



First Quarter 2021

Unaudited Interim Condensed
Consolidated Financial Statements

March 31, 2021



Unaudited Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

	As at	
	March 31, 2021	December 31, 2020
	\$	\$
Assets		
Current assets		
Cash	135,987	165,717
Accounts receivable – trade and other (note 16)	93,574	109,403
Inventories	82,165	81,190
Prepaid expenses and deposits	13,983	11,022
Current portion of finance lease receivables	2,306	2,283
Income tax receivable	7,919	8,952
	335,934	378,567
Restricted cash (note 15)	40,620	38,493
Finance lease receivables	5,497	6,173
Property and equipment (note 6)	2,684,060	2,771,994
Intangibles	1,681	1,681
Goodwill	7,150	7,150
Deferred income tax asset (note 9)	1,551	2,152
Other long-term assets (note 16)	151,230	131,476
	3,227,723	3,337,686
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	178,967	157,596
Current portion of lease liabilities	3,987	3,613
Current portion of long-term incentive plan	1,226	2,220
Current portion of long-term debt (note 8)	216,756	216,796
Income tax payable	95	130
	401,031	380,355
Lease liabilities	9,084	8,372
Long-term debt (note 8)	1,898,263	1,965,810
Deferred income tax liability (note 9)	187,684	209,815
Other long-term liabilities	135,484	131,991
	2,631,546	2,696,343
Equity	596,177	641,343
	3,227,723	3,337,686
Contingencies (note 13)		
Economic dependence (note 14)		
Subsequent events (note 17)		

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, 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
Net income for the period	—	58,780	—	—	—	58,780
Other comprehensive income (loss) for the period (net of tax)	—	9,362	(37,275)	—	—	(27,913)
Comprehensive income (loss) for the period	—	68,142	(37,275)	—	—	30,867
Dividend reinvestment plan	1,518	96	—	—	—	1,614
Balance - December 31, 2020	288,475	(684,375)	(5,570)	1,039,832	2,981	641,343
Net loss for the period	—	(38,079)	—	—	—	(38,079)
Other comprehensive loss for the period (net of tax)	—	(226)	(6,861)	—	—	(7,087)
Comprehensive loss for the period	—	(38,305)	(6,861)	—	—	(45,166)
Balance - March 31, 2021	288,475	(722,680)	(12,431)	1,039,832	2,981	596,177

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



Unaudited Consolidated Statements of Loss
For the three-month periods ended March 31, 2021 and 2020

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

	Three months ended March 31,	
	2021	2020
	\$	\$
Operating revenue (note 14)	202,487	349,931
Operating expenses (note 14)		
Salaries, wages and benefits	100,567	135,975
Depreciation, amortization and impairment	71,459	44,028
Aircraft maintenance materials, supplies and services	29,885	49,219
Airport and navigation fees	9,494	38,388
Terminal handling services	923	5,006
Other	27,055	30,623
	239,383	303,239
Operating (loss) income	(36,896)	46,692
Non-operating (expenses) income		
Interest revenue	135	666
Interest expense	(24,991)	(20,873)
Gain on disposal of property and equipment	—	16
Foreign exchange gain (loss)	4,754	(39,432)
	(20,102)	(59,623)
Loss before income taxes	(56,998)	(12,931)
Income tax recovery (expense) (note 9)		
Current income tax	(1,501)	(5,298)
Deferred income tax	20,420	935
	18,919	(4,363)
Net loss	(38,079)	(17,294)
Loss per share, basic	(0.24)	(0.11)
Loss per share, diluted	(0.24)	(0.11)

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



Unaudited Consolidated Statements of Comprehensive (Loss) Income
For the three-month periods ended March 31, 2021 and 2020

(expressed in thousands of Canadian dollars)

	Three months ended March 31,	
	2021	2020
	\$	\$
Net loss	(38,079)	(17,294)
Other comprehensive (loss) income		
<i>Items that will not be subsequently reclassified to the statements of income</i>		
Actuarial (loss) gains on employee benefit liabilities, net of tax recovery (expense) of \$1,517 (2020 - (\$3,482))	(4,109)	9,375
<i>Items that will be subsequently reclassified to the statements of income</i>		
Change in fair value of financial assets and liabilities, net of tax expense (recovery) of \$257 (2020 - (\$1,615))	3,883	(9,755)
Exchange differences on translation of foreign operations (note 12)	(6,861)	35,338
Comprehensive (loss) income	(45,166)	17,664

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

Unaudited Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2021 and 2020

(expressed in thousands of Canadian dollars)

	Three months ended March 31,	
	2021	2020
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss	(38,079)	(17,294)
Charges (credits) to operations not involving cash		
Depreciation, amortization and impairment	71,459	44,028
Inventory provision	9,090	—
Amortization of accrued transaction and financing fees	981	974
Gain on disposal of property and equipment	—	(16)
Unrealized foreign exchange (gain) loss	(7,013)	38,396
Realized foreign exchange loss	1,673	3,142
Effect of foreign exchange rate changes on cash	1,663	(3,551)
Deferred income tax recovery	(20,420)	(935)
Other	410	402
	19,764	65,146
Net changes in non-cash balances related to operations (note 15)	18,468	(16,169)
	38,232	48,977
Financing activities		
Repayment of lease liabilities	(917)	(1,763)
Long-term borrowings, operating credit facility	—	30,000
Repayment of long-term borrowings	(56,002)	(41,920)
Long-term borrowings, net of financing fees	25,089	(119)
Unsecured debentures, net of transaction costs	—	372
Dividends	—	(13,778)
	(31,830)	(27,208)
Investing activities		
Increase in security deposits and maintenance reserves	5,324	4,669
Additions to property and equipment	(36,628)	(9,985)
Payments received on finance lease receivables	553	1,321
Proceeds on disposal of property and equipment	—	16
Increase in restricted cash	(2,982)	(21,303)
	(33,733)	(25,282)
Effect of foreign exchange rate changes on cash	(2,399)	6,994
Net change in cash during the periods	(29,730)	3,481
Cash – Beginning of periods	165,717	87,167
Cash – End of periods	135,987	90,648

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

(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 effective January 1, 2021 and previously amended and restated on 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 14 - 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.

On March 1, 2021, the capacity purchase agreement between Jazz and Air Canada was amended (the "CPA Amendments"). The CPA Amendments include (i) 25 Embraer 175 aircraft to be added to the covered aircraft fleet, increasing the fixed fee margin, (ii) Jazz will be the exclusive Air Canada Express operator of 70-78 seat regional capacity until 2025, (iii) Dash 8-300 aircraft to exit the covered aircraft fleet and (iv) controllable cost guardrail receivable capped at \$20,000 per year. All other material components of the CPA are unchanged. The CPA Amendments became effective on a retroactive basis to January 1, 2021.

Chorus provides aircraft leasing to third-party air operators through its wholly-owned subsidiary Chorus Aviation Capital Corp. ("CAC").

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, 2020. These financial statements should be read in conjunction with Chorus' consolidated financial statements for the year ended December 31, 2020.

These financial statements have been authorized for issuance by Chorus' Board of Directors on May 12, 2021.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

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, 2020.

Contract assets

Chorus recognized contract assets on the application of IFRS 16, for work performed related to leasehold improvements on contract combination aircraft. As a lease no longer exists for these aircraft, the work is viewed as services provided to Air Canada that are accounted for under IFRS 15.

Contract assets are also recognized when costs are incurred to obtain a contract with a customer that would otherwise not have been incurred. During the quarter, Chorus recorded a contract asset of \$20,000 in connection with the transfer and integration of the Embraer 175 aircraft into the covered aircraft fleet. Chorus will amortize the balance over the remaining life of the CPA contract and has recorded amortization expense of \$333 in the quarter.

Government grants and assistance

In response to the economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy was retroactive to March 15, 2020 and ends September 2021. The qualification and application of the CEWS is assessed over multiple four-week application period segments.

In addition, the Government of Canada announced the Canada Emergency Rent Subsidy ("CERS") program in November 2020. CERS provides a rent and property tax subsidy for companies that demonstrate a decline in revenue. This subsidy was retroactive to September 27, 2020 and ends June 2021. The qualification and application of the CERS is assessed over multiple four-week application period segments.

Chorus recognizes government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. Chorus recognizes government grants as a reduction to the related expense that the grant is intended to offset. Chorus has recognized government grants of \$24,971 related to the CEWS and \$720 related to the CERS for the three months ended March 31, 2021, respectively (three months ended March 31, 2020 - \$nil).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles in Canada ("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.

COVID-19

The novel strain of the coronavirus ("COVID-19"), which was declared as a pandemic by the World Health Organization on March 11, 2020, 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 decreased passenger demand due to strict travel restrictions and health concerns which has impacted airlines around the world.

Airlines are currently operating with historically low passenger volumes and revenues, which is stressing their liquidity the longer the pandemic and associated travel restrictions persist. The duration and impact of the COVID-19 pandemic is unknown at this time. Any estimate of the length and severity of the pandemic 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 were to re-set certain rates on an annual basis with new rates retroactively applied to the beginning of the year. Due to the impact of COVID-19, Chorus and Air Canada mutually agreed to use interim rates for certain controllable costs to estimate CPA operating revenues during the three months ended March 31, 2021. Given the nature of the controllable cost guardrail, Chorus' exposure to variances between the controllable cost 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 future 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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

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 \$6,782 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 for impairment 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 disposal and value in use. An impairment charge is recorded if the estimated recoverable amount is less than the carrying amount of the assets being tested. For the three months ended March 31, 2021, Chorus recorded impairment provisions of \$33,663, net of recoveries, in accordance with the CPA Amendments (three months ended March 31, 2020 - \$5,913) (refer to note 6 - Property and equipment).

In assessing recoverable amounts, Chorus makes significant estimates and assumptions about the expected useful lives and the expected residual value of aircraft, supported by estimates received from independent appraisers, for the same or similar aircraft types, and considers contractual cash flows, the creditworthiness of its lessees and Chorus' anticipated utilization of the aircraft. In determining the residual value of the aircraft, Chorus also applies a future inflation rate assumption of 2.0%. The December 31, 2020 value in use was 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 disposition, discounted at 7.25%.

The fair value less cost to dispose is estimated with reference to third party market data less cost to dispose. The estimation of value in use for aircraft showing an indicator of impairment requires the use of significant judgement in the assessment of estimated future cash flows associated with the aircraft and its eventual disposition (including potential impacts due to COVID-19). Future cash flows are assumed to occur under current market conditions and/or current contractual lease agreements and assume adequate time for a sale between a willing buyer and seller. Changes in the expected cash flows, expected residual value, inflation rate and discount rate assumptions could have a material impact on Chorus' conclusion.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

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

Impairment of financial assets

Chorus' principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables resulting from its leasing activities.

Chorus has entered into rent deferral arrangements with substantially all of its lessees. If COVID-19 and associated government restrictions continue for a prolonged period of time, the risks associated with the payment of deferred and future lease payments could significantly increase.

Chorus uses the IFRS 9 simplified approach to measure the allowance for ECL which uses a lifetime expected loss for all trade receivables, deferred receivables and long-term receivables by establishing a provision matrix that is based on Chorus' historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Significant judgements are made in determining these factors. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

For aircraft rent receivable, Chorus assesses, on a lessee by lessee basis, losses expected with its rent receivables. In determining the allowance for expected credit losses, Chorus takes into account recent payment history and future expectation of default events. Chorus' assessment is subjective due to the forward-looking nature of the situation. As a result, the allowance for ECL is subject to a significant degree of uncertainty and is made based on judgements regarding possible future events which may not prove to be correct due to the significant uncertainty caused by COVID-19.

Due mainly to the COVID-19 pandemic and related government restrictions on travel, for the three months ended March 31, 2021, Chorus recorded a charge related to allowance for expected credit loss of trade and other receivables of \$2,463 (three months ended March 31, 2020 - \$nil), which is included in operating expense.

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, unsecured revolving credit facility 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 and 14 CRJ900s as well as five engines which are owned by Chorus.
- The Regional Aircraft Leasing segment leases aircraft to third parties through CAC. Its current portfolio of leased aircraft includes 49 aircraft comprising 16 ATR72-600s, 18 Dash 8-400s, four CRJ1000s, four E190s, two E195s and five A220-300s. CAC owns 13 aircraft that are currently off-lease. Chorus' intention with respect to aircraft currently off-lease is to remarket them for lease to other airlines (refer to note 8 - Long-term debt).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

4 Segmented information (continued)

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.

Chorus revised its definition of Adjusted EBT and Adjusted EBITDA in the first quarter of 2021 to include the Dash 8-300 inventory provision, the defined benefit pension curtailment resulting from the pilot early retirement program and integration costs related to the CPA Amendments to facilitate comparability of its results. Adjusted EBT and EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, forming part of Chorus' financial statements.

Adjusted EBITDA refers to earnings before net interest expense, income taxes, depreciation and amortization, impairment provisions, lease repossession costs net of security packages realized, the Dash 8-300 inventory provision, the defined benefit pension curtailment, integration costs, 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, impairment provisions, lease repossession costs net of security packages realized, the Dash 8-300 inventory provision, the defined benefit pension curtailment, integration costs and other items such as foreign exchange gains and losses.

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 three months ended March 31, 2021 and March 31, 2020, the Regional Aviation Services segment reported revenue from one significant customer. See note 14 "Economic dependence" for a discussion of transactions between Chorus and Air Canada, and its subsidiary (Air Canada Capital Ltd.). For the three months ended March 31, 2021, there were five leasing customers (2020 - three) that represented 10% or more of the Regional Aircraft Leasing segment revenue.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

4 Segmented information (continued)

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

	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	Regional Aviation Services	Regional Aircraft Leasing	Total	Regional Aviation Services	Regional Aircraft Leasing	Total
	\$	\$	\$	\$	\$	\$
Operating revenue	167,760	34,727	202,487	307,836	42,095	349,931
Operating expenses	215,191	24,192	239,383	282,835	20,404	303,239
Operating (loss) income	(47,431)	10,535	(36,896)	25,001	21,691	46,692
Net interest expense	(11,989)	(12,867)	(24,856)	(8,772)	(11,435)	(20,207)
Foreign exchange gain (loss)	9,078	(4,324)	4,754	(38,981)	(451)	(39,432)
Gain on disposal of property and equipment	—	—	—	16	—	16
(Loss) earnings before income tax	(50,342)	(6,656)	(56,998)	(22,736)	9,805	(12,931)
Income tax recovery (expense)	18,264	655	18,919	(2,853)	(1,510)	(4,363)
Net (loss) income	(32,078)	(6,001)	(38,079)	(25,589)	8,295	(17,294)

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, 2021		For the three months ended March 31, 2020	
	Regional Aviation Services	Regional Aircraft Leasing	Regional Aviation Services	Regional Aircraft Leasing
	\$	\$	\$	\$
Operating (loss) income - as reported above	(47,431)	—	25,001	—
Depreciation and amortization excluding impairment ⁽¹⁾	20,405	—	21,292	—
Impairment provisions ⁽¹⁾	33,663	—	—	—
Inventory provision ⁽¹⁾	9,090	—	—	—
Employee separation program ⁽¹⁾⁽²⁾	26,716	—	3,883	—
Defined benefit pension curtailment ⁽¹⁾	9,975	—	—	—
Integration costs ⁽¹⁾	2,000	—	—	—
Signing bonuses ⁽¹⁾	707	—	—	—
Adjusted EBITDA⁽³⁾	55,125	—	50,176	—
(Loss) earnings before income tax	—	(6,656)	—	9,805
Unrealized foreign exchange loss	—	4,111	—	842
Impairment provisions ⁽¹⁾	—	—	—	5,913
Lease repossession costs ⁽¹⁾⁽⁴⁾	—	990	—	(6,022)
Adjusted EBT⁽³⁾	—	(1,555)	—	10,538

(1) Included in operating expenses.

(2) Includes \$26,300 related to the pilot early retirement program costs as a part of the CPA Amendments.

(3) These are non-GAAP financial measures.

(4) Lease repossession costs are net of security packages realized.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

4 Segmented information (continued)

Selected assets and liability information by reportable operating segment:

	As at March 31, 2021			As at December 31, 2020		
	Regional Aviation Services	Regional Aircraft Leasing	Total	Regional Aviation Services	Regional Aircraft Leasing	Total
	\$	\$	\$	\$	\$	\$
Additions to property and equipment, net of deposits applied ⁽¹⁾	28,109	8,519	36,628	258,244	147,893	406,137
Property and equipment	1,229,501	1,454,559	2,684,060	1,269,084	1,502,910	2,771,994
Long-term debt (excluding lease liabilities)	1,101,020	1,013,999	2,115,019	1,108,855	1,073,751	2,182,606

(1) Excludes non-cash transactions of foreign currency adjustments of \$39,481 (2020 - \$9,368).

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

	Three months ended March 31,			
	2021		2020	
	\$	%	\$	%
Canada	167,760	82.8%	307,836	88.0%
Other ⁽¹⁾	34,727	17.2%	42,095	12.0%
	202,487	100.0%	349,931	100.0%

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

	As at March 31, 2021		As at December 31, 2020	
	\$	%	\$	%
Canada	1,229,501	45.8%	1,269,084	45.8%
Other ⁽¹⁾⁽²⁾	1,454,559	54.2%	1,502,910	54.2%
	2,684,060	100.0%	2,771,994	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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

(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 \$72,937 for the three months ended March 31, 2021 (for the three months ended March 31, 2020 - \$81,148). Revenue is disaggregated primarily by nature and category in the underlying contract.

	Three months ended March 31,	
	2021	2020
	\$	\$
Controllable cost revenue	79,085	187,593
Fixed margin ⁽¹⁾	16,430	17,436
Incentive revenue	527	308
CPA pass-through revenue	12,390	46,666
Other	21,118	16,780
	129,550	268,783

(1) Jazz earned a fixed margin which was set for 2020 as an aggregate amount irrespective of the number of covered aircraft. In 2021 and thereafter the fixed margin will be earned based on the number of covered aircraft operated by Jazz under the CPA.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

(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, 2020							
Opening net book value	2,508,814	34,073	10,227	5,693	2,778	30,742	2,592,327
Additions	427,072	303	996	2,798	—	19,687	450,856
Right-of-use assets	—	—	—	—	1,814	—	1,814
Deposits applied	—	—	—	—	—	(44,719)	(44,719)
Disposals	(13,296)	—	(150)	—	—	—	(13,446)
Impairment	(68,197)	—	—	—	—	—	(68,197)
Foreign currency adjustment	7,949	—	—	—	1	1,418	9,368
Depreciation	(147,990)	(1,617)	(3,907)	(1,170)	(1,325)	—	(156,009)
Closing net book value	2,714,352	32,759	7,166	7,321	3,268	7,128	2,771,994
Three months ended March 31, 2021							
Opening net book value	2,714,352	32,759	7,166	7,321	3,268	7,128	2,771,994
Additions	43,672	84	—	—	—	—	43,756
Right-of-use assets	—	—	—	—	2,144	—	2,144
Deposits applied	—	—	—	—	—	(7,128)	(7,128)
Disposals	(7,111)	—	—	—	—	—	(7,111)
Impairment	(42,663)	—	—	—	—	—	(42,663)
Foreign currency adjustment	(39,479)	—	—	—	(2)	—	(39,481)
Depreciation	(35,645)	(414)	(877)	(116)	(399)	—	(37,451)
Closing net book value	2,633,126	32,429	6,289	7,205	5,011	—	2,684,060
	Flight equipment	Facilities	Equipment	Leaseholds	Right-of-use assets	Deposits on aircraft	Total
	\$	\$	\$	\$	\$	\$	\$
At December 31, 2020							
Cost	3,390,149	49,236	81,461	20,472	6,168	7,128	3,554,614
Accumulated depreciation	(675,797)	(16,477)	(74,295)	(13,151)	(2,900)	—	(782,620)
Net book value	2,714,352	32,759	7,166	7,321	3,268	7,128	2,771,994
At March 31, 2021							
Cost	3,373,463	49,321	81,324	20,139	8,306	—	3,532,553
Accumulated depreciation	(740,337)	(16,892)	(75,035)	(12,934)	(3,295)	—	(848,493)
Net book value	2,633,126	32,429	6,289	7,205	5,011	—	2,684,060

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

6 Property and equipment (continued)

For the three months ended March 31, 2021, Chorus recorded impairment provisions of \$33,663, net of \$9,000 recovered from Air Canada (three months ended March 31, 2020 - \$5,913) to income. 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 disposal and value in use. An impairment charge is recorded if the estimated recoverable amount is less than the carrying amount of the assets being tested.

For the three months ended March 31, 2021, Chorus reclassified net book value of \$7,111 to inventory held for resale on the statement of financial position.

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, 2021, \$30,000 was drawn under the facility. Chorus has also provided letters of credit totaling \$9,693 that reduce the amount available under this facility. The facility bears interest for Canadian dollar advances at Canadian Prime or Base Rate US dollar LIBOR plus 1.75% - 3.00% and for US dollar advances at BA Borrowing or LIBOR plus 2.75% - 4.00%.

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, a minimum ratio of EBITDA to fixed charges, and a minimum EBITDA target. As at March 31, 2021, Chorus was in compliance with these covenants.

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

Warehouse credit facility for aircraft acquisitions

In December 2020, Chorus amended the terms of this facility, to among other things, cancel the remaining available credit under the facility and eliminate the associated commitment fees. The balance outstanding under the facility at March 31, 2021 was US \$124,912 (CAD \$157,077).

All loans under this facility were repayable at a rate of 5.00% annually until January 21, 2021. Effective January 22, 2021, the loans are repayable based on a 12 year straight-line full payout schedule, adjusted for the age of the aircraft at the time they were added to the facility, until they mature in January 2025. Chorus may prepay loans under this facility at any time in whole or in part, subject to a US \$5,000 minimum prepayment.

The facility bears interest at US dollar LIBOR plus 2.75% until the start of the term-out period and ranging from LIBOR plus 3.00% - 4.75% thereafter until maturity.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

7 Credit facilities (continued)

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, 2021, Chorus was in compliance with these covenants.

Unsecured revolving credit facility

On April 28, 2020, Chorus obtained a US \$100,000 unsecured revolving credit facility for general corporate purposes, repayable in two years. The facility bears interest at a rate of US dollar LIBOR rate plus 5.00%. On December 24, 2020, Chorus amended the terms of this facility such that amounts drawn on the facility will be repayable in eight quarterly instalments starting in July 2022 and ending in April 2024. 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, an event of default that would be triggered upon the acceleration of Chorus indebtedness in excess of US \$10,000 and an event of default triggered upon an event of default under any other indebtedness owed by Chorus to the lender. In addition, this credit facility contains a covenant to not exceed a prescribed total leverage ratio of debt to EBITDA. Chorus' obligations to pay principal and interest under this facility rank at least pari passu in right of payment with all unsecured and unsubordinated indebtedness. As at March 31, 2021, Chorus was in compliance with these financial covenants.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

(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, 2021	December 31, 2020
	\$	\$
Secured long-term debt and credit facilities		
Amortizing term loans		
Secured by aircraft ^(1a)	1,518,339	1,579,555
Secured by engines ^(1b)	6,698	7,178
Warehouse credit facility ^(1c)	157,077	162,792
Nova Scotia Jobs Fund loan - secured by office building ⁽²⁾	7,000	7,000
Operating credit facility ⁽³⁾	30,000	30,000
6.00% Debentures ⁽⁴⁾	200,000	200,000
	1,919,114	1,986,525
Unsecured long-term debt		
5.75% debentures ⁽⁵⁾	86,250	86,250
Unsecured revolving credit facility ⁽⁶⁾	125,750	127,320
	2,131,114	2,200,095
Less:		
Deferred financing fees	(14,444)	(15,741)
Accretion discount on convertible units	(1,651)	(1,748)
	2,115,019	2,182,606
Less: Current portion	216,756	216,796
	1,898,263	1,965,810

The current portion of long-term debt in the above table includes deferred financing fees of \$3,295, for the three months ended March 31, 2021 (December 31, 2020 - \$3,274). The majority of long-term debt is payable in US dollars and has been converted to Canadian currency at 1.2575 which was the exchange rate in effect at closing on March 31, 2021 (December 31, 2020 - 1.2732).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

8 Long-term debt (continued)

(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 3.59%, maturing between June 2021 and February 2033, 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 \$2,179,962 (December 31, 2020 - CAD \$2,209,038).

CAC's amortizing term loans for aircraft require the principal amount to be repaid prior to maturity if the aircraft comes off-lease and is not re-leased in accordance with the loan's requirements within a prescribed remarketing period ranging from six to 24 months (depending on the loan). CAC currently has 13 aircraft that are off-lease, 10 of which are subject to remarketing periods under term loans. In December 2020, Chorus amended the terms of certain of its aircraft loans in order to remove the remarketing period deadline in respect of aircraft repossessed up to April 24, 2021. This eliminates the requirement to repay the principal amount of the loans prior to maturity if the aircraft are not re-leased by the end of the remarketing period so long as Chorus continues to make the regularly scheduled principal and interest payments and otherwise complies with the loan terms.

- b) Secured by engines - Individual term loans, repayable in instalments, bearing fixed and floating interest at a weighted average rate of 4.24%, maturing between February 2022 and May 2028, each secured primarily by one PW150A engine. As at March 31, 2021, the net book value of property and equipment pledged as collateral under Dash 8-400 engine financing was CAD \$11,577 (December 31, 2020 - CAD \$11,752).
- c) Warehouse credit facility for aircraft acquisitions - Individual term loans, repayable in instalments, bearing floating interest at a weighted average rate of 2.90%, 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, 2021, the net book value of property and equipment pledged as collateral under these term loans was CAD \$259,916 (December 31, 2020 - CAD \$266,532).

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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

8 Long-term debt (continued)

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 CAC (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 CAC have entered into financing agreements in connection with the acquisition of aircraft. CAC, 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, 2021, Chorus (or as applicable, certain subsidiaries) was in compliance with all of these financial covenants.

(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, 2021, the total interest expense on amortizing term loans and the Nova Scotia Jobs Fund loan, inclusive of deferred financing expense amortization, was \$18,236 (for the three months ended March 31, 2020 - \$15,917).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

8 Long-term debt (continued)

(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 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.

The facility bears interest for Canadian dollar advances at Canadian Prime or Base Rate US dollar LIBOR plus 1.75% - 3.00% and for US dollar advances at BA Borrowing or LIBOR plus 2.75% - 4.00%. As at March 31, 2021, \$30,000 was drawn under the facility. Chorus has also provided letters of credit totaling \$9,693 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.

Each convertible unit comprises a \$1.0 senior debenture and 121.21212121 warrants (the "Warrants"). 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 TSX under the symbol CHR.DB.

The following table illustrates the allocation of the convertible units between debt and equity as at March 31, 2021. Significant judgement was exercised by management in determining this allocation.

	Cost of borrowing %	Debt \$	Equity component of Convertible Units \$	Total \$
Balance - December 31, 2020	6.0	195,955	2,981	198,936
Accretion expense		223	—	223
Balance - March 31, 2021		196,178	2,981	199,159

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

8 Long-term debt (continued)

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, 2021, the total interest expense on the convertible units was \$3,198 (for the three months ended March 31, 2020 - \$3,203) which included interest accretion of \$223 (for the three months ended March 31, 2020 - \$210).

(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 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, 2021, the total interest expense on the Unsecured Debentures was \$1,414 (for the three months ended March 31, 2020 - \$1,402) which included interest accretion of \$174 (for the three months ended March 31, 2020 - \$162).

(6) Unsecured revolving credit facility

In December 2020, Chorus amended the terms of the US \$100,000 unsecured revolving credit facility, which was obtained in April 2020 for general corporate purposes, to be payable in eight equal instalments of principal and interest starting in July 2022 and ending in April 2024 from the previous required repayment by April 2022. The facility bears interest at a rate of US dollar LIBOR rate plus 5.00%. For the three months ended March 31, 2021, the total interest expense on the unsecured revolving credit facility was \$1,656 (for the three months ended March 31, 2020 - \$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, 2021. The timing of future principal payments, excluding unamortized deferred financing fees, is as follows:

	\$
No later than one year	221,321
Later than one year and no later than five years	1,339,352
Later than five years	570,441
	<u>2,131,114</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

(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,	
	2021	2020
	\$	\$
Loss before income tax	(56,998)	(12,931)
Income tax expense at the statutory tax rates ⁽¹⁾	(14,510)	(4,681)
Recognition of previously unrecognized cumulative eligible capital	(1,446)	(1,561)
Net impact of capital items ⁽²⁾	(2,438)	11,241
Impact of rate changes	—	(1,104)
Other	(525)	468
Income tax (recovery) expense	(18,919)	4,363
Effective tax rate	33.2%	(33.7)%

(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 27.1% 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 \$301,054 as at March 31, 2021, 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, 2021 and March 31, 2020, Chorus utilized a total of \$5,362 (\$1,446 tax effected) and \$5,766 (\$1,561 tax effected), respectively, of these previously unrecognized tax deductions to reduce its taxable income.

10 Dividends

On April 6, 2020, Chorus suspended its monthly dividend of \$0.04 per share following the payment of the dividends payable on April 17, 2020 to shareholders of record on March 31, 2020. Dividend payments remain suspended until further notice. Chorus' Board of Directors evaluates the dividend on a regular basis and dividends are declared at the discretion of the Board.

Chorus declared dividends of \$nil for the three months ended March 31, 2021 (three months ended March 31, 2020 - \$19,520). Cash dividends paid for the three months ended March 31, 2021 were \$nil (three months ended March 31, 2020 - \$13,778).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

11 Capital stock

a) Common shares

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, 2019	160,450,995	281,849
Shares issued through dividend reinvestment plan	1,416,393	6,626
Shares issued and outstanding December 31, 2020	161,867,388	288,475
Shares issued and outstanding March 31, 2021	161,867,388	288,475

b) Preferred shares

Authorized:

Chorus has authorized up to 80,750,000 preferred shares issuable in series, with the designation, rights, privileges, restrictions and conditions attaching thereto determined, subject to any limitations set out in Chorus articles, by the directors of Chorus ("Preferred Shares").

As at March 31, 2021, there were no issued and outstanding Preferred Shares.

c) 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,	
	2021	2020
	\$	\$
Numerator		
Loss	(38,079)	(17,294)
Denominator		
Weighted average number of shares	161,867,388	160,823,043
Weighted average dilutive shares	—	1,989,706
Weighted average number of diluted shares	161,867,388	162,812,749

The calculation of the diluted earnings per share excluded 1,517,570 shares related to stock-based compensation for the three months ended March 31, 2021 as they were anti-dilutive.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

12 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 items 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, long-term lease deferral receivables, asset backed commercial paper, finance lease receivables, accounts payable and accrued liabilities, dividends payable, long-term incentive plan liability, lease liabilities, total return swaps, interest rate swaps and long-term debt.

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

- Finance lease receivables

At March 31, 2021, the finance lease receivables had a fair value of \$8,405 versus a carrying value of \$7,803. Chorus' annual cash flows have been discounted at the relevant market interest rates.

- Amortizing term loans

At March 31, 2021, long-term debt had a fair value of \$1,515,479 compared to a carrying value of \$1,678,476, excluding deferred financing fees of \$9,280. 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, 2021, the convertible units had a fair value of \$214,494 versus a book value of \$198,349, excluding deferred financing fees of \$2,171. 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, 2021, the 5.75% Unsecured Debentures had a fair value of \$83,878 versus a carrying value of \$86,250, excluding deferred financing fees of \$2,993. The fair value is based on quoted prices observed in active markets.

- Unsecured revolving credit facility

At March 31, 2021, the unsecured revolving credit facility had a fair value of \$121,900 versus a carrying value of \$125,700. The fair value of unsecured revolving credit facility is calculated by discounting the future cash flow of the credit facility at a relevant market interest rate.

- Interest rate swaps

At March 31, 2021, the interest rate swap liability had a fair value and carrying value liability of \$8,945. The fair value of interest rate swaps, classified as Level 2, is estimated using valuation models that utilize market based observable inputs.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

12 Financial instruments and fair values (continued)

- Total return swap

At March 31, 2021, the total return swap asset had a fair value and carrying value of \$786. The fair value of total return swap, classified as Level 2, is estimated using valuation models that utilize market based observable inputs.

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, equity price 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. Excluding revolving debt facilities, as at March 31, 2021, 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 33.8% 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 credit facility for aircraft acquisitions, 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. Certain of the interest rate swaps are designated and effective as cash flow hedges.

The fair value of interest rate swaps was a \$8,945 liability at March 31, 2021 (\$11,736 liability as at December 31, 2020) and is recorded in other long-term liabilities. Changes in the fair value of interest rate swaps are recorded in other comprehensive income and ineffective interest rate swaps are recorded in income. During the three months ended March 31, 2021, Chorus recognized other comprehensive gain of \$3,883, net of tax (for the three months ended March 31, 2020 - other comprehensive loss of \$9,755, net of tax). During the three months ended March 31, 2021, Chorus recognized a \$1,791 loss on an ineffective interest rate swap in income (March 31, 2020 - \$nil). Should Chorus be required to repay loans associated with these swaps, it would also be required, in most cases to close out the related swap agreements and settle any amounts owing.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

12 Financial instruments and fair values (continued)

In July 2017 the U.K. Financial Conduct Authority announced that the LIBOR will be phased out by the end of 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, 2021, Chorus had 25 loans which totaled \$280,576 and 11 derivative agreements which referenced notional amounts totaling \$229,508 that will be impacted by the transition from LIBOR to another benchmark rate as they mature after December 31, 2021. Chorus continues to monitor, and plan for, the transition to alternative rates and does not anticipate any 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, 2021.

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.

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

CAC has entered into lease deferral arrangements with substantially all its lessees which will reduce Chorus' cash flow over the period of deferrals. In connection with the rent relief arrangements, that include lease term extensions, the repayment terms vary but typically coincide with the lease term extensions. 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 CAC 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. At March 31, 2021, CAC had total receivables of \$67,694 (2020 - \$56,258), inclusive of the accrued straight-line rent receivable of \$18,219 (December 31, 2020 - \$13,640).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

12 Financial instruments and fair values (continued)

	As at March 31, 2021			As at December 31, 2020		
	Regional Aviation Services	Regional Aircraft Leasing	Total	Regional Aviation Services	Regional Aircraft Leasing	Total
	\$	\$	\$	\$	\$	\$
Trade receivables	18,827	21,687	40,514	14,798	12,626	27,424
Deferred rent receivable	—	3,665	3,665	—	6,270	6,270
Air Canada trade receivable	43,469	—	43,469	70,713	—	70,713
Subtotal	62,296	25,352	87,648	85,511	18,896	104,407
Allowance for ECL	(218)	(10,288)	(10,506)	(218)	(7,933)	(8,151)
Total trade receivables	62,078	15,064	77,142	85,293	10,963	96,256
Accrued straight-line rent ⁽¹⁾⁽²⁾	—	2,415	2,415	—	3,106	3,106
Long-term accrued straight-line rent ⁽¹⁾⁽³⁾	—	15,804	15,804	—	10,534	10,534
Long-term receivables ⁽³⁾⁽⁴⁾	13,175	24,123	37,298	2,817	23,722	26,539
Total net receivables	75,253	57,406	132,659	88,110	48,325	136,435
Total gross receivables	75,471	67,694	143,165	88,328	56,258	144,586

(1) These receivables were assessed under IFRS 16 for impairment (refer to note 3 - Significant accounting policies).

(2) Included in prepaid expenses and deposits.

(3) Included in other long-term assets.

(4) Long-term receivables were assessed for ECL allowance under IFRS 9.

Chorus has no financial assets past due, except for trade receivables. At March 31, 2021, the total amount of trade receivables was \$77,142 (December 31, 2020 - \$96,256), net of allowance for ECL of \$10,506 (2020 - \$8,151), which has been estimated by management based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. Significant judgements were made in determining these factors.

At March 31, 2021, the breakdown of past-due trade receivables were as follows:

	March 31, 2021 \$	December 31, 2020 \$
Past due but not impaired		
60 - 90 days	5,869	2,728
Over 90 days	14,258	9,301
	20,127	12,029

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

12 Financial instruments and fair values (continued)

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 \$786 asset at March 31, 2021 and is recorded in other long-term assets (\$8,077 liability as at December 31, 2020 recorded in other long-term liabilities). During the three months ended March 31, 2021, a corresponding gain of \$2,290, which includes a settlement of \$6,573, has been recorded in operating income (\$15,312 loss including \$4,183 related to settlement for the three months ended March 31, 2020). For additional information, please refer to note 3(j) and 3(k) - Significant accounting policies, of the audited consolidated financial statements of Chorus for the year ended December 31, 2020.

Liquidity risk

Chorus' liquidity needs are primarily related to funding ongoing operations, planned capital expenditures including investment in aircraft acquisitions, 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, 2021, Chorus had \$135,987 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, 2021, \$30,000 was drawn under the facility. Chorus has also provided letters of credit totaling \$9,693 that reduce the amount available under this facility.

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 Aircraft Leasing division by borrowing in the same currencies of the related lease revenues.

The amount of US dollar denominated financial assets was \$96,812 and US denominated financial liabilities was \$665,756 at March 31, 2021. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately \$5,689. 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, 2021.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

13 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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

14 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,	
	2021 \$	2020 \$
Operating revenue		
Air Canada	145,149	286,688
Operating expenses		
Air Canada	441	1,084

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

	As at	
	March 31, 2021 \$	December 31, 2020 \$
Accounts receivable		
Air Canada	43,469	70,713
Finance lease receivables		
Air Canada	7,803	8,456
Contract asset		
Air Canada	23,104	3,774
Other long-term receivables		
Air Canada	13,175	2,816
Accounts payable and accrued liabilities		
Air Canada	2,223	661
Air Canada Capital Ltd.	12,492	8,207
Other long-term liabilities⁽¹⁾		
Air Canada	5,000	—
Accrued Air Canada payable - Deferred lease inducements, prepaid aircraft rent and related fees		
Air Canada	467	164

(1) Due on or before March 31, 2022.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

15 Statement of cash flows - supplementary information

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

	Three months ended March 31,	
	2021	2020
	\$	\$
Decrease (increase) in accounts receivable – trade and other	17,660	(1,131)
Increase in inventories	(5,285)	(8,060)
Increase in prepaid expenses	(2,999)	(5,047)
Decrease (increase) in income tax receivable	1,033	(475)
Increase in other long-term assets	(11,848)	(2,090)
Increase in accounts payable and accrued liabilities	21,165	13,594
Decrease in current portion long-term incentive plan	(994)	(4,684)
Decrease in income tax payable	(35)	(6,533)
Decrease in other long-term liabilities	(229)	(1,743)
	18,468	(16,169)

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

b) Other

	Three months ended March 31,	
	2021	2020
	\$	\$
Cash payments of interest	15,887	15,704
Cash receipts of interest	319	854
Cash payments of tax	505	12,307

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

15 Statement of cash flows - supplementary information (continued)

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

	Amortizing term loans	6% Debentures	5.75% Unsecured Debentures	Credit facilities ⁽¹⁾	Total long-term debt	Lease liabilities
	\$	\$	\$	\$	\$	\$
Balance - December 31, 2020	1,746,248	195,955	83,083	157,320	2,182,606	11,985
Long-term borrowings, net of financing costs	25,089	—	—	—	25,089	—
Repayment of long-term borrowings	(56,002)	—	—	—	(56,002)	—
Repayment of lease liabilities	—	—	—	—	—	(917)
Total financing cash flow activities	(30,913)	—	—	—	(30,913)	(917)
New lease liabilities	—	—	—	—	—	2,105
Interest expense	—	223	174	—	397	—
Deferred financing fee amortization	747	—	—	—	747	—
Unrealized foreign exchange gain	(10,040)	—	—	(1,570)	(11,610)	(98)
Realized foreign exchange loss (gain)	1,673	—	—	—	1,673	—
Foreign currency adjustments	(27,881)	—	—	—	(27,881)	(4)
Total financing non-cash activities	(35,501)	223	174	(1,570)	(36,674)	2,003
Balance - March 31, 2021	1,679,834	196,178	83,257	155,750	2,115,019	13,071

(1) Includes the operating credit facility and the unsecured revolving credit facility.

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, 2021 - \$40,620; December 31, 2020 - \$38,493).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For the period ended March 31, 2021

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

16 Additional information

a) Assets

	March 31, 2021 \$	As at December 31, 2020 \$
Accounts receivable		
Trade receivables	44,179	33,694
Allowance for ECL	(10,506)	(8,151)
Commodity taxes	2,532	1,957
Other receivables	13,900	11,190
	50,105	38,690
Trade amounts due from Air Canada and its subsidiary (refer to note 14 - Economic dependence)	43,469	70,713
	93,574	109,403
Other long-term assets		
Contract asset ⁽¹⁾	23,104	3,774
Accrued transaction fees, net of accumulated amortization	6,997	6,394
Accrued defined pension benefit asset	66,902	83,872
Long-term receivables ⁽²⁾	37,298	26,539
Long-term accrued straight line rent	15,804	10,534
Asset backed commercial paper	257	282
Total return swap	786	—
Other	82	81
	151,230	131,476

(1) Includes the contract asset recorded in connection with the transfer and integration of the Embraer 175 aircraft into the covered aircraft fleet related to the CPA Amendments.

(2) Includes long-term portion of deferred rent receivables.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2021

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

17 Subsequent events

On April 6, 2021, Chorus announced that it had completed a public offering (the "Offering") of units of Chorus (the "Units") and of convertible senior unsecured debentures (the "6.00% Unsecured Convertible Debentures") for aggregate gross proceeds of \$145,104. Each Unit is comprised of one common share (the "Common Shares") of Chorus and one-half of a Common Share purchase warrant of Chorus.

Pursuant to the issuance of Units, Chorus issued 15,783,500 Common Shares from treasury and 7,891,750 Common Share purchase warrants. Each Unit was issued at a price of \$4.60 per Unit for gross proceeds of \$72,604. The Common Share purchase warrants entitle the holder to acquire one Common Share at an exercise price of \$6.20 per Common Share purchase warrant, until April 6, 2022.

Chorus issued \$72,500 aggregate principal amount of 6.00% Unsecured Convertible Debentures at a price of \$1.0 per debenture. The 6.00% Unsecured Convertible Debentures bear interest at 6.0% per annum, payable semi-annually on the last day of June and December commencing on December 31, 2021, mature on June 30, 2026 and have a conversion price of \$6.35 per share.

Subject to adjustment in certain circumstances, the 6.00% Unsecured Convertible Debentures are convertible at the holder's option into 157.4803 shares per \$1.0 principal amount of such debentures, initially representing a conversion price of \$6.35 per share. If all of the 6.00% Unsecured Convertible Debentures were converted by the holders thereof based on the current conversion rate, 11,417,322 Common Shares would be issuable pursuant to such conversion.

Chorus used a portion of the proceeds of this capital raise to repay loan deferrals of \$33,851.