan Facility cannot be reborrowed.

The amendments transitioned the Facilities from secured to unsecured and, subject to the Company maintaining an investment grade rating from a major rating agency, resulted in the release of security previously granted by Cargojet and certain of its subsidiaries in favour of the lenders.

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

The credit agreement contains a springing lien provision that is triggered upon a downgrade of all then-applicable ratings to a non-investment grade rating or the withdrawal of all then-applicable ratings by each major credit agency. Upon the occurrence of such an event the Company and certain of its subsidiaries are obligated to provide security in favour of the lenders substantially similar to that which was in effect prior to the date of the release. Once secured the Credit Facility will rank pari passu with any other secured obligations of the Company.

The Facilities bear 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 the principal are required under the Facilities prior to maturity.

The Facilities are available at the Company's option by way of advances in the form of prime rate loan, CORRA loan, Secured Overnight Financial Rate ("SOFR") loan and US base rate loan in US dollars and letters of credit 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 the incurrence of certain 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 interest coverage ratio, unencumbered asset coverage ratio and a total adjusted leverage ratio. These ratios are to be maintained at all times and to be tested at the end of each quarter. The Facilities are not subject to any future covenant.

The Company was in compliance with the terms of the lending agreements for the Facilities as at March 31, 2026. As the Company was in compliance with the covenants at the reporting date, it would classify the Facilities as non-current.

Included in the Condensed Consolidated Interim Statement of Earnings and Comprehensive Income for the three month period ended March 31, 2026 was the interest expense on the Facilities of \$5.7 (2025 – \$7.9 on Credit Facility and DDTL Facility).

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 they are further renewed.

## **11. LEASE AND FINANCIAL LIABILITIES**

### **Lease liabilities**

The Company has lease arrangements for two Boeing 767-300 aircraft that include a bargain purchase option. The 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 March 31, 2026, the total outstanding balance of these lease arrangements is \$54.7 (December 31, 2025 – \$57.3), out of which \$14.6 (December 31, 2025 – \$14.2) is presented as a current liability on the Condensed Consolidated Interim Balance Sheets.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

As at March 31, 2026, the Company also has \$21.1 (December 31, 2025 – \$23.8) of right of use assets and \$26.0 (December 31, 2025 – \$28.1) of lease liabilities, which consists of hangars, warehouses, and offices, out of which \$5.4 (December 31, 2025 – \$6.7) 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 March 31, 2026:

	Minimum lease payments	Present value of minimum lease payments
	\$	\$
Not later than one year	25.5	20.1
Later than one year and not later than five years	64.8	56.7
Later than five years	4.3	3.9
	94.6	80.7
Less: interest	13.9	-
Total obligations under leases	80.7	80.7
Less: current portion	20.0	20.0
Non-current portion	60.7	60.7

Interest amounts on the lease liabilities for the three month period ended March 31, 2026 totaled \$1.4 (2025 – \$1.7).

### Financial Liabilities

In 2025, the Company sold two of its recently acquired B767-300 aircraft to a financial institution and simultaneously leased them back. Each aircraft is leased for a period of five years from the delivery date. At the end of the respective leases, the Company has an option to buy back the aircraft at an agreed price in Canadian Dollars. As a result of the sales transactions, net proceeds of \$103.5 were realized net of a transaction cost of \$0.1 upon the initial recognition. Due to buyback options embedded in the respective leases, the transfer of the assets is not a sale in accordance with IFRS 15 as the control of the assets was not transferred. Therefore, the transaction was classified as failed sales and leaseback transaction. The Company continues to recognize the assets as is without recognizing any gain or loss on the transfer of assets and recognized a financial liability equal to the transfer proceeds net of transaction costs. This liability is accounted for under IFRS 9. The assets continued to be depreciated over their useful life.

The combined effective interest rate for these leases is 4.37%. As at March 31, 2026, the total outstanding balance for these lease arrangements is \$97.8 (December 31, 2025 – \$100.0).

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

The Company remains obligated to pay maintenance reserves to the lessor to cover future heavy maintenance costs for the aircraft. These reserves funds accumulated based on flight hours and cycles, will be held by the lessor, to guarantee the future maintenance events such as c checks, engine overhauls, APU and landing gears overhaul that is the Company's obligation. The Company can receive a reimbursement from these reserves upon completion of a maintenance event or can claim unused funds at the end of lease to adjust the buyback amount. As the Company has decided not to seek the reimbursement of the reserves upon completion of the maintenance events, it will debit the reserve payments to lease liability account as prepayment of the repurchase price. During the three month period ended March 31, 2026, an amount of \$0.9 was debited to the lease liability account on account of reserve payments (2025 – \$nil).

The following is a schedule of future minimum annual lease payments for aircraft under finance liabilities together with the balance of the obligations as at March 31, 2026:

	Minimum lease payments	Present value of minimum lease payments
	\$	\$
Not later than one year	9.2	4.8
Later than one year and not later than five years	105.9	93.0
	115.1	97.8
Less: interest	17.3	-
Total obligations under leases	97.8	97.8
Less: current portion	4.8	4.8
Non-current portion	93.0	93.0

Interest amounts on the finance liabilities for the three month period ended March 31, 2026 totaled \$1.1 (2025 – \$nil).

## 12. DEBENTURES

On June 30, 2025, \$250 of senior unsecured debentures were issued at a price of 1,000 dollars per debenture with a term of five years due June 30, 2030. These debentures have a fixed interest rate of 4.599% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2025. The debentures will rank pari passu with existing and future unsecured unsubordinated debt including debentures maturing in June 2026 and got a rating of BBB (low) from Morningstar DBRS.

On or after June 30, 2025, but prior to May 30, 2030, 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 the greater of: (i) 100% of the principal amount of the debentures redeemed and (ii) the Canada Yield Price, plus accrued and unpaid interest. On or after May 30, 2030, but prior to the maturity date of June 30, 2030, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

---

“Canada Yield Price” means, in respect of any notes being redeemed, the price, in respect of the principal amount of the notes, calculated on the business day immediately preceding the date on which Cargojet delivers notice of the redemption, equal to the sum of the present values of the remaining scheduled payments of interest (not including any portion of the payments of interest accrued as of the date of redemption) and principal on the notes to be redeemed from the redemption date to May 30, 2030 using a discount rate equal to the sum of the Government of Canada yield on such business day and 41 basis points.

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.

The 4.599% debentures were recorded as a financial instrument. The debt was initially measured at a fair value of \$248.3 net of deferred issuance costs of \$1.7. The redemption option was not separately accounted for as it was determined to be closely related to the host contract.

The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debentures. The balance of the debentures as at March 31, 2026 and December 31, 2025 consists of the following:

	March 31, 2026	December 31, 2025
	\$	\$
Principal balance - beginning of period	248.4	250.0
Issuance costs	-	(1.7)
Accretion during the period	0.1	0.1
Balance - end of period	248.5	248.4

Interest expense on the debentures for the three month period ended March 31, 2026 totaled \$2.9 (2025 – \$nil).

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

### 13. INCOME TAXES

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

	Three month periods ended	
	March 31, 2026	2025
	\$	\$
Earnings before income taxes	6.8	49.9
Provision for income taxes at statutory rate of 26.5% (2025 – 26.5%)	1.8	13.2
Adjustment:		
Prior period adjustment	-	(2.2)
Share-based compensation	0.6	0.1
Stock warrants	0.3	(9.2)
Provision for income taxes	2.7	1.9

The tax effect of significant temporary differences are as follows:

	December 31, 2025	Prior period adjustment	Recognized in earnings	March 31, 2026
	\$	\$	\$	\$
Property, plant and equipment	198.1	-	(1.5)	196.6
Operating loss carryforward	(32.1)	-	4.0	(28.1)
Licenses	0.3	-	-	0.3
Intangible assets	(0.3)	-	-	(0.3)
Pension costs	(0.3)	-	(0.1)	(0.4)
Swap valuation adjustment	(8.8)	-	(0.7)	(9.5)
Long-term incentive plan	(7.2)	-	0.2	(7.0)
Deferred heavy maintenance	43.4	-	0.8	44.2
Net deferred income tax liability	193.1	-	2.7	195.8
Deferred income taxes liabilities	193.1	-	2.7	195.8

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

### 14. DIRECT EXPENSES

	Three month periods ended	
	March 31,	
	2026	2025
	\$	\$
Fuel costs	56.2	59.1
Maintenance costs	23.5	21.4
Heavy maintenance amortization	6.5	5.2
Aircraft costs	5.4	5.4
Crew costs	26.8	22.6
Depreciation	45.4	36.8
Ground services	22.5	22.5
Airport services	14.4	12.8
Navigation and insurance	13.6	11.3
Direct expenses	214.3	197.1

### 15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month periods ended	
	March 31,	
	2026	2025
	\$	\$
Salaries, benefits and incentives	13.0	8.9
Depreciation	0.4	0.5
Net realized foreign exchange loss (gain)	1.7	(0.8)
Other selling, general and administrative expenses	9.6	7.7
Selling, general and administrative expenses	24.7	16.3

### 16. FINANCE COSTS

	Three month periods ended	
	March 31,	
	2026	2025
	\$	\$
Interest on lease and financial liabilities	2.5	1.7
Interest on swap derivatives	0.7	0.6
Interest on debentures	2.9	1.7
Credit facilities and other interest	5.7	8.0
Finance costs	11.8	12.0

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

### 17. OTHER LOSS (GAIN), NET

	Three month periods ended	
	March 31, 2026	2025
	\$	\$
Unrealized foreign exchange (gain) loss	(0.8)	1.1
Gain on disposal of property, plant and equipment and assets held for sale	-	(0.9)
Gain on extinguishment of stock warrant obligations <sup>(1)</sup>	(1.8)	-
Other (gain) loss, net	(2.6)	0.2

<sup>(1)</sup> See Note 4 Stock warrant.

### 18. SHAREHOLDERS' CAPITAL

On November 11, 2025, the Company renewed its normal course issuer bid (the "NCIB"). The NCIB allows the Company to repurchase, at its discretion, up to 1,400,000 Voting Shares in the open market, subject to the standard terms and limitations. The NCIB will terminate on November 10, 2026. 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.

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.

During the three month period ended March 31, 2026, no Voting Shares were purchased for cancellation under the NCIB programs.

As at March 31, 2026, no repurchase obligation was recognized under the ASPP (December 31, 2025 – \$nil).

#### 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.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

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.

### b) Issued and outstanding

The following table shows the changes in shareholders' capital for the year ended March 31, 2026:

	Number of shares	Amount \$
Consisting of:		
Common voting shares	13,974,965	531.8
Variable voting shares	924,073	35.2
Outstanding January 1, 2026	14,899,038	567.0
Changes during the year:		
Restricted share units, vested and exercised	22,211	2.1
	14,921,249	569.1
Consisting of:		
Common voting shares	13,957,074	532.3
Variable voting shares	964,175	36.8
Outstanding - March 31, 2026	14,921,249	569.1

### Dividends

Dividends to shareholders declared for the three month period ended March 31, 2026 amounted to \$5.7 (\$0.3850 per share) and for the three month period ended March 31, 2025 amounted to \$5.4 (\$0.3500 per share) for both common and variable shares.

As at March 31, 2026, no dividends were payable to the shareholders (December 31, 2025 – \$5.2) and no amount was included within trade and other payables on the Condensed Consolidated Interim Balance Sheets.

### 19. NET EARNINGS PER SHARE

The following table shows the computation of basic earnings per share for the three month period ended March 31, 2026 and 2025:

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

	Three month periods ended	
	March 31,	
	2026	2025
Net earnings	\$4.1	\$48.0
Interest on hybrid debentures, net of taxes	-	1.2
Net earnings for shareholders (diluted)	\$4.1	\$49.2
Weighted average number of shares	14.9	15.6
Dilutive impact of share - based awards, hybrid debentures and vested warrant number of shares	0.1	1.5
Diluted weighted average number of shares	15.0	17.1
Net earnings per share - basic	\$0.28	\$3.07
Net earnings per share - diluted	\$0.27	\$2.87

### 20. EMPLOYEE BENEFITS

The Company has an unfunded defined benefit for two of its senior executives. The pension liability of \$1.5 was outstanding as at March 31, 2026 (December 31, 2025 – \$1.1).

### 21. 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 three month period ended March 31, 2026, the Company made lease payments of \$0.3 (2025 – \$0.3), out of which \$0.2 (2025 – \$0.2) was adjusted towards principal payments against the liability and \$0.1 (2025 – \$0.1) 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, 2026, the Company had a liability of \$6.3 (December 31, 2025 – \$6.5) due under the lease.

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

### Investment in associate

The Company acquired an investment in Avia in August 2019. See Note 7, Investment in Associate. 21 Air, which is wholly owned by Avia, is one of the vendors of the Company and provides charter services to the Company.

The Company also leased one Boeing 767-200 aircraft and one Boeing 757 aircraft to 21 Air. The leases will expire in May 2027 and August 2031, respectively.

The following is the summary of transactions between the Company and 21 Air for the three month period ended March 31, 2026 and 2025:

	Three month periods ended	
	March 31,	
	2026	2025
	\$	\$
Aircraft lease revenue	0.7	1.1
Engine lease revenue	-	0.2
Parts sale revenue	-	0.7
ACMI revenue	4.2	-
Maintenance costs	0.5	-
Sub-charter costs	1.6	0.8

## 22. 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 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.

Under the agreements, the Company pays interest based on CORRA on the total value of the notional equity amount of \$81.6, 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 March 31, 2026, the fair value measurement of the 5,736 and 567,934 underlying shares under the swap agreements in effect was a liability of \$36.2 (December 31, 2025 – liability of \$34.2). The fair value adjustment for the three month period ended March 31, 2026 was nil for the 5,736 share units (2025 – loss of \$0.1), and loss of \$2.0 for the 567,934 share units (2025 – loss of \$14.2).

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

The fair value of the total return swap is classified as level 2 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 \$9.2 and a decrease of 20% in the share price will result in a loss of the same amount.

### Fair values

The following table presents the carrying amounts and fair values of the Company's financial assets and financial liabilities as at March 31, 2026 and December 31, 2025:

	March 31, 2026		December 31, 2025	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	\$	\$	\$	\$
Cash	1.6	1.6	6.7	6.7
Trade and other receivables	136.5	136.5	123.9	123.9
Note receivables	-	-	63.8	63.8
Derivative financial instruments	(36.2)	(36.2)	(34.2)	(34.2)
Trade and other payables	(111.3)	(111.3)	(105.9)	(105.9)
Lease and financial liabilities	(178.5)	(178.5)	(185.4)	(185.4)
Borrowing	(489.8)	(489.8)	(560.8)	(560.8)
Debenture	(248.5)	(236.1)	(248.4)	(235.5)
Stock warrant obligations	(29.0)	(29.0)	(33.2)	(33.2)
Share-based compensation liabilities	(29.7)	(29.7)	(30.0)	(30.0)

As at March 31, 2026, the fair value of the 4.599% debentures due June 30, 2030 was approximately \$236.1 (December 31, 2025 – \$235.5). The fair value of the debentures was determined using the discounted cash flow method using a discount rate of 6.0%. 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 \$5.2 respectively.

The fair value of the performance share units due March 15, 2027, March 15, 2028 and March 15, 2029 are classified as Level 3 financial liabilities. As at March 31, 2026, the performance share units due March 15, 2027, March 15, 2028, and March 15, 2029, were valued at \$2.5, \$3.9 and \$6.6, respectively (December 31, 2025 – March 15, 2026, at \$2.3, March 15, 2027, at \$2.9 and March 15, 2028, at \$4.4). 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.

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

The fair value of the DHL warrant obligations was \$29.0 as at March 31, 2026 (December 31, 2025 – \$33.2 for DHL and Amazon warrant obligations). The revaluation resulted in a gain of \$2.4 for the three month period ended March 31, 2026 (2025 – gain of \$39.6). 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 DHL warrant obligation include volatility of the Company's common shares of 39.05% and forecasted revenues from DHL associated with this arrangement utilized to predict future vesting events. Other inputs include a risk free rate of 3.1% and a dividend yield of 1.5%.

A significant increase in the volatility of the Company's common shares in isolation may result in a significantly higher fair value measurement. Changes in the values of the derivative liabilities were recorded in fair value increase or decrease on stock warrant on the Company's Condensed Consolidated Interim Statements of Earnings and Comprehensive Income. A significant change to the timing of forecasted revenues may change the vesting dates. Changes to the vesting dates will not significantly affect the fair value of the warrant obligations, provided the total number of warrants vested in the vesting period remains the same. A significant change to the total forecasted revenues may result in significant change to the total number of warrants vested during the vesting period and the fair value measurement of warrant obligation.

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 \$2.8 and decrease by \$2.8. For every increase or decrease of the total forecasted revenue by 20% with all other factors remaining the same, the estimated fair value of DHL warrants will increase by \$0.2 or decrease by \$7.9.

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. 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 91.9% (December 31, 2025 – 88.0%) 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:

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

- (a) Only a small portion (5.3%) 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; and
- (c) A majority of the Company's major customers are large public corporations with positive credit ratings and history.

### 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 syndicate of financial institutions. The borrowing capacity is up to \$600. As at March 31, 2026, \$186.2 of borrowings were outstanding under the Credit Facility. As at March 31, 2026, \$303.6 of borrowings were outstanding under the Term Loan facility. The Term Loan Facility is a non-revolving facility and any repayments under the Term Loan Facility cannot be reborrowed.

The Company was in compliance with all covenants as at March 31, 2026.

The Company has financial liabilities with varying contractual maturity dates. Total financial liabilities at March 31, 2026 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	-	-	738.3	-	738.3
Lease and financial liabilities	24.9	21.3	128.4	3.9	178.5
Derivative financial instruments	36.2	-	-	-	36.2
Interest on lease and financial liabilities	9.8	7.5	13.5	0.4	31.2
Interest on debentures	11.5	11.5	25.9	-	48.9
Trade and other payables	111.3	-	-	-	111.3
Share-based compensation	16.1	2.4	8.6	2.6	29.7
Total	209.8	42.7	914.7	6.9	1,174.1

Total financial liabilities at December 31, 2025 based on contractual undiscounted payments are as follows:

# CARGOJET INC.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2026 and 2025

(unaudited - Canadian dollars in millions except where noted)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Borrowings and debentures	-	-	809.2	-	809.2
Lease and financial liabilities	25.7	23.2	130.1	6.4	185.4
Derivative financial instruments	34.2	-	-	-	34.2
Interest on lease and financial liabilities	9.4	7.8	15.6	0.8	33.6
Interest on debentures	11.8	11.8	29.7	-	53.3
Trade and other payables	105.9	-	-	-	105.9
Share-based compensation	17.3	2.2	7.9	2.6	30.0
Total	204.3	45.0	992.5	9.8	1,251.6

### 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 50% fixed and maximum 50% 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 March 31, 2026, 47% of the total debt outstanding was fixed rate debt and 53% was floating rate debt. A 10% increase in interest rates with all other factors remaining the same will increase the interest expense by \$0.5 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 gains 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.

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

Total unrealized foreign exchange gain for the year ended March 31, 2026 on foreign exchange transactions was \$0.8 (2025 – loss of \$1.1).

As at March 31, 2026, 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 \$2.0. 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.

As at March 31, 2026, 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 \$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.

### **23. 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 aircraft. 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.

# **CARGOJET INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**March 31, 2026 and 2025**

**(unaudited - Canadian dollars in millions except where noted)**

---

### **24. SUBSEQUENT EVENTS**

#### **Insurance Recovery**

In 2025, the Company incurred an obligation of \$21.5 arising from an incident that resulted in substantial damage to one Boeing 767-300 aircraft, that the Company uses to operate CMI flights on behalf of one of its customers. The aircraft is not included in the Company's property, plant and equipment.

The Company has insurance coverage for such events and based on confirmation from the insurer, it was virtually certain that reimbursement would be received. Accordingly, a corresponding receivable of \$21.5 had been recognized for the expected insurance recovery under trade and other receivables in 2025. In 2025, \$9.5 of the obligation was settled by the insurance company.

During the three month period ended March 31, 2026, no additional obligation was incurred in connection with the incident.

Subsequent to quarter end, on April 1, 2026, the Company received the remaining \$12.0 from the insurance.

#### **Disposal of Investment in Associate**

Subsequent to March 31, 2026, the Company disposed of its investment in Avia, which had been accounted for as an investment in associate under the equity method. As 21 Air is a wholly owned subsidiary of Avia, the disposition also represents the Company's exit from its indirect minority interest in 21 Air.

As part of the same transaction, the Company also sold its participation interest in Avia notes and received repayment of the loan receivable from Avia. Cash proceeds of \$11.0 (US \$7.9) were received in connection with the transaction. The gain or loss on the transaction will be recognized in the period ending June 30, 2026.