First Quarter 2020

Unaudited Interim Condensed Consolidated Financial Statements

March 31, 2020

Unaudited Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

	As at March 31, 2020 $	As at December 31, 2019 $
Assets		
Current assets		
Cash	90,648	87,167
Accounts receivable – trade and other	69,958	68,666
Inventories	69,903	61,843
Prepaid expenses and deposits	16,218	11,150
Current portion of lease receivables	4,202	4,558
Income tax receivable	1,798	1,323
	252,727	234,707
Restricted cash (note 14)	49,950	26,690
Lease receivables	8,821	8,637
Property and equipment (note 6)	2,687,975	2,592,327
Intangibles	1,730	1,799
Goodwill	7,150	7,150
Deferred income tax asset (note 9)	2,546	2,784
Other long-term assets	85,599	71,600
	3,096,498	2,945,694
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	192,467	177,575
Current portion of lease liabilities	5,183	5,785
Current portion of long-term incentive plan	1,865	6,549
Current portion of long-term debt (note 8)	181,189	164,554
Dividends payable	6,505	6,487
Income tax payable	3,596	10,114
	390,805	371,064
Lease liabilities	10,529	10,531
Long-term debt (note 8)	1,766,774	1,658,576
Deferred income tax liability (note 9)	193,887	192,315
Other long-term liabilities	125,641	108,215
	2,487,636	2,340,701
Equity	608,862	604,993
	3,096,498	2,945,694

Contingencies (note 12)
Economic dependence (note 13)
Subsequent events (note 15)

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

Unaudited Consolidated Statements of Changes in Equity

(expressed in thousands of Canadian dollars)

	Capital $	Deficit $	Exchange differences on foreign operations $	Contributed surplus $	Equity component of convertible units $	Total $
Balance - December 31, 2018	153,669	(783,793)	15,850	1,041,100	2,981	429,807
Net income for the period	—	33,447	—	—	—	33,447
Other comprehensive income (loss) for the period (net of tax)	—	9,566	(6,426)	—	—	3,140
Comprehensive income (loss) for the period	—	43,013	(6,426)	—	—	36,587
Dividends	—	(18,303)	—	—	—	(18,303)
Issuances of shares, net of transaction costs and related tax	97,260	—	—	—	—	97,260
Dividend reinvestment plan	4,133	(189)	—	—	—	3,944
Stock options exercised	4,625	—	—	(317)	—	4,308
Expense related to stock-based compensation plans	—	—	—	53	—	53
Balance - March 31, 2019	259,687	(759,272)	9,424	1,040,836	2,981	553,656
Net income for the period	—	99,713	—	—	—	99,713
Other comprehensive income (loss) for the period (net of tax)	—	2,307	(13,057)	—	—	(10,750)
Comprehensive income (loss) for the period	—	102,020	(13,057)	—	—	88,963
Dividends	—	(58,012)	—	—	—	(58,012)
Dividend reinvestment plan	17,021	(772)	—	—	—	16,249
Stock options exercised	5,049	—	—	(346)	—	4,703
Expense related to stock-based compensation plans	—	—	—	164	—	164
Reclassification of stock-based compensation from equity settled to cash settled liability	92	—	—	(822)	—	(730)
Balance - December 31, 2019	281,849	(716,036)	(3,633)	1,039,832	2,981	604,993
Net loss for the period	—	(17,294)	—	—	—	(17,294)
Other comprehensive (loss) income for the period (net of tax)	—	(380)	35,338	—	—	34,958
Comprehensive (loss) income for the period	—	(17,674)	35,338	—	—	17,664
Dividends	—	(19,520)	—	—	—	(19,520)
Dividend reinvestment plan	5,108	617	—	—	—	5,725
Balance - March 31, 2020	286,957	(752,613)	31,705	1,039,832	2,981	608,862

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

Unaudited Consolidated Statements of (Loss) Income
For the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars, except earnings per share)

	Three months ended March 31,	
	2020	**2019**
	$	**$**
Operating revenue (note 13)	350,041	343,867
Operating expenses (note 13)		
Salaries, wages and benefits	135,975	127,962
Depreciation and amortization	38,115	32,250
Aircraft maintenance materials, supplies and services	49,219	59,327
Airport and navigation fees	38,388	40,294
Terminal handling services	5,006	6,124
Other	36,646	37,791
	303,349	303,748
Operating income	46,692	40,119
Non-operating (expenses) income		
Interest revenue	666	796
Interest expense	(20,873)	(16,537)
Gain on disposal of property and equipment	16	36
Foreign exchange (loss) gain	(39,432)	14,250
	(59,623)	(1,455)
(Loss) income before income taxes	(12,931)	38,664
Income tax (expense) recovery (note 9)		
Current income tax	(5,298)	(2,220)
Deferred income tax	935	(2,997)
	(4,363)	(5,217)
Net (loss) income	(17,294)	33,447
Earnings per share, basic	(0.11)	0.22
Earnings per share, diluted	(0.11)	0.22

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

Unaudited Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

	Three months ended March 31,	
	2020	**2019**
	$	**$**
Net (loss) income	(17,294)	33,447
Other comprehensive income		
Items that will not be subsequently reclassified to the statements of income		
Actuarial gains on employee benefit liabilities, net of tax expense of $3,482 (2019 - $3,976)	9,375	10,284
Items that will be subsequently reclassified to the statements of income		
Change in fair value of financial assets and liabilities, net of tax recovery of ($1,615) (2019 - $103)	(9,755)	(718)
Exchange differences on translation of foreign operations	35,338	(6,426)
Comprehensive income	17,664	36,587

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

Unaudited Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2020 $	2019 $
Cash provided by (used in)		
Operating activities		
Net (loss) income	(17,294)	33,447
Charges (credits) to operations not involving cash		
Depreciation and amortization	38,115	32,250
Amortization of accrued transaction and financing fees	974	671
Impairment on property and equipment (note 6)	5,913	—
Gain on disposal of property and equipment	(16)	(36)
Unrealized foreign exchange loss (gain)	38,396	(16,753)
Realized foreign exchange loss	3,142	2,616
Effect of foreign exchange rate changes on cash	(3,551)	490
Deferred income tax expense	(935)	2,997
Other	402	283
	65,146	55,965
Net changes in non-cash balances related to operations (note 14)	(16,169)	(6,007)
	48,977	49,958
Financing activities		
Repayment of lease liabilities	(1,763)	(1,891)
Long-term borrowings, operating credit facility	30,000	—
Repayment of long-term borrowings	(41,920)	(32,861)
Long-term borrowings, net of financing fees	(119)	14,982
Issuance of shares, net of transaction costs	—	97,260
Unsecured debentures, net of transaction costs	372	—
Proceeds on stock options exercised	—	4,308
Dividends	(13,778)	(13,678)
	(27,208)	68,120
Investing activities		
Increase in security deposits and maintenance reserves	4,669	20,783
Additions to property and equipment	(9,985)	(164,557)
Payments received on lease receivables	1,321	1,635
Proceeds on disposal of property and equipment	16	36
(Increase) decrease in restricted cash	(21,303)	113
	(25,282)	(141,990)
Effect of foreign exchange rate changes on cash	6,994	(1,085)
Net change in cash during the periods	3,481	(24,997)
Cash – Beginning of periods	87,167	92,592
Cash – End of periods	90,648	67,595

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

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

1 General information

Chorus Aviation Inc. ("Chorus") is a holding company with various aviation interests incorporated on September 27, 2010, pursuant to the *Canada Business Corporations Act* (the "CBCA"). The registered office of Chorus is located at 100 King Street West, 1 First Canadian Place, Suite 6200, P.O. Box 50, Toronto, Ontario, M5X 1B8 and its country of domicile is Canada.

The accompanying unaudited interim condensed consolidated financial statements (the "financial statements") are of Chorus. References to Chorus in the following notes to the consolidated financial statements refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries.

Chorus' primary business activities include contract flying, aircraft leasing and maintenance, repair and overhaul services.

Contract flying is currently Chorus' primary business and these flying operations are conducted through both its Jazz Aviation LP ("Jazz") and Voyageur Aviation Corp. ("Voyageur") subsidiaries. Through Jazz's operations, Chorus provides a significant part of Air Canada's domestic and transborder network. Jazz and Air Canada are parties to an amended and restated capacity purchase agreement dated January 1, 2015, most recently amended and extended effective January 1, 2019 (the "CPA"), under which Air Canada purchases substantially all of Jazz's fleet capacity at pre-determined rates. As Chorus derives a majority of its revenue from the CPA, it is substantially dependent on Air Canada (refer to note 13 - Economic dependence for further details). Jazz also operates charter flights for a variety of customers. Voyageur provides specialized contract ACMI (aircraft, crew, maintenance and insurance) flying, such as medical, logistical and humanitarian flights, to international and domestic customers.

Chorus also conducts business in regional aircraft leasing and continues to grow this business.

2 Basis of presentation

These financial statements are in compliance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. Accordingly, certain information included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying Chorus' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 3 of Chorus' annual consolidated financial statements for the year ended December 31, 2019. These financial statements should be read in conjunction with Chorus' consolidated financial statements for the year ended December 31, 2019.

These financial statements have been authorized for issuance by Chorus' Board of Directors on May 14, 2020.

3 Significant accounting policies, judgements and estimation uncertainty

Accounting policies

Except as otherwise indicated hereunder, these financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of Chorus for the year ended December 31, 2019.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

The novel strain of coronavirus ("COVID-19") outbreak has led to worldwide economic uncertainty with companies around the globe trying to manage through this unprecedented, ever changing event. For the aviation industry, it has led to strict travel restrictions and global cancellations impacting all airlines around the world.

Global debt and equity capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect Chorus' operations, financial results and condition in future periods are also subject to significant uncertainty.

Significant estimates made in the preparation of these financial statements include, but are not limited to, the following areas:

Operating revenue

Under the CPA, Chorus and Air Canada are to re-set certain rates applicable to the year ending December 31, 2020. The new rates will be retroactive to January 1, 2020. The negotiation of these rates has not been completed. As a result, Chorus used interim rates for certain Controllable Costs to estimate CPA operating revenues during the three-month period ended March 31, 2020. Once the new rates are established, Chorus and Air Canada will reconcile amounts already recorded to those rates now under negotiation. Any upward or downward adjustment to CPA operating revenue will be made in the quarter in which the negotiations conclude. Given the nature of the Controllable Cost Guardrail, Chorus' exposure to variances between the Controllable Revenue Chorus receives from Air Canada to cover annually negotiated Controllable Costs and Chorus' actual Controllable Costs incurred in performing its services for Air Canada is limited to $2,000 annually.

Employee benefits

The cost and related liabilities of Chorus' post-employment benefit programs are determined using actuarial valuations. The actuarial valuations involve certain assumptions including those in relation to discount rates, future salary increases, mortality rates and future benefit increases. Also, due to the long-term nature of these programs, such estimates are subject to significant uncertainty.

3 Significant accounting policies, judgements and estimation uncertainty (continued)

Depreciation and amortization of long-lived assets

Management makes estimates about the expected useful lives of long-lived assets and the expected residual value of the assets based on the estimated current fair value of the assets, Chorus' fleet plans and the cash flows they generate. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes to maintenance programs, changes in operating costs, changes in utilization of the aircraft, and changing market prices for new and used aircraft of the same or similar types. Estimates and assumptions are evaluated at least annually. These adjustments are accounted for on a prospective basis, through depreciation and amortization expense. A 10% reduction to the residual values of aircraft would result in an increase of $6,995 to annual depreciation expense.

Impairment of non-financial assets

In accordance with IAS 36 – *Impairment of Assets*, Chorus' aircraft that are to be held and used, are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. Aircraft leased to third parties are not reviewed for impairment until after five years from the date of manufacture unless changes in circumstances suggest that there is an indicator of impairment. Management considers the current appraisal values, among other factors in assessing possible indicators of impairment.

For the purposes of measuring recoverable amounts, assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets.

For any aircraft for which an indicator of impairment is present, management estimates the recoverable amount which is the greater of fair value less cost of sales and value in use. An impairment charge would be recorded if the recoverable amount is less than the carrying amount of the assets being tested.

In assessing recoverable amounts, Chorus makes estimates about the expected useful lives and the residual value of aircraft, supported by estimates received from independent appraisers, for the same or similar aircraft types and considers Chorus' anticipated utilization of the aircraft. In determining the residual value of the aircraft, Chorus also applies a future inflation rate assumption. The value in use is estimated by taking the present value of future cash flows obtainable as a result of an asset's continued use, including those from its ultimate disposal, discounted at 7.41% at March 31, 2020 (2019 - 5.6%).

The calculation of value in use for aircraft showing signs of impairment requires the use of judgement in the assessment of estimated future cash flows associated with the aircraft and its eventual disposition. Future cash flows are assumed to occur under the current market conditions and assume adequate time for a sale between a willing buyer and seller. Changes in the expected residual value, inflation rate and discount rate assumptions could have a material impact on Chorus' conclusion.

Income taxes

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors potential changes to tax law and bases its estimates on the best available information at each reporting date.

3 Significant accounting policies, judgements and estimation uncertainty (continued)

New accounting standards adopted during the period

The IASB issued *Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, and IFRS 7*. The amendments affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by interest rate benchmark reform. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. Chorus' exposure to changes in LIBOR rates is confined to those loan and derivative agreements that have floating rates that reference LIBOR and that do not mature before December 31, 2021. (Refer to note 11 - Financial instruments and fair values for further details.)

4 Segmented information

Chorus' reportable operating segments have been identified on the basis of services provided and are consistent with the internal reporting provided to the Chief Executive Officer and Chief Financial Officer.

Chorus has two reportable operating segments:

- The Regional Aviation Services segment includes contract flying, charter operations and maintenance, repair and overhaul services that is carried on by both Jazz and Voyageur. This segment also includes corporate expenses, such as interest on 6.00% Debentures, 5.75% unsecured debentures and operating credit facility, executive and stock-based compensation and professional fees. Aircraft leasing under the CPA is also included in the Regional Aviation Services segment as it is an important part of the CPA. Aircraft leasing under the CPA currently includes 34 Dash 8-400s, five CRJ900s, 14 Dash 8-300s which have completed the extended service program, or ESP, as well as five engines which are owned by Chorus.
- The Regional Aircraft Leasing segment leases aircraft to third parties through Chorus Aviation Capital Corp. ("CACC"). Its current portfolio of leased aircraft includes 51 aircraft comprising 19 ATR72-600s, 18 Dash 8-400s, four CRJ1000s, two CRJ900s, four E190s, two E195s and two A220-300s. CACC also has five Dash 8-400s and three ATR72-600s previously on lease to Flybe Limited ("Flybe") which will be remarketed over the next 24 months. (Refer to note 15 - Subsequent events)

Chorus evaluates the performance of each reportable segment using a different measure for each segment. Adjusted EBITDA is used to evaluate the Regional Aviation Services segment and Adjusted EBT is used to evaluate the Regional Aircraft Leasing segment. Adjusted EBITDA and Adjusted EBT are non-GAAP financial measures. These non-GAAP financial measures are generally numerical measures of a company's financial performance, financial position or cash flows, that include or exclude amounts from the most comparable GAAP measure. As such, these measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

Adjusted EBITDA refers to earnings before net interest expense, income taxes, and depreciation and amortization, signing bonuses, employee separation program costs, strategic advisory fees and other items such as foreign exchange gains or losses. Adjusted EBT refers to earnings before income tax, signing bonuses, employee separation program costs, strategic advisory fees and other items such as foreign exchange gains and losses.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

4 Segmented information (continued)

The accounting policies and practices for each of the segments are the same as those described in Note 3 of these financial statements. All inter-segment and intra-segment revenues are eliminated and all segment revenues presented in the tables below are from external customers.

A significant customer is one that represents 10% or more of each segment revenue earned during the period. For the periods ended March 31, 2020 and March 31, 2019, the Regional Aviation Services segment reported revenue from one significant customer. See note 13 "Economic dependence" for a discussion of transactions between Chorus and Air Canada, and its subsidiary (Air Canada Capital Ltd.). For the period ended March 31, 2020, there were three leasing customers that represented 10% or more of the Regional Aircraft Leasing segment due to the early life cycle of this segment.

Information regarding the annual financial results of each reportable operating segment is as follows:

	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	Regional Aviation Services	Regional Aircraft Leasing	Total	Regional Aviation Services	Regional Aircraft Leasing	Total
	$	$	$	$	$	$
Operating revenue	307,836	42,205	350,041	317,994	25,873	343,867
Operating expenses	282,835	20,514	303,349	290,636	13,112	303,748
Operating income	25,001	21,691	46,692	27,358	12,761	40,119
Net interest expense	(8,772)	(11,435)	(20,207)	(8,952)	(6,789)	(15,741)
Foreign exchange (loss) gain	(38,981)	(451)	(39,432)	14,406	(156)	14,250
Gain on disposal of property and equipment	16	—	16	36	—	36
(Loss) earnings before income tax	**(22,736)**	**9,805**	**(12,931)**	**32,848**	**5,816**	**38,664**
Income tax expense	(2,853)	(1,510)	(4,363)	(4,509)	(708)	(5,217)
Net (loss) income	**(25,589)**	**8,295**	**(17,294)**	**28,339**	**5,108**	**33,447**

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

4 Segmented information (continued)

Management uses Adjusted EBITDA and Adjusted EBT to measure the Regional Aviation Services and Regional Aircraft Leasing segment performance, respectively. The following table reconciles operating income to Adjusted EBITDA and earnings before income tax to Adjusted EBT:

	For the three months ended March 31, 2020		For the three months ended March 31, 2019	
	Regional Aviation Services	Regional Aircraft Leasing	Regional Aviation Services	Regional Aircraft Leasing
	$	$	$	$
Operating income - as reported above	**25,001**	**—**	**27,358**	**—**
Depreciation and amortization(1)	21,292	—	23,041	—
Employee separation program(1)	3,883	—	355	—
Signing bonus(1)	—	—	2,000	—
Adjusted EBITDA(2)	**50,176**	**—**	**52,754**	**—**
Earnings before income tax	**—**	**9,805**	**—**	**5,816**
Unrealized foreign exchange loss	—	842	—	—
Adjusted EBT(2)	**—**	**10,647**	**—**	**5,816**

(1) Included in operating expenses.
(2) These are non-GAAP financial measures.

Selected assets and liability information by reportable operating segment:

	As at March 31, 2020			As at December 31, 2019		
	Regional Aviation Services	Regional Aircraft Leasing	Total	Regional Aviation Services	Regional Aircraft Leasing	Total
	$	$	$	$	$	$
Additions to property and equipment, net of disposals/deposits applied(1)	9,579	406	9,985	61,532	814,169	875,701
Property and equipment	1,092,216	1,595,759	2,687,975	1,102,977	1,489,350	2,592,327
Long-term debt (excluding lease liabilities)	910,964	1,036,999	1,947,963	849,675	973,455	1,823,130

(1) Excludes non-cash transactions of foreign currency adjustments of $131,643 (2019 - $54,505).

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

4 Segmented information (continued)

Revenue from external customers by country, based on where the customer carries on business:

	Three months ended March 31,			
	2020		2019	
	$	%	$	%
Canada	307,836	87.9%	317,994	92.5%
Other[1]	42,205	12.1%	25,873	7.5%
	350,041	100.0%	343,867	100.0%

Property and equipment by country based on where the customer carries on business:

	As at March 31, 2020		As at December 31, 2019	
	$	%	$	%
Canada	1,092,216	40.6%	1,102,977	42.5%
Other[1][2]	1,595,759	59.4%	1,489,350	57.5%
	2,687,975	100.0%	2,592,327	100.0%

(1) The other country classification for both revenue and property and equipment is 100% Regional Aircraft Leasing.
(2) India is the one country included in other that represents more than 10% of total assets.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

5 Revenue from contracts with customers

Chorus earns revenue from contracts with customers in addition to aircraft leasing. The table below excludes other sources of revenue relating to lease income (including any rights to use specified aircraft that have been identified as lease revenues embedded in the CPA and contract flying service agreements) of $81,258 for the three months ended March 31, 2020 (for the three months ended March 31, 2019 - $66,431). Revenue is disaggregated primarily by nature and category in the underlying contract.

	Three months ended March 31,	
	2020	**2019**
	$	**$**
Controllable revenue	187,593	189,925
Fixed margin[1]	17,436	15,449
Incentive revenue	308	608
CPA pass-through revenue	46,666	51,892
Other	16,780	19,562
	268,783	277,436

(1) Jazz earns a fixed margin which is set for 2019 and 2020 as an aggregate amount irrespective of the number of Covered Aircraft and thereafter based on the number of Covered Aircraft operated by Jazz under the CPA.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

6 Property and equipment

	Flight equipment $	Facilities $	Equipment $	Leaseholds $	Right-of-use assets $	Deposits on aircraft $	Total $
Year ended December 31, 2019							
Opening net book value	1,908,601	34,747	9,666	1,355	3,187	39,996	1,997,552
Additions	872,298	938	5,284	4,676	—	32,092	915,288
Right-of-use assets					1,072		1,072
Deposits applied	—	—	—	—	—	(39,587)	(39,587)
Disposals	(90,859)	—	—	—	—	—	(90,859)
Foreign currency adjustment	(52,746)	—	—	—	—	(1,759)	(54,505)
Depreciation for the year	(128,480)	(1,612)	(4,723)	(338)	(1,481)	—	(136,634)
Closing net book value	2,508,814	34,073	10,227	5,693	2,778	30,742	2,592,327
Three months ended March 31, 2020							
Opening net book value	2,508,814	34,073	10,227	5,693	2,778	30,742	2,592,327
Additions	7,065	193	508	2,420	—	(201)	9,985
Disposals	(1,915)	—	—	—	—	—	(1,915)
Impairment	(6,027)	—	—	—	—	—	(6,027)
Foreign currency adjustment	128,845	—	—	—	—	2,798	131,643
Depreciation for the period	(35,909)	(379)	(1,080)	(275)	(395)	—	(38,038)
Closing net book value	2,600,873	33,887	9,655	7,838	2,383	33,339	2,687,975

	Flight equipment $	Facilities $	Equipment $	Leaseholds $	Right-of-use assets $	Deposits on aircraft $	Total $
Year ended December 31, 2019							
Cost	3,027,558	48,934	81,164	17,754	11,785	30,742	3,217,937
Accumulated depreciation	(518,744)	(14,861)	(70,937)	(12,061)	(9,007)	—	(625,610)
Net book value	2,508,814	34,073	10,227	5,693	2,778	30,742	2,592,327
At March 31, 2020							
Cost	3,154,500	49,127	81,573	20,018	11,785	33,339	3,350,342
Accumulated depreciation	(553,627)	(15,240)	(71,918)	(12,180)	(9,402)	—	(662,367)
Net book value	2,600,873	33,887	9,655	7,838	2,383	33,339	2,687,975

On March 5, 2020, Flybe ceased operating and was placed in administration. Chorus recorded an impairment on three ATR72-600s on lease to Flybe of $5,913 to operating revenue. This impairment was offset by Chorus' recovery of its security package which was also recorded to operating revenue resulting in a net gain of $110. There was no impairment recorded on the five Dash 8-400s.

On October 25, 2019, Chorus sold three Dash 8-400s and recorded a loss on the disposal of these aircraft of $3,407 in revenue and also recognized a foreign exchange gain of $1,320, recycled from other comprehensive income, related to windup of the related entities.

7 Credit facilities

Operating credit

Chorus has a three-year committed operating credit facility with a maturity date of August 30, 2022. The facility provides Chorus and certain designated subsidiaries (collectively the "Credit Parties") with a committed limit of $75,000 with the opportunity to borrow up to a further $25,000 on a demand basis.

As at March 31, 2020, $30,000 was drawn under the facility. Chorus has also provided letters of credit totaling $10,056 that reduce the amount available under this facility. The facility bears interest for Canadian dollar advances at US dollar LIBOR plus 1.75 - 2.25% and for US dollar advances at LIBOR plus 2.75% - 3.00%.

The indebtedness under this facility is secured by all present and after-acquired personal property of the Credit Parties, excluding aircraft, engines and certain real estate property.

Under the terms of this credit facility, Chorus is required to maintain a maximum ratio of total debt to EBITDA, as well as a minimum ratio of EBITDA to fixed charges. As at March 31, 2020, Chorus was in compliance with these covenants. (Refer to note 15 - Subsequent events.)

Any outstanding balance under this facility may become immediately repayable if Chorus undergoes a change of control without the lender's consent.

Revolving credit facility for aircraft acquisition

Chorus has a US $300,000 committed, revolving credit facility to finance future aircraft acquisitions for its regional aircraft leasing business. The facility provides a revolving period of between 24 and 36 months (depending on the level of utilization in the first 24 months) and a 48-month term-out period. The facility also provides an uncommitted option to expand by US $100,000 to US $400,000.

The revolving portion of the facility ends in January 2021 with an option to convert to an amortizing term loan for a further four years maturing in January 2025. During the revolving period, amortization will be 5% annually. During the term-out period, the loans will amortize based on a 12 year straight-line full payout schedule, adjusted for the age of the aircraft at the time of addition to the facility. The facility may be prepaid in part or in full subject to a US $5,000 minimum prepayment.

The facility bears interest at US dollar LIBOR plus 2.75% during the revolving period and ranging from LIBOR plus 3.0% - 4.75% during the term-out period. As at March 31, 2020, $162,757 (US $114,723) was drawn on the facility.

The facility is secured by the aircraft financed under the facility, as well as an assignment of the leases, insurance proceeds and other collateral security customary for financings of this nature. All loans under this facility are cross-defaulted, cross-collateralized, and are guaranteed by Chorus Aviation Capital (Ireland) Limited ("CACIL").

The facility contains covenants that must be met on an ongoing basis. The financial covenants include a minimum amount of cash, tangible net worth, and a maximum debt-to-equity ratio in certain subsidiaries. As at March 31, 2020, Chorus was in compliance with these covenants.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

8 Long-term debt

Long-term debt consists of the following:

	As at	
	March 31, 2020 $	**December 31, 2019 $**
Secured long-term debt		
Amortizing term loans		
Secured by aircraft(1a)	1,471,507	1,389,286
Secured by engines(1b)	9,297	8,900
Revolving credit facility(1c)	162,757	150,944
Nova Scotia Jobs Fund loan - secured by office building(2)	8,000	8,000
Operating credit facility(3)	30,000	—
6.00% Debentures(4)	200,000	200,000
	1,881,561	1,757,130
Unsecured long-term debt		
5.75% debentures(5)	86,250	86,250
	1,967,811	1,843,380
Less:		
Deferred financing fees	(17,820)	(18,131)
Accretion discount on convertible units	(2,028)	(2,119)
	1,947,963	1,823,130
Less: Current portion	181,189	164,554
	1,766,774	1,658,576

The current portion of long-term debt in the above table includes deferred financing fees of $3,446, for the period ended March 31, 2020 (December 31, 2019 - $2,916).

(1) Amortizing term loans

a) Secured by aircraft - Individual term loans, repayable in instalments, bearing fixed, floating, and floating interest fixed via swap agreements at a weighted average rate of 3.85%, maturing between June 2021 and December 2031, each secured primarily by its respective aircraft and engines. The net book value of property and equipment pledged as collateral under these term loans was CAD $1,934,899 (December 31, 2019 - CAD $1,946,606).

On March 5, 2020, Flybe ceased operating and was placed in administration. Chorus had three ATR72-600s and five Dash 8-400s on lease to Flybe. As at March 31, 2020, long-term debt was US $35,657 for the three ATR72-600s and US $26,811 for the five Dash 8-400s. Chorus has until March 2022 to remarket the ATR72-600s and until September 2020 to remarket the five Dash 8-400s, failing which Chorus may be required to repay the debt outstanding on the aircraft.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

8 Long-term debt (continued)

b) Secured by engines - Individual term loans, repayable in instalments, bearing fixed and floating interest at a weighted average rate of 4.34%, maturing between February 2022 and May 2028, each secured primarily by one PW150A engine. As at March 31, 2020, the net book value of property and equipment pledged as collateral under Dash 8-400 engine financing was CAD $12,262 (December 31, 2019 - CAD $12,410).

c) Revolving credit facility - Individual term loans, repayable in instalments, bearing floating interest at a weighted average rate of 3.67%, amortizing to January 2025, each secured primarily by the aircraft financed by the loans and a security assignment of the leases in respect thereof. Floating interest rates have been fixed via swap agreements on a portfolio basis related to these loans at a weighted average rate of 4.63%. As at March 31, 2020, the net book value of property and equipment pledged as collateral under these term loans was CAD $247,173 (December 31, 2019 - CAD $242,050).

Financial Covenants under amortizing term loans

Chorus' debt agreements contain covenants which, if breached and not waived by the relevant lenders, could result in the acceleration of indebtedness. To the extent that debt agreements are cross-defaulted to other debt agreements, a default or acceleration under one agreement could cause a default or acceleration under another agreement. Therefore, if Chorus were to default under any of its debt agreements, this could have a material adverse effect on Chorus' financial position, cash flows and prospects.

The principal financial covenants are as follows:

Amortizing term loans have covenants which apply separately to the "Jazz Group" (comprising Jazz and Jazz Leasing Inc. ("JLI") and any entity controlled directly or indirectly by either of them), Voyageur and various subsidiaries of CACC (which hold aircraft acquired for lease to customers outside of Chorus).

- The Jazz Group is required to maintain a maximum adjusted leverage and a minimum adjusted interest debt coverage ratio. The financing agreements with the lender also contain a covenant respecting the continuation of business under the CPA which is specific to Jazz as the operator of the financed Dash 8-400s, Dash 8-400 spare engines, and CRJ900s. Furthermore, the loans may become immediately repayable if Jazz undergoes a change of control without the lender's consent (however, a change of control of Chorus is deemed not to be a change of control of Jazz for purposes of these financing agreements so long as Chorus' shares are publicly traded).

- Voyageur is required to maintain prescribed liquidity levels.

- Subsidiaries of CACC have entered into financing agreements in connection with the acquisition of aircraft. CACC, CACIL and/or JLI have guaranteed the indebtedness under a substantial number of these financing agreements. Under the terms of those financing agreements, the guarantors and/or the borrowers are required to maintain a minimum tangible net worth, observe a maximum consolidated total debt to tangible net worth ratio, observe debt-to-equity covenants, maintain a minimum cash balance, maintain minimum lease rent coverage ratios and/or refrain from paying dividends or other distributions if the debt covenants are breached. Furthermore, the indebtedness under certain of these financing agreements is cross-defaulted to payment defaults by JLI under facilities under which JLI is the borrower.

  As at March 31, 2020, Chorus (or as applicable, certain subsidiaries) was in compliance with all of these financial covenants.

8 Long-term debt (continued)

(2) Nova Scotia Jobs Fund loan

Term loan repayable in annual instalments of $1,000, bearing interest at a fixed rate of 3.33%, maturing August 31, 2027. The loan may be repaid in full or in part at any time without bonus or penalty and is secured by a first security interest in the land and office building located at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia and the assignment of the building tenant leases.

For the three months ended March 31, 2020, the total interest expense on amortizing term loans and the Nova Scotia Jobs Fund loan, inclusive of deferred financing expense amortization, was $15,917 (for the three months ended March 31, 2019 - $12,995).

(3) Operating credit facility

Chorus has a three-year committed operating credit facility with a maturity date of August 30, 2022. The facility provides Chorus and certain designated subsidiaries (collectively the "Credit Parties") with a committed limit of $75,000 with the opportunity to borrow up to a further $25,000 on a demand basis.

The facility bears interest for Canadian dollar advances at US dollar LIBOR plus 1.75 - 2.25% and for US dollar advances at LIBOR plus 2.75% - 3.00%. As at March 31, 2020, $30,000 was drawn under the facility. Chorus has also provided letters of credit totaling $10,056 that reduce the amount available under this facility.

(4) 6.00% Debentures

In December 2016, Chorus entered into a subscription agreement with Fairfax Financial Holdings Limited ("Fairfax") for an investment of $200,000 in Chorus through a private placement of convertible units. In March 2017, Chorus received the funds from the investment, with the net proceeds after deduction of expenses being approximately $195,972.

The 6.00% Debentures bear interest at a rate of 6.00% per annum, are currently secured by certain Dash 8-100s and Dash 8-300s and real estate property owned by Chorus (the “Collateral Security”), mature on December 31, 2024 and are redeemable at par at any time after December 31, 2021, except in the event of the satisfaction of certain conditions after a change of control (in which case Chorus may be required to make an offer to repurchase all of the 6.00% Debentures) or the exercise of the Warrants.

Each Warrant is exercisable by the holder thereof by paying the exercise price in cash or by tendering the 6.00% Debentures. Except in certain circumstances relating to a change of control of Chorus, the Warrants are exercisable up to and including the earlier of the redemption of the 6.00% Debentures by Chorus and the business day immediately preceding the maturity date of the 6.00% Debentures. The Warrants also include customary anti-dilution provisions.

Assuming the exercise of all of the Warrants, Fairfax, through its subsidiaries, would beneficially own 24,242,424 of the issued and outstanding shares of Chorus. Fairfax had agreed to hold the convertible units until at least December 31, 2019. Fairfax is no longer bound by that restriction, however, the Collateral Security will be released if Fairfax sells or otherwise disposes of any of the convertible units.

The 6.00% Debentures are listed on the Toronto Stock Exchange ("TSX") under the symbol CHR.DB.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

8 Long-term debt (continued)

The following table illustrates the allocation of the convertible units between debt and equity as at March 31, 2020. Significant judgement was exercised by management in determining this allocation.

	Cost of borrowing %	Debt $	Equity component of Convertible Units $	Total $
Balance - December 31, 2019	6.0	195,097	2,981	198,078
Accretion expense		210	—	210
Balance - March 31, 2020		**195,307**	**2,981**	**198,288**

Transaction costs are capitalized and offset against the debt and equity portions of the convertible units and amortized over the life of the convertible units using the effective interest rate.

For the three months ended March 31, 2020, the total interest expense on the convertible units was $3,203 (for the three months ended March 31, 2019 - $3,539) which included interest accretion of $210 (for the three months ended March 31, 2019 - $196).

(5) 5.75% Unsecured Debentures

In December 2019, Chorus issued $86,250 aggregate principal amount 5.75% Unsecured Debentures. The 5.75% Unsecured Debentures bear interest at a rate of 5.75% per annum, are unsecured, and mature on December 31, 2024.

Subject to any required regulatory approval and provided no event of default has occurred and is continuing under the terms of the indenture governing the 5.75% Unsecured Debentures, Chorus has the option to satisfy its obligation to pay the principal amount of the 5.75% Unsecured Debentures due at redemption or maturity (together with any applicable premium) by delivering freely tradable shares. The 5.75% Unsecured Debentures are not convertible by the holders thereof into shares at any time.

Chorus received proceeds of $82,372 net of $3,878 in transaction costs associated with the offering. Transaction costs are capitalized and offset against the 5.75% Unsecured Debentures and amortized over the life of the 5.75% Unsecured Debentures using the effective interest rate.

The 5.75% Unsecured Debentures trade on the TSX under the symbol CHR.DB.A.

For the three months ended March 31, 2020, the total interest expense on the Unsecured Debentures was $1,402 (for the three months ended March 31, 2019 - $nil) which included interest accretion of $162 (for the three months ended March 31, 2019 - $nil).

The majority of the following future repayments of long-term debt are payable in US dollars and Euros and have been converted to Canadian dollars at closing rates on March 31, 2020. The timing of future principal payments, excluding the current portion of unamortized deferred financing fees of $3,446, is as follows:

	$
No later than one year	184,636
Later than one year and no later than five years	1,232,374
Later than five years	550,801
	1,967,811

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

9 Income taxes

The effective income tax rate on Chorus' earnings before income tax differs from the expected amount that would arise using the combined statutory income tax rates. A reconciliation of the difference is as follows:

	Three months ended March 31,	
	2020	**2019**
	$	**$**
(Loss) earnings before income tax	(12,931)	38,664
Income tax expense at the statutory tax rates (1)	(4,681)	9,550
Recognition of previously unrecognized cumulative eligible capital	(1,561)	(1,826)
Net impact of capital items(2)	11,241	(3,715)
Impact of rate changes	(1,104)	—
Non-deductible expenses	468	1,208
Income tax expense	4,363	5,217
Effective tax rate	(33.7)%	13.5%

(1) Chorus uses weighted average statutory tax rates for each of the individual entities based on the jurisdiction in which the entity is taxable. The majority of Chorus' income is earned in Canada and Ireland which have average statutory tax rates of 27.0% and 12.5%, respectively.

(2) The impact of capital items is mainly related to the foreign exchange fluctuations on the long-term debt associated with the purchase of aircraft. The impact of the non-deductible portion of any unrealized loss (gain) is recognized in the calculation of income tax expense at the end of each period. To the extent that a capital loss is recorded for accounting purposes, the benefit of the deductible portion of the loss is recognized only to the extent that it is probable that the loss will be utilized. Income tax expense related to unrealized foreign exchange gains recorded in a period is reduced by previously unrecognized income tax assets related to unrealized foreign exchange losses. Chorus does not have a plan in place to utilize the deductible portion of the balance of the foreign exchange losses, accordingly no deferred tax asset has been recognized related to the foreign exchange losses.

In addition to the tax deductible amounts recognized as deferred tax assets in the financial statements, Chorus has other tax deductible amounts of approximately $323,714 as at March 31, 2020, related to capital cost allowance on eligible capital property. In accordance with the initial recognition exemption, as outlined in IAS 12 *Income taxes*, the benefit of these deductible expenditures cannot be recognized in the financial statements until such time as those benefits can be applied to reduce current tax expense. During the three months ended March 31, 2020 and March 31, 2019, Chorus utilized a total of $5,766 ($1,561 tax effected) and $6,549 ($1,826 tax effected), respectively, of these previously unrecognized tax deductions to reduce its taxable income.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

10 Capital stock

a) Authorized:

An unlimited number of Class A variable voting shares, no par value ("Variable Voting Shares"); and

An unlimited number of Class B voting shares, no par value ("Voting Shares")

Issued and outstanding:

	Number of Shares	$
Shares issued and outstanding December 31, 2018	140,210,174	153,669
Shares issued through private offering	15,561,600	97,260
Shares issued through equity dividend reinvestment plan	2,679,810	21,154
Shares issued through exercise of stock options	1,984,069	9,674
Shares issued through long-term incentive plan	15,342	92
Shares issued and outstanding December 31, 2019	160,450,995	281,849
Shares issued through equity dividend reinvestment plan	909,006	5,108
Shares issued and outstanding March 31, 2020	161,360,001	286,957

Dividend Reinvestment Plan ("DRIP")

Chorus implemented a DRIP effective February 1, 2018, which provides shareholders who are resident in Canada the opportunity to purchase additional shares using cash dividends paid on shares enrolled in the DRIP. All shares purchased under the DRIP are newly issued by Chorus from treasury. (Refer to note 15 - Subsequent events.)

b) Earnings per Share

The following table provides a breakdown of the numerator and denominator used in the calculation of earnings per Share and diluted earnings per Share.

	Three months ended March 31, 2020 $	2019 $
Numerator		
(Loss) income	(17,294)	33,447
Denominator		
Weighted average number of shares	160,823,043	150,294,940
Weighted average dilutive shares	1,989,706	1,748,343
Weighted average number of diluted shares	162,812,749	152,043,283

11 Financial instruments and fair values

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. Those categories are: fair value through profit or loss; fair value through other comprehensive income; and amortized cost. With the exception of the item noted below, all financial instruments have fair value that approximate carrying value due to their short-term nature.

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, asset backed commercial paper, lease receivables, accounts payable and accrued liabilities, dividends payable, long-term incentive plan liability, consideration payable, lease liabilities, long-term debt, and convertible units.

The following financial instruments have a fair value that differs from carrying value:

- Lease receivables

  At March 31, 2020, the lease receivables had a fair value of $14,127 versus a carrying value of $13,023. Chorus' annual cash flows have been discounted at the relevant market interest rates.

- Amortizing term loans

  At March 31, 2020, long-term debt had a fair value of $1,723,270 compared to a carrying value of $1,651,561, excluding deferred financing fees of $11,486. The fair values were calculated by discounting the future cash flow of the respective long-term debt at the estimated yield to maturity of similar debt instruments.

- 6.00% Debentures

  At March 31, 2020, the convertible units had a fair value of $175,992 versus a book value of $197,970, excluding deferred financing fees of $2,663. The fair value was calculated by discounting the future cash flow of the respective debt at the estimated yield to maturity of similar debt instruments.

- 5.75% Unsecured debentures

  At March 31, 2020, the 5.75% Unsecured Debentures had a fair value of $67,275 versus a carrying value of $86,250, excluding deferred financing fees of $3,671. The fair value is based on quoted prices observed in active markets.

- Interest rate swaps

  At March 31, 2020, the interest rate swap liability had a fair value and carrying value liability of $13,769. The fair value of interest rate swaps, classified as Level 2, is estimated using valuation models that utilize market based observable inputs.

- Total return swap

  At March 31, 2020, the total return swap liability had a fair value and carrying value of $10,422. The fair value of total return swap, classified as Level 2, is estimated using valuation models that utilize market based observable inputs.

11 Financial instruments and fair values (continued)

Financial risk factors

Chorus, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary.

Interest rate risk

Chorus' cash earns interest at prevailing and fluctuating market rates, as Chorus' objective is to maintain these balances in highly liquid investments.

The majority of Chorus' debt is not subject to interest rate volatility as it bears interest at fixed rates or at floating rates that are fixed via interest rate swaps. As at March 31, 2020, 97.4% of Chorus’ debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 2.6% floating rate debt. Approximately 41.2% of the floating rate debt relates to aircraft for which Chorus has a variable lease rate with the underlying lessee and therefore has limited the exposure to the fluctuating rate of those loans.

Chorus has entered into interest rate swaps on certain of its amortizing term loans and warehouse revolving credit facility, converting a portion of its floating interest rate debt to fixed rates for the average duration of each loan and facility. Each interest rate swap is intended to hedge the variability of future interest rates and related interest payments on its respective loan. All interest rate swaps are designated and effective as cash flow hedges. The fair value of interest rate swaps was a $13,769 liability at March 31, 2020 ($2,398 liability as at December 31, 2019) and is recorded in other long-term liabilities. Changes in the fair value of interest rate swaps are recorded in other comprehensive income. During the three months ended March 31, 2020, Chorus recognized other comprehensive loss of $9,755, net of tax (March 31, 2019 - comprehensive loss of $718, net of tax).

In July 2017 the U.K. Financial Conduct Authority announced that the London Interbank Offered Rate (LIBOR) will be phased out by year-end 2021. Chorus’ exposure to changes in LIBOR rates is confined to those loan and derivative agreements that have floating rates that reference LIBOR and that do not mature before December 31, 2021. As at March 31, 2020, Chorus had 22 loans which totaled $294,485 and 10 derivative agreements which referenced notional amounts totaling $249,225 which are impacted by LIBOR transition as they mature after December 31, 2021. Chorus continues to monitor, and plan for, the transition to alternative rates and anticipates no material impacts on its financial results.

Chorus manages interest rate risk on a portfolio basis and seeks financing terms in individual arrangements that are most advantageous taking into account all relevant factors, including credit margin, term and basis. The risk management objective is to minimize potential for changes in interest rates to cause adverse changes in cash flows to Chorus.

A 1% change in the interest rate would not have a material impact on net income for the three months ended March 31, 2020.

Credit risk

Credit risk arises from cash, restricted cash, deposits, as well as credit exposure to customers, including outstanding receivables. Chorus manages the credit risk on cash by ensuring that the counter-parties are governments, banks and corporations with high credit-ratings assigned by international credit-rating agencies. In accordance with its investment policy, Chorus invests excess cash in Government of Canada treasury bills, short-term Canadian and provincial government debt, bankers' acceptance notes, term deposits of Schedule 1 Banks and Schedule 2 Banks rated R-1 high, and commercial paper rated R-1 high.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

11 Financial instruments and fair values (continued)

The maximum exposure to credit risk for cash, restricted cash, deposits and trade and other receivables approximate the amount recorded on the statement of financial position, with the exception of lease receivables related to operating leases.

CACC has entered into rent deferral arrangements with substantially all of its lessees which will reduce Chorus' cash flow over the period of deferrals. These deferral arrangements could also increase Chorus' receivable risk due to the weakened financial state of its lessees. In addition, Chorus' liquidity could be put under stress where CACC is required to service principal and interest payments under its loans during the term of the deferral arrangements. If COVID-19 and associated government restrictions continue for a prolonged period of time the risks associated with the payment of deferred and future rent payments increase which could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects.

With the exception of trade receivables, Chorus has no financial assets past due. As at March 31, 2020, the total amount of trade receivables was $63,458 (2019 - $61,730), net of allowance for doubtful accounts, which has been estimated by management based on prior experience and its assessment of the current economic environment and the specific debtor.

At March 31, 2020, trade receivables of $59,689 (2019 - $59,318) were not past due or impaired. The breakdown of the past due amounts of $3,769 (2019 - $2,412) are as follows:

	2020 $	2019 $
Past due but not impaired		
60 - 90 days	1,339	728
Over 90 days	2,430	1,684
	3,769	2,412

Of the total receivables, $41,287 (2019 - $50,138) are with Air Canada and as a result Chorus is directly affected by the financial and operational strength of Air Canada.

Equity Price Risk

Chorus has equity price risk exposure to shares that it issues under its various stock-based compensation programs. To mitigate this risk, Chorus implemented a total return swap in the fourth quarter of 2019. The total return swap is intended to economically hedge the variability of Chorus' share price affecting settlement under its various stock-based compensation programs. Chorus does not apply hedge accounting to the total return swap and as such, gains and losses arising from changes in its fair value are recognized in operating income in the period in which they arise. The fair value of total return swap was a $10,422 liability at March 31, 2020 and is recorded in other long-term liabilities ($707 asset as at December 31, 2019 recorded in other long-term assets). A corresponding loss of $15,312, including $4,183 related to settlement, has been recorded in operating income during the three months ended March 31, 2020 (March 31, 2019 - $nil). For additional information, please refer to note 3(h) and 3(i), Significant Accounting Polices, of the audited consolidated financial statements of Chorus for the year ended December 31, 2019.

11 Financial instruments and fair values (continued)

Liquidity risk

Chorus' liquidity needs are primarily related to funding ongoing operations, planned capital expenditures including investment in aircraft acquisitions for purposes of business growth and diversification, principal and interest payments related to long-term borrowings and the payment of dividends.

Chorus has a number of treasury management practices designed to promote strong liquidity and continued access to capital including those related to liquidity, leverage, cash flows and dividends, foreign exchange risk and interest rate risk.

As of March 31, 2020, Chorus had $90,648 in cash and a committed facility of up to $75,000 with the opportunity to borrow up to a further $25,000 on a demand basis. As at March 31, 2020, $30,000 was drawn under the facility. Chorus has also provided letters of credit totaling $10,056 that reduce the amount available under this facility (refer to note 15 - Subsequent events).

Currency risk

Chorus receives revenue and incurs expenses in U.S. dollars, Canadian dollars and European Euros. Chorus manages its exposure to currency risk in its Regional Aviation Services business by billing for its services within the CPA with Air Canada in the underlying currency related to the expenditure and matching the currency of debt for leased aircraft with the currency of the related lease rents. Accordingly, the primary exposure results from balance sheet fluctuations of U.S. denominated cash, accounts receivable, accounts payable, and in particular, lease liabilities and long-term debt, which are long-term and are therefore subject to larger unrealized gains or losses.

Chorus mitigates the currency risk associated with its Regional Aviation Leasing division by borrowing in the same currencies of the related lease revenues.

The amount of US dollar denominated assets was $54,913 and US denominated liabilities was $679,088 at March 31, 2020. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $6,242. A 1¢ change in the Euro versus Canadian dollar exchange rate would not have a material impact on unrealized gains or losses for the period ended March 31, 2020.

12 Contingencies

As permitted by the CBCA, the by-laws of Chorus provide that each director or officer will be entitled to indemnification from Chorus in respect of any civil, criminal or administrative, investigative or other proceeding which the director or officer is involved because of his or her association with Chorus or any other entity (if applicable) in respect of which he or she serves in a similar capacity at the request of Chorus, provided that the director or officer acted honestly and in good faith with a view to the best interests of Chorus, or in the case of a criminal or administrative action proceeding that is enforced by a monetary penalty, where the director or officer had reasonable grounds for believing that his or her conduct was lawful. The directors and officers are also covered by indemnification agreements and directors' and officers' liability insurance. The aggregate of all amounts recorded in these financial statements with respect to such indemnifications is not material.

Various lawsuits and claims that have arisen in the normal course of business are pending by and against Chorus. The provisions, if any, that have been recorded are not material. It is the opinion of management that final determination of these claims will not have a material adverse effect on the financial position or the results of Chorus.

Chorus enters into various operating agreements and real estate licenses or leases, which in some cases permit Chorus to use certain premises or operate at certain airports, and which in other cases lease space in Chorus' facilities to its tenants. It is common in such commercial license or lease transactions for the licensee or tenant to agree to indemnify the landlord for tort liabilities that arise out of or relate to its use or occupancy of the licensed or leased premises. In certain cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but generally excludes any liabilities caused by their gross negligence or wilful misconduct. In addition, the licensee or tenant typically indemnifies the landlord for any environmental liability that arises out of or relates to its use or occupancy of the leased or licensed premises.

In aircraft, engine and other equipment ("Equipment") financing or leasing agreements, Chorus typically indemnifies the financiers and/or lessors, directors acting on their behalf and other related parties against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the Equipment and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, but generally excluding any liabilities caused by their gross negligence or wilful misconduct. In addition, in certain equipment financing or leasing transactions, Chorus typically provides indemnities in respect of certain tax consequences.

When Chorus enters into other types of leases and technical service agreements with service providers, primarily service providers who operate an airline as their main business, Chorus has from time to time agreed to indemnify the other party against liabilities that arise from third party claims, whether or not these liabilities arise out of or relate to the negligence of the other party, but generally excluding liabilities that arise from the other party's gross negligence or wilful misconduct.

Chorus cannot reasonably estimate the potential amount, if any, it could be required to pay under such indemnifications. Such amount would also depend on the outcome of future events and conditions, which cannot be predicted. Historically, Chorus has not made any significant payments under these indemnifications.

Chorus expects it would be covered by insurance for most tort liabilities and certain related contractual indemnifications.

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

13 Economic dependence

The transactions between Air Canada, and its subsidiary (Air Canada Capital Ltd.), and Chorus are summarized in the table below:

	Three months ended March 31, 2020 $	Three months ended March 31, 2019 $
Operating revenue		
Air Canada	286,030	294,723
Operating expenses		
Air Canada	2,018	1,590

The following current balances with Air Canada and its subsidiary (Air Canada Capital Ltd.) are included in the financial statements:

	As at March 31, 2020 $	As at December 31, 2019 $
Accounts receivable		
Air Canada	41,287	50,138
Lease receivables		
Air Canada	13,023	13,195
Contract Asset		
Air Canada	5,830	4,997
Other long-term receivables		
Air Canada	1,302	1,360
Accounts payable and accrued liabilities		
Air Canada	3,379	1,957
Air Canada Capital Ltd.	14,323	8,372
Accrued Air Canada payable - Deferred lease inducements, prepaid aircraft rent and related fees		
Air Canada	697	1,112

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

14 Statement of cash flows - supplementary information

a) Net changes in non-cash balances related to operations:

	Three months ended March 31, 2020 $	Three months ended March 31, 2019 $
Increase in accounts receivable – trade and other	(1,131)	(11,672)
Increase in inventories	(8,060)	(3,923)
Increase in prepaid expenses	(5,047)	(7,337)
(Increase) decrease in income tax receivable	(475)	614
Increase in other long-term assets	(2,090)	(2,941)
Increase in accounts payable and accrued liabilities	13,594	15,580
(Decrease) increase in current portion long-term incentive plan liability	(4,684)	646
(Decrease) increase in income tax payable	(6,533)	1,530
(Decrease) increase in other long-term liabilities	(1,743)	1,496
	(16,169)	(6,007)

The above table excludes non-cash transactions related to the foreign currency adjustments.

b) Other

	Three months ended March 31, 2020 $	Three months ended March 31, 2019 $
Cash payments of interest	15,592	12,188
Cash receipts of interest	854	1,200
Cash payments of tax	12,307	17

(expressed in thousands of Canadian dollars, except shares, share prices and earnings per share)

14 Statement of cash flows - supplementary information (continued)

c) Reconciliation between the opening and closing balances for liabilities from financing activities

	Amortizing term loans	Convertible units	Unsecured Debentures	Operating credit facility	Total long-term debt	Lease liabilities
	$	$	$	$	$	$
Balance - December 31, 2019	1,545,984	195,097	82,049	—	1,823,130	16,316
Long-term borrowings	(119)	—	372	30,000	30,253	—
Repayment of long-term borrowings	(41,920)	—	—	—	(41,920)	—
Repayment of lease liabilities	—	—	—	—	—	(1,763)
Total financing cash flow activities	(42,039)	—	372	30,000	(11,667)	(1,763)
Interest expense	—	210	—	—	210	—
Deferred financing fee amortization	740	—	158	—	898	—
Unrealized foreign exchange gain	48,058	—	—	—	48,058	1,134
Realized foreign exchange loss	3,142	—	—	—	3,142	—
Foreign currency adjustments	84,192	—	—	—	84,192	25
Total financing non-cash activities	136,132	210	158	—	136,500	1,159
Balance - March 31, 2020	1,640,077	195,307	82,579	30,000	1,947,963	15,712

d) Restricted cash

Cash encumbered in support of issued letters of credit and leasing arrangements have been classified as restricted cash and shown separately in the consolidated statement of financial position (March 31, 2020 - $49,950; December 31, 2019 - $26,690).

15 Subsequent events

The COVID-19 pandemic has created unprecedented challenges for the aviation industry due to strict travel restrictions and global cancellations impacting all airlines around the world. Even though Chorus' business model does not directly expose it to the market risks ordinarily faced by airlines, substantially all its source revenue is derived from airline customers, through its CPA with Air Canada and its leasing of aircraft to airline customers globally. The full extent of the duration and therefore the impact of this pandemic are unknown.

As the uncertainty regarding the full extent and duration of the pandemic continues, Chorus' Board of Directors and executive management team is focused on the safety of its employees, ensuring maximum available liquidity and financial flexibility and strengthening relationships with its customers and mitigating costs.

Unsecured revolving credit facility US $100,000

On April 28, 2020, Chorus obtained a US $100,000 unsecured revolving credit facility for general corporate purposes, repayable in two years. The facility contains customary covenants and events of default, including restrictions on Share repurchases and the payment of dividends consistent with Chorus' operating facility (i.e. maximum $0.48 per Share per year), a mandatory prepayment upon the occurrence of a change of control of Chorus, and events of defaults that would be triggered upon the acceleration of Chorus indebtedness in excess of US $10,000 or any event of default under any other indebtedness owed by Chorus to EDC. In addition, this credit facility contains a covenant to not exceed a prescribed total leverage ratio of debt to EBITDA.

Deferral of loan payments

On April 28, 2020, Chorus entered into a repayment deferral agreement with one of its lenders totaling US $19,900 plus interest which is repayable on September 30, 2020 where the payment of corresponding aircraft lease rents have been deferred.

Dividend and Dividend Reinvestment Plan ("DRIP")

On April 6, 2020, Chorus suspended its dividend following the payment of the dividends payable on April 17, 2020 to shareholders of record on March 31, 2020. No further dividends will be paid until further notice and the DRIP was also suspended.

Deferral of third-party lessee receivables

Subsequent to March 31, 2020, Chorus granted rent deferral requests. The period of relief most commonly spans three to six months with repayment terms between six to 24 months. Chorus has received approximately 25% of its contractual lease payments from its lessees for the month of April. While Chorus expects the industry, and especially the regional aviation sector, to recover in time, these deferrals are estimated to increase Chorus' trade receivables to be between $40,000 and $60,000 at its peak over the next two quarters. Consistent with market norms, the leases are generally for a fixed term, contain an absolute payment obligation on the part of the lessee, and cannot be terminated early for convenience.

15 Subsequent events (continued)

Wage Subsidy

On May 11, 2020, Chorus adopted the Canadian Emergency Wage Subsidy ("CEWS") for Jazz which is estimated to reduce wages for the three-month term of the government subsidy to assist with the significant reduction in revenues caused by the COVID-19 crisis. The majority of the CEWS will reduce the receivable from Air Canada related to Controllable Costs and will not materially impact Chorus' operating income.

Virgin Australia

On April 20, 2020, Virgin Australia entered into voluntary administration. Chorus leases three ATR72-600s and holds a security package in respect of these aircraft. The average remaining lease terms for these aircraft is four years. As at March 31, 2020, Chorus' long-term debt related to these aircraft was US $28,503. The aircraft currently remain under lease with Virgin Australia during the administration. Chorus will have 24 months to remarket the aircraft in the event the aircraft leases are terminated, failing which Chorus may be required to repay the debt outstanding on the aircraft. The potential impact, if any, cannot be determined at this time as it depends upon the outcome of the administrative proceedings. Management is closely monitoring this development.

CityJet

On April 17, 2020, CityJet entered an examinership process in Ireland. Chorus leases two CRJ900s to CityJet and holds a security package in respect of these aircraft. The average remaining lease terms for these aircraft is eight years. As at March 31, 2020, Chorus' long-term debt related to these aircraft was US $29,582. The aircraft currently remain under lease with CityJet during the examinership. Chorus will have 24 months to remarket the aircraft in the event the aircraft leases are terminated, failing which Chorus may be required to repay the debt outstanding on the aircraft. The potential impact, if any, cannot be determined at this time as it depends upon the outcome of the examiner process. Management is closely monitoring this development.