chorus aviation inc.

Second Quarter 2022

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

August 4, 2022

INTRODUCTION

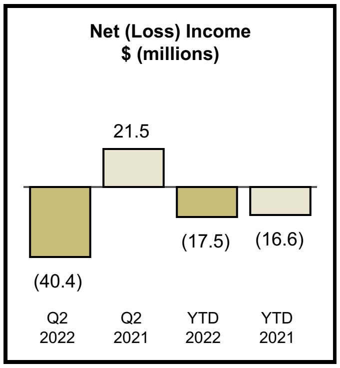
In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz. Please refer to Section 24 - Glossary of Terms for definition of capitalized terms and acronyms used in this MD&A.

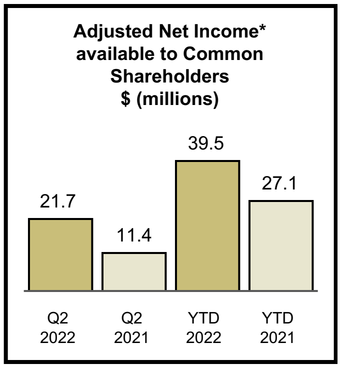
This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus and the notes therein for the three and six-months ended June 30, 2022, the audited consolidated financial statements of Chorus for the year ended December 31, 2021, Chorus' 2021 annual MD&A dated February 16, 2022 and Chorus' 2021 Annual Information Form dated February 16, 2022. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook, except for any financial information specifically denoted otherwise. Except as otherwise noted or where the context may otherwise require, this MD&A is prepared as of August 4, 2022.

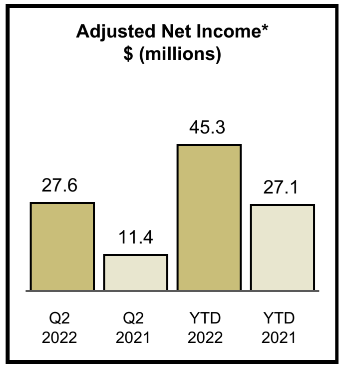
The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to the discussion of specific risks in Section 8 – Capital Structure and Section 10 – Risk Factors.

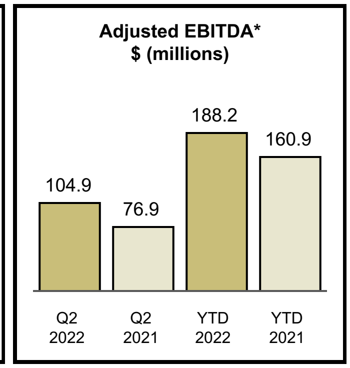
Except where the context otherwise requires, all amounts are stated in Canadian dollars.

1 OVERVIEW









* These are non-GAAP financial measures. Refer to Section 18 – Non-GAAP Financial Measures.

Q2 2022 Financial Highlights:

- Net loss of $40.4 million a quarter-over-quarter decrease in income of $61.9 million primarily due to anticipated aircraft repossessions and lease restructurings resulting in provisions of $45.6 million on CACIL's aircraft portfolio, unrealized foreign exchange losses of $34.3 million and strategic advisory fees of $5.7 million, offset by an increase in Adjusted net income of $16.2 million.
- Net loss available to Common Shareholders of $46.3 million, or $0.24 loss per basic Common Share, inclusive of dividends declared on the Preferred Shares and non-controlling interest.
- Adjusted net income available to Common Shareholders of $21.7 million, or $0.11 per Common Share an increase of $10.3 million quarter-over-quarter inclusive of dividends declared on the Preferred Shares and non-controlling interest.
- Adjusted net income of $27.6 million, an increase of $16.2 million quarter-over-quarter primarily due to an increase in earnings in the RAL segment, related to the Falko Business.
- Adjusted EBITDA of $104.9 million, an increase of $28.0 million quarter-over-quarter.

Highlights:

In the second quarter of 2022, Chorus completed the Falko Acquisition for US $843.7 million including cash consideration of US $438.2 million and US $405.5 million of assumed existing indebtedness. The second quarter results includes two months of earnings from the Falko Business, increasing net income by $5.7 million and Adjusted EBT by $9.5 million.

The integration of the Falko Business is moving forward as anticipated as both organizations share similar leadership styles and cultures and is making progress on its strategy to transition towards an asset light leasing model (refer to Section 2 - About Chorus).

Falko expanded its assets under management and customer base in the quarter by adding a total of 35 turboprop aircraft to its portfolio in a servicing capacity on behalf of a syndicate of banks. With the Falko Acquisition, Chorus expects to derive approximately 50% of its 2022 Adjusted EBITDA from the RAL segment (refer to Section 25 - Caution Regarding Forward-Looking Information).

In June, Jazz returned to pre-pandemic flying and staffing levels and Voyageur expanded its part provisioning and sales capabilities by adding the ATR 42 and 72 aircraft types to its product offering which will enhance synergistic opportunities with Falko's business as a servicer of leased ATRs.

Second Quarter Summary

In the second quarter of 2022, Chorus reported Adjusted EBITDA of $104.9 million, an increase of $28.0 million over the second quarter of 2021.

The RAL segment's Adjusted EBITDA increased by $25.4 million due to the inclusion of two months of earnings from the Falko Business as well as increased lease revenue from re-leased aircraft in CACIL's aircraft portfolio.

The RAS segment's Adjusted EBITDA increased by $2.6 million. Second quarter results were impacted by:

- an increase in other revenue due to an increase in parts sales and contract flying partially offset by a decrease in third-party MRO activity;
- an increase in capitalization of major maintenance overhauls on owned aircraft of $3.2 million; and
- an increase in aircraft leasing revenue under the CPA of $1.3 million primarily due to a higher US dollar exchange rate; offset by
- an increase in general administrative expenses attributable to increased operations.

Adjusted net income was $27.6 million for the quarter, an increase of $16.2 million over the second quarter of 2021 due to:

- a $28.0 million increase in Adjusted EBITDA as previously described; and
- a decrease of $1.9 million primarily due to unrealized foreign exchange changes on working capital; partially offset by
- an increase in depreciation expense of $9.3 million primarily attributable to the Falko Business;
- an increase of $0.9 million in income tax expense on adjusted items;
- a decrease in gain on property and equipment of $1.6 million;
- an increase in net interest costs of $1.1 million primarily related to interest on long-term debt assumed as part of the Falko Acquisition and interest on the Series B Debentures and Series C Debentures partially offset by the repayment of certain aircraft financings and the partial redemption of the 6.00% Debentures; and
- a loss on fair value of investments of $0.8 million.

Net loss increased $61.9 million over the second quarter of 2021 due to:

- an increase in impairment provision of $20.5 million;
- an increase in net unrealized foreign exchange losses primarily on long-term debt of $34.3 million;
- a restructuring expected credit loss provision of $10.4 million;
- an increase in lease repossession costs of $12.0 million;
- strategic advisory fees related to the Falko Acquisition of $5.7 million; and
- an increase in employee separation program costs of $1.7 million; partially offset by
- the previously noted increase in Adjusted net income of $16.2 million; and
- an increase in income tax recoveries on adjusted items of $7.5 million.

Year-to-Date Summary

Chorus reported Adjusted EBITDA of $188.2 million for 2022, an increase of $27.3 million over the same prior year period.

The RAL segment's Adjusted EBITDA increased by $28.3 million primarily due to the inclusion of two months of earnings related to the Falko Business, the recognition of the expected recovery of Chorus' claim in the Aeromexico bankruptcy and increased lease revenue from re-leased aircraft partially in CACIL's aircraft portfolio.

The RAS segment's Adjusted EBITDA decreased by $1.0 million due to:

- an increase in general administrative expenses attributable to increased operations; and
- an increase in stock-based compensation of $4.4 million due to a decrease in the Common Share price inclusive of the change in fair value of the Total Return Swap (refer to Section 8 - Capital Structure - Equity Price Risk); partially offset by
- an increase in capitalization of major maintenance overhauls on owned aircraft of $4.6 million;
- an increase in other revenue due to an increase in parts sales and contract flying partially offset by third-party MRO activity; and
- an increase in aircraft leasing revenue under the CPA of $1.6 million primarily due to a higher US dollar exchange rate.

Adjusted net income of $45.3 million, an increase of $18.2 million over 2021 due to:

- a $27.3 million increase in Adjusted EBITDA as previously described;
- a decrease in net interest costs of $3.7 million primarily related to the repayment of certain aircraft financing and the partial redemption of the 6.00% Debentures partially offset by interest on long-term debt assumed as part of the Falko Acquisition and interest on the Series B Debentures and Series C Debentures; and
- a decrease of $0.9 million in realized foreign exchange losses and increased unrealized foreign exchange gains on working capital; partially offset by
- an increase in depreciation expense of $8.2 million primarily attributable to the Falko Business;
- a $3.2 million increase in income tax expense on adjusted items;
- a decrease in gain on property and equipment of $1.6 million; and
- a loss on fair value of investments of $0.8 million.

Net loss of $17.5 million, an increase of $0.9 million over the prior period due to:

- an increase in impairment provisions of $20.5 million in the RAL segment;
- a change in net unrealized foreign exchange primarily on long-term debt of $33.7 million;
- an increase in lease repossession costs of $11.6 million;
- an increase in restructuring credit loss provision of $10.4 million;
- a decrease in income tax recoveries on adjusted items of $14.0 million;
- strategic advisory fees related to the Falko Acquisition of $8.4 million; and
- an increase in employee separation program costs, exclusive of the cost attributable to the pilot early retirement program and signing bonuses of $1.2 million; offset by
- the previously noted increase in Adjusted net income of $18.2 million; and
- one-time restructuring costs of $80.7 million in 2021 related to the 2021 CPA Amendments.

2 ABOUT CHORUS

Chorus' vision is to deliver regional aviation to the world. Headquartered in Halifax, Nova Scotia, Chorus is an integrated provider of regional aviation solutions, including asset management services. Its principal subsidiaries are: the Falko Business, the world's largest asset manager and aircraft lessor focused solely on the regional aircraft leasing segment; Jazz, currently the sole operator of domestic and transborder regional flights under the Air Canada Express brand; and Voyageur, a provider of specialty air charter, aircraft modification, and parts provisioning services to regional aviation customers around the world. Together, Chorus' subsidiaries provide support services that encompass every stage of a regional aircraft's lifecycle, including: aircraft acquisition and leasing; aircraft refurbishment, engineering, modification, repurposing and transition; contract flying; aircraft and component maintenance, disassembly, and parts provisioning.

The Falko Acquisition adds significantly to the RAL segment's existing portfolio of leased regional aircraft and creates new opportunities for growth by adding a leading asset management platform that, when combined with Chorus' broad suite of capabilities, will enable Chorus to maximize returns on regional aircraft assets (refer to Section 5 - Fleet).

Chorus groups its businesses into two reporting segments:

1) **Regional Aviation Services**: This segment includes all three sectors of the regional aviation industry in which Chorus currently operates (described below). This segment also includes corporate expenses, such as interest expense on various debt instruments including the 6.00% Debentures, the Series A Debentures, the Series B Debentures, the Series C Debentures, the Unsecured Credit Facility, Unsecured Revolving Operating Credit Facility and the Operating Credit Facility, executive and stock-based compensation and professional fees.

   a) <u>Contract flying</u>: Chorus provides contract flying services, commonly referred to as "wet leasing" through two of its wholly-owned subsidiaries: Jazz and Voyageur. Jazz is the largest regional airline in Canada and operates more flights into more airports in Canada through its scheduled services under the CPA with Air Canada than any other Canadian airline. Air Canada makes all decisions with respect to flight scheduling and ticket sales, and bears all of the market risk associated with fluctuations in passenger ticket revenues.

      Voyageur provides charter services and specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers.

   b) <u>Aircraft leasing</u>: Jazz currently earns leasing revenue under the CPA from 48 wholly-owned aircraft and five spare engines. Voyageur also earns revenue from aircraft leasing.

   c) <u>Maintenance, repair and overhaul ("**MRO**"), part sales and technical services</u>: Jazz provides 24/7 MRO services and is certified on Dash 8, CRJ, and Embraer 135, 145 and 175 aircraft. Voyageur provides specialty, MRO and engineering services on Dash and CRJ aircraft. Voyageur also focuses on aircraft disassembly, aircraft parts provisioning and sales offering for its global customers.

2) **Regional Aircraft Leasing**: In the second quarter of 2022, Chorus completed the Falko Acquisition, increasing RAL's leasing portfolio to 218 aircraft with the addition of 156 aircraft. The acquisition of the Falko Business broadened RAL's revenue streams by adding fees for managing aircraft fully or partially-owned by third parties (referred to in this MD&A as Managed Aircraft) (refer to Section 5 - Fleet). RAL earns income as follows:

   a) Earnings from Managed Aircraft

      i) <u>Asset management fees</u>: RAL earns asset management fees for managing aircraft on behalf of fund investors and other third-party aircraft investors and/or owners;

      ii) <u>Co-investment returns</u>: RAL earns co-investment returns from its equity investment in the Falko managed funds; and

iii) Incentives fees: RAL earns incentive fees for exceeding performance fund investment targets.

b) Earnings from wholly or majority-owned aircraft

i) Lease income: RAL earns income from wholly or majority-owned aircraft leased to third-party air operators, commonly referred to as "dry leasing"; and

ii) Asset sales: RAL earns income from the trade and sale of aircraft.

Jazz earns revenue under the CPA in five ways:

1. Fixed Margin

Jazz earns a Fixed Margin based on the number of Covered Aircraft under the CPA that does not vary based on flight activity.

2. Performance Incentives

Jazz has the opportunity to earn Performance Incentives under the CPA for achieving certain performance targets in relation to controllable on-time performance, controllable flight completion, customers arriving with luggage and customer service.

3. Controllable Cost Revenue

Jazz and Air Canada negotiate rates ("**Controllable Cost Revenue**") for the Controllable Costs Jazz expects to incur which are estimated based on certain variables to operate Air Canada Express services under the CPA. Jazz's exposure to variances between the Controllable Cost Revenue Jazz receives from Air Canada to cover annually negotiated Controllable Costs, and Jazz's actual Controllable Costs incurred in performing its services for Air Canada is limited to $2.0 million annually (referred to as the "**Controllable Cost Guardrail**").

4. Pass-Through Revenue

Jazz receives Pass-Through Revenue, which is based on Pass-Through Costs reimbursed by Air Canada.

Pass-Through Costs includes operational expenses that are reimbursed by Air Canada such as airport and navigation fees, and certain aircraft maintenance, materials and supplies. Jazz does not incur fuel or food and beverage costs related to CPA flying, as these are charged directly to Air Canada.

5. Aircraft leasing under the CPA

Jazz earns aircraft leasing revenue under the CPA from the following owned assets: 34 Dash 8-400s, 14 CRJ900s, and five spare engines.

Jazz incurs two types of costs under the CPA:

1) Controllable Costs - which are offset by Controllable Cost Revenue (see discussion above).
2) Pass-Through Costs - which are offset by Pass-Through Revenue (see discussion above).

Aircraft fleet under the CPA

From January 1, 2021 through December 31, 2025, the minimum number of Covered Aircraft is set at 105. From January 1, 2026 through December 31, 2035, Air Canada will determine the composition of the Covered Aircraft fleet on the condition that the fleet must have a minimum of 80 aircraft with 75-78 seats (refer to Section 25 - Caution Regarding Forward-Looking Information).

3 STRATEGY

Chorus' long-term strategy is focused on providing an integrated and comprehensive suite of regional aviation services to customers around the world by drawing on Chorus' expertise in all areas of regional aviation operations.

The Chorus team is highly experienced in managing every stage of a regional aircraft's life-cycle, and in every technical facet of the regional aviation operations. Chorus offers an integrated model providing a full suite of flying operations, including special mission services, maintenance, repair and overhaul modifications, and parts provisioning to regional aircraft owners and operators around the world. These capabilities differentiate Chorus from its competition.

Chorus completed the Falko Acquisition in the second quarter of 2022, which includes its asset management platform and equity interests in 121 regional aircraft owned or managed by Chorus (refer to Section 2 - About Chorus). The Falko and CAC management teams have been integrated to benefit from economies of scale and to pursue new opportunities. In particular, the newly-combined leasing business is expected to:

1) Broaden Chorus' business by adding an established and growing regional aircraft asset management platform with an excellent track record;
2) Transition Chorus' leasing business to an asset light model whereby Chorus earns asset management fees on Managed Aircraft, thereby improving cash flow generation and return on capital; and
3) Enable Chorus to better serve the needs of its leasing customers by deploying larger tranches of equity capital alongside third-party fund investors.

4 OUTLOOK

The discussion that follows includes forward-looking information. This outlook is provided for the purpose of providing information about current expectations for 2022. This information may not be appropriate for other purposes (refer to Section 25 - Caution Regarding Forward-Looking Information).

Chorus completed the Falko Acquisition in the second quarter of 2022. This transformative transaction creates new opportunities for growth, through increased access to growth capital and a differentiated business model to maximize returns on aircraft assets.

Taking into account the draws under Chorus' credit facilities, Chorus anticipates having total liquidity in excess of $100.0 million for the remainder of 2022 with such liquidity consisting of cash and the available credit under its Operating Credit Facility and the Unsecured Revolving Operating Credit Facility.

Chorus anticipates having sufficient liquidity to fund ongoing operations, planned capital expenditures and principal and interest payments related to long-term borrowings.

Chorus' forecast[1] for the year ended December 31, 2022 has been updated from the first quarter 2022 forecast due to i) the impact of anticipated aircraft repossessions in the CACIL portfolio, and ii) the initial closing of the new Falko managed fund anticipated to occur in the fourth quarter of 2022 (versus concurrent with the fund launch in the second quarter of 2022). The revised forecast is as follows:

	RAL		RAS				Consolidated	
			Excluding Pass-Through and Controllable Costs (included in revenue and expenses)		Pass-Through and Controllable Costs (included in revenue and expenses)			
(unaudited) *(expressed in thousands of Canadian dollars)*	From $	To $	From $	To $	From $	To $	From $	To $
Revenue	240,000	250,000	310,000	330,000	950,000	1,150,000	1,500,000	1,730,000
Adjusted EBITDA[2]	205,000	220,000	210,000	220,000	—	—	415,000	440,000
Adjusted EBT[2]	61,000	71,000	78,000	88,000	—	—	139,000	159,000
Adjusted Net Income available to Common Shareholders[2][3]							88,000	103,000
Adjusted EPS available to Common Shareholders[2][4]							0.45	0.53
Net debt to Adjusted EBITDA[2]							4.7x	5.0x
Return on Invested Capital (%)							5.4%	6.4%
Cash from operations[5]							250,000	290,000

(1) The forecast includes the impact of the preliminary purchase price allocation ("**PPA Adjustments**") for the Falko Acquisition as required under *IFRS 3 Business Combinations* ("**IFRS 3**"). The initial accounting has been determined provisionally for this reporting period. The PPA Adjustments must be completed within 12 months from the acquisition close date. Under IFRS 3, when an acquirer takes control of a business through an acquisition the consideration paid is allocated to the fair value of the assets and liabilities, at the acquisition date, inclusive of the fair value assessment of intangibles. Intangibles include the fair value assessment of: asset management contracts and performance entitlements for existing or future funds, investor/customer relationships and goodwill for the assembled workforce.
(2) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.
(3) Preferred Share dividends and non-controlling interest income are deducted from Adjusted net income to determine Net income available to Common Shareholders and for Adjusted EPS available to Common Shareholders.
(4) Weighted average Common Shares of 194,561,000 was used in the calculation of Adjusted EPS.
(5) Cash from operations exclude dividends paid to non-controlling interest Shareholders and net changes in non-cash balances related to operations.

Key Economic Assumptions:

- The forecast assumes the launch in the fourth quarter of 2022 of a new investment fund managed by Falko with (i) a minimum of US $500.0 million in capital commitments and (ii) management fees and economic terms commensurate with those in Falko's prior funds.
- The forecast revenue is based on current contracted lease revenue and forecasted revenues for leased aircraft and asset management fees. Aircraft leasing revenue under the CPA and Fixed Margin revenue is expected to be US $114.7 million and $66.3 million, respectively in 2022.
- The forecast uses weighted average statutory tax rates for each of the individual entities based on the jurisdiction in which the entity is taxable. The forecast uses a weighted average income tax rate of 20.0% based on average statutory tax rates of 26.5%, 12.5% and 19.0% in Canada, Ireland and United Kingdom, respectively. The actual weighted average income tax rates may vary due to the actual income in each country and foreign exchange rates.
- The forecast assumes no disposals in 2022 of aircraft leased under the CPA or in the RAL segment.
- The forecast uses a foreign exchange rate of 1.28 a change from the initial forecasted rate of 1.25 to translate USD to CAD revenue and expenses.

Regional Aircraft Leasing

Following the onset of the COVID-19 pandemic, RAL received requests from many of its customers for some form of temporary rent relief, as they coped with an unprecedented reduction in demand for passenger air travel. Under rent relief arrangements, certain of which include lease term extensions, the repayment of the deferred amounts typically coincides with the lease term extensions. The gross lease receivable may decrease to approximately $119.0 million (US $92.3 million) by the end of 2022 due to rent relief arrangements and repayment expectations (refer to Section 21 - RAL breakdown for gross receivable balances as at June 30, 2022 and December 31, 2021).

RAL's lease deferral receivable exposure is also partially mitigated by security packages held of approximately $23.4 million (US $18.2 million) (December 31, 2021 - $26.8 million (US $21.1 million)).

Capital Expenditures

Capital expenditures in 2022, including capitalized major maintenance overhauls but excluding expenditures for the acquisition of aircraft are expected to be between $21.0 million and $33.0 million. Aircraft acquisitions and improvements in 2022 are expected to be between $22.0 million and $27.0 million.(1)

(unaudited) *(expressed in thousands of Canadian dollars)*	Planned 2022(1) $	Actual Six months ended June 30, 2022 $	Actual Year ended December 31, 2021(2) $
Capital expenditures, excluding aircraft acquisitions	11,000 to 17,000	3,836	7,019
Capitalized major maintenance overhauls(3)	10,000 to 16,000	10,203	20,296
Aircraft acquisitions and improvements	22,000 to 27,000	17,780	47,392
	43,000 to 60,000	31,819	74,707

(1) The 2022 plan includes reconfiguration costs on re-leased aircraft and certain aircraft improvements in the RAL segment which have been converted to Canadian from US dollars using a foreign exchange rate of 1.2886, the June 30, 2022 closing day rate from the Bank of Canada.

(2) The 2021 actual includes the acquisition of one CRJ900 and reconfiguration costs on certain off-lease and re-leased aircraft.

(3) The 2022 plan includes between $5.9 million to $8.4 million of costs that are expected to be included in Controllable Costs. Actual 2022 and 2021 costs include $5.9 million and $8.1 million, respectively, which were included in Controllable Costs.

chorus aviation inc.

5 FLEET

As of June 30, 2022, Chorus' owned, managed and/or operated aircraft are as follows:

	Company	Segment	Aircraft Count
Aircraft Lease Portfolio[1]			
Wholly-owned aircraft	CACIL	RAL	62
Wholly or majority-owned aircraft	Falko	RAL	74
RAL wholly or majority-owned aircraft			136
Managed aircraft[2]	Falko	RAL	82
RAL segment total			218
Wholly-owned aircraft leased under the CPA	Jazz	RAS	48
Aircraft Lease Portfolio Subtotal			266
Other Owned and/or Operated Aircraft			
Leased aircraft under the CPA - other Covered Aircraft[3]	Jazz	RAS	58
Wholly-owned third-party leased and contract flying	Voyageur	RAS	23
Wholly-owned aircraft - non-operating[4]	Voyageur	RAS	34
RAS segment total[5]			163
Total			**381**

(1) Aircraft in the lease portfolio includes certain off-lease aircraft, outlined in the following tables, which are to be re-leased.
(2) Chorus has a minority ownership interest in 47 aircraft and no ownership interest in 35 aircraft.
(3) Excludes eight aircraft leased to Jazz which were acquired as part of the Falko Business.
(4) Includes 16 Dash 8-100s and 18 Dash-300s.
(5) Inclusive of wholly-owned aircraft leased under the CPA.

Regional Aircraft Leasing

The following table provides the total number of wholly-owned or majority-owned aircraft in the RAL segment as at June 30, 2022:

		CACIL[(1)]	Falko Business		Total Owned Aircraft
Customer	**Aircraft Type**	#	#	Ownership %	#
Aero-Flite	CL-415	—	2	100.00%	2
Aeromexico	E190	3	—		3
Air Austral S.A.	ATR72-212A	—	2	67.45%	2
Air Canada	CRJ200	—	7	100.00%	7
Air Nostrum	CRJ1000	4	—		4
AirBaltic	A220-300	5	—		5
Airlink[(2)]	E190	—	5	67.45%	5
Azul	ATR72-600	3	—		3
	E190	—	4	67.45%	4
	E190	—	4	100.00%	4
	E195	2	—		2
BA CityFlyer	E190	—	2	67.45%	2
Ciel	ATR72-500	—	10	67.45%	10
CityJet	CRJ900	2	6	100.00%	8
Cobham	E190	1	1	67.45%	2
Croatia Airlines	Dash 8-400	2	2	67.45%	4
Delta	CRJ900	—	8	100.00%	8
Emerald	ATR72-600	6	—		6
Ethiopian	Dash 8-400	5	—		5
HOP!	E190	—	2	67.45%	2
Indigo	ATR72-600	8	—		8
JamboJet	Dash 8-400	3	—		3
KLM Cityhopper	E190	1	4	67.45%	5
Malindo	ATR72-600	4	—		4
Philippine Airlines	Dash 8-400	2	—		2
Regional Jet	CRJ900	—	2	100.00%	2
Republic	ERJ170	—	5	100.00%	5
Scandinavian[(2)]	E190	—	6	67.45%	6
Sky Alps	Dash 8-400	2	—		2
SpiceJet	Dash 8-400	5	—		5
TUI Belgium	E190	—	1	67.45%	1
Waltzing Matilda	Dash 8-400	2	—		2
Wings Air	ATR72-600	1	—		1
Off-lease	Dash 8-400/E190	1	1	100.00%	2
		62	**74**		**136**

(1) CACIL has 100% ownership interest in all of its aircraft.
(2) Six aircraft (two deliveries are to Airlink and four are with Scandinavian) are to be delivered in Q3 of 2022. All pending lease commitments are subject to satisfaction of customary conditions precedent to closing.

The following table provides the total number of Managed Aircraft in the RAL segment as at June 30, 2022:

Customer	Aircraft Type	Falko Business Managed #	Falko Business Managed Ownership %
American Airlines	CRJ-700	3	3.85%
Azul	E190	6	3.85%
Blue Island	ATR72-200	1	3.85%
Croatia Airlines	Dash 8-400	2	3.85%
Delta	CRJ900	11	3.85%
Indigo	ATR72-600	5	3.85%
Jazz	CRJ900	1	3.85%
Logan Air	ATR72-500	1	9.09%
Republic	E175	3	3.85%
Saimer	CRJ1000	2	3.85%
US Bangla	ATR72-600	1	3.85%
Off-lease	E175	4	3.85%
	E190	7	3.85%
Financial institutions	33 ATRs; 2 Dash 8-400	35	nil
		82	

Regional Aviation Services

The following table provides the total number of aircraft in the RAS segment as at June 30, 2022:

(unaudited)	#	Owned
Covered Aircraft Leased Under the CPA		
Dash 8-400	34	34
CRJ900	14	14
Total Covered Aircraft Leased Under the CPA	48	48
Other Covered Aircraft		
CRJ200(1)	15	—
CRJ900(1)	21	—
Dash 8-400	5	—
E175	25	—
Total Other Covered Aircraft	66	—
Leased from Falko Business	(8)	—
Total Aircraft	58	—
Voyageur Aircraft		
CRJ200	7	7
King Air 200	2	2
Dash 8-100(2)	7	7
Dash 8-300(3)	6	6
Dash 8-400	1	1
Total Voyageur Aircraft	23	23
Non-Operational Aircraft		
Dash 8-100	16	16
Dash 8-300	18	18
Total Non-Operational Aircraft	34	34
Total Regional Aviation Services	163	105

(1) Includes eight aircraft leased from the Falko Business. Seven CRJ200s are wholly-owned by Falko and are leased to Air Canada and then further sub-leased to Jazz and one CRJ900 which is managed by Falko is also leased to Jazz.
(2) Includes six aircraft leased to a third party.
(3) Includes three aircraft leased to a third party.

6 CONSOLIDATED FINANCIAL ANALYSIS

This section provides detailed information and analysis about Chorus' performance for the three and six months ended June 30, 2022 compared to the three and six months ended June 30, 2021. It focuses on Chorus' consolidated operating results and provides financial information for Chorus' operating segments. For further discussion and analysis of Chorus' business segments, refer to Section 7 - Segmented Analysis.

	Three months ended June 30,				Six months ended June 30,			
(unaudited) *(expressed in thousands of Canadian dollars)*	**2022** $	**2021** $	**Change** $	**Change** %	**2022** $	**2021** $	**Change** $	**Change** %
Operating revenue	392,343	199,873	192,470	96.3	734,723	402,360	332,363	82.6
Operating expenses	385,529	160,460	225,069	140.3	684,597	399,843	284,754	71.2
Operating income	6,814	39,413	(32,599)	(82.7)	50,126	2,517	47,609	1,891.5
Net interest expense	(25,105)	(24,017)	(1,088)	4.5	(45,159)	(48,873)	3,714	(7.6)
Foreign exchange (loss) gain	(22,441)	10,018	(32,459)	(324.0)	(17,992)	14,772	(32,764)	(221.8)
Gain on property and equipment	156	1,716	(1,560)	(90.9)	156	1,716	(1,560)	(90.9)
Loss on fair value of investments	(797)	—	(797)	(100.0)	(797)	—	(797)	(100.0)
(Loss) income before income tax	(41,373)	27,130	(68,503)	(252.5)	(13,666)	(29,868)	16,202	54.2
Income tax (expense) recovery	970	(5,613)	6,583	117.3	(3,830)	13,306	(17,136)	(128.8)
Net (loss) income	(40,403)	21,517	(61,920)	(287.8)	(17,496)	(16,562)	(934)	(5.6)
Net income attributable to non-controlling interest	439	—	439	100.0	439	—	439	100.0
Net (loss) income attributable to Shareholders	(40,842)	21,517	(62,359)	(289.8)	(17,935)	(16,562)	(1,373)	(8.3)
Preferred share dividends	(5,426)	—	(5,426)	100.0	(5,426)	—	(5,426)	100.0
Net (loss) income attributable to Common Shareholders	(46,268)	21,517	(67,785)	(315.0)	(23,361)	(16,562)	(6,799)	41.1
Adjusted EBITDA(1)	104,871	76,855	28,016	36.5	188,151	160,896	27,255	16.9
Adjusted EBT(1)	34,189	17,042	17,147	100.6	57,535	36,172	21,363	59.1
Adjusted net income(1)	27,586	11,380	16,206	142.4	45,330	27,124	18,206	67.1

(1) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

For the three months ended June 30, 2022, consolidated operating revenue increased 96.3%, compared to the same period last year. Increased revenue in the RAS segment was attributable to the increase in Controllable Cost Revenue and Pass-Through Revenue as a result of increased flying activity and increased other revenue due to increased part sales and contract flying partially offset by decreased MRO activity. Increased lease revenue in the RAL segment was attributable to the Falko Acquisition and increased revenue from re-leased aircraft in CACIL's aircraft portfolio.

For the six months ended June 30, 2022, consolidated operating revenue increased 82.6%, compared to the same period last year. Increased revenue in the RAS segment was attributable to the increase in Controllable Cost Revenue and Pass-Through Revenue as a result of increased flying activity and increased other revenue due to increased part sales and contract flying offset by decreased MRO activity. Increased lease revenue in the RAL segment was attributable to the Falko Acquisition, recognition of the expected recovery of Chorus' claim in the Aeromexico bankruptcy and increased revenue from re-leased aircraft in CACIL's aircraft portfolio.

Operating expenses increased 140.3% for the three months ended June 30, 2022 compared to the same period last year due primarily to higher salaries, wages and benefits due to higher FTEs and a decrease in the CEWS government grant, increased engine overhaul maintenance events, increased Pass-Through Costs, increased lease repossession costs, higher impairment provisions, the restructuring expected credit loss provision and increased operating expenses related to the Falko Business.

Operating expenses increased 71.2% for the six months ended June 30, 2022 compared to the same period last year due primarily to higher salaries, wages and benefits due to higher FTEs and a decrease in the CEWS government grant, increased engine overhaul maintenance events, increased Pass-Through Costs, increased lease repossession costs, higher impairment provisions, the restructuring expected credit loss provision and increased operating expenses related to the Falko Business offset by a decrease in one-time restructuring costs of $80.7 million related to the 2021 CPA Amendments.

Net interest expense increased 4.5% for the three months ended June 30, 2022 compared to the same period last year primarily due to interest on long-term debt assumed as part of the Falko Acquisition, interest on the Series B Debentures and Series C Debentures partially offset by the repayment of certain aircraft financing and the partial redemption of the 6.00% Debentures.

Net interest expense decreased 7.6% for the six months ended June 30, 2022 compared to the same period last year due to the repayment of certain aircraft financing and the partial redemption of the 6.00% Debentures offset by increased interest on long-term debt assumed as part of the Falko Acquisition, interest on the Series B Debentures and Series C Debentures.

Foreign exchange losses increased for the three and six months ended June 30, 2022 compared to the same periods last year primarily related to an increase in unrealized foreign exchange losses on long-term debt of $34.3 million and $33.7 million, respectively due to a decrease in the value of the Canadian dollar relative to the US dollar offset by increased unrealized foreign exchange gains on working capital.

Income tax expense decreased for the three months ended June 30, 2022 compared to the same period last year primarily due to the decrease in EBT, adjusted to remove non-taxable unrealized foreign exchange gains. Income tax expense increased for the six months ended June 30, 2022 compared to the same period last year primarily due to the increase in EBT, adjusted to remove non-taxable unrealized foreign exchange gains.

chorus aviation inc.

7 SEGMENTED ANALYSIS

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

(unaudited) (in thousands of Canadian dollars)	For the three months ended June 30, 2022 Regional Aviation Services $	Regional Aircraft Leasing $	Total $	For the three months ended June 30, 2021 Regional Aviation Services $	Regional Aircraft Leasing $	Total $
Operating revenue	331,271	61,072	392,343	168,998	30,875	199,873
Operating expenses	304,796	80,733	385,529	136,169	24,291	160,460
Operating income (loss)	26,475	(19,661)	6,814	32,829	6,584	39,413
Net interest expense	(12,315)	(12,790)	(25,105)	(12,864)	(11,153)	(24,017)
Foreign exchange (loss) gain	(15,961)	(6,480)	(22,441)	9,479	539	10,018
Gain on property and equipment	29	127	156	1,716	—	1,716
Loss on fair value of investments	—	(797)	(797)	—	—	—
(Loss) earnings before income tax	(1,772)	(39,601)	(41,373)	31,160	(4,030)	27,130
Income tax (expense) recovery	(3,614)	4,584	970	(6,061)	448	(5,613)
Net (loss) income	(5,386)	(35,017)	(40,403)	25,099	(3,582)	21,517
Net income attributable to non-controlling interest	—	439	439	—	—	—
Net (loss) income attributable to Shareholders	**(5,386)**	**(35,456)**	**(40,842)**	**25,099**	**(3,582)**	**21,517**
Operating income (loss)	26,475	(19,661)	6,814	32,829	6,584	39,413
Depreciation and amortization excluding impairment(1)	21,355	23,722	45,077	20,064	15,715	35,779
Impairment provisions(1)	—	20,499	20,499	—	—	—
Restructuring expected credit loss provision(1)(2)	—	10,353	10,353	—	—	—
Lease repossession costs(1)	—	14,728	14,728	—	2,753	2,753
Strategic advisory fees(1)	5,749	—	5,749	—	—	—
Employee separation program(1)	804	847	1,651	3	—	3
Defined benefit pension curtailment(1)	—	—	—	(1,107)	—	(1,107)
Signing bonuses(1)	—	—	—	14	—	14
Adjusted EBITDA(3)	**54,383**	**50,488**	**104,871**	**51,803**	**25,052**	**76,855**
(Loss) earnings before income tax	(1,772)	(39,601)	(41,373)	31,160	(4,030)	27,130
Impairment provisions(1)	—	20,499	20,499	—	—	—
Restructuring expected credit loss provision(1)(2)	—	10,353	10,353	—	—	—
Lease repossession costs(1)	—	14,728	14,728	—	2,753	2,753
Strategic advisory fees(1)	5,749	—	5,749	—	—	—
Defined benefit pension curtailment(1)	—	—	—	(1,107)	—	(1,107)
Unrealized foreign exchange loss (gain)	16,406	6,176	22,582	(11,176)	(575)	(11,751)
Employee separation program(1)	804	847	1,651	3	—	3
Signing bonus(1)	—	—	—	14	—	14
Adjusted EBT(3)	**21,187**	**13,002**	**34,189**	**18,894**	**(1,852)**	**17,042**

(1) Included in operating expenses.
(2) Expected credit loss provision related to anticipated aircraft repossessions.
(3) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

(unaudited) (in thousands of Canadian dollars)	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Regional Aviation Services $	Regional Aircraft Leasing $	Total $	Regional Aviation Services $	Regional Aircraft Leasing $	Total $
Operating revenue	637,830	96,893	734,723	336,758	65,602	402,360
Operating expenses	582,878	101,719	684,597	351,360	48,483	399,843
Operating income (loss)	54,952	(4,826)	50,126	(14,602)	17,119	2,517
Net interest expense	(24,494)	(20,665)	(45,159)	(24,853)	(24,020)	(48,873)
Foreign exchange (loss) gain	(8,279)	(9,713)	(17,992)	18,557	(3,785)	14,772
Gain on property and equipment	29	127	156	1,716	—	1,716
Loss on fair value of investments	—	(797)	(797)	—	—	—
Earnings (loss) before income tax	22,208	(35,874)	(13,666)	(19,182)	(10,686)	(29,868)
Income tax (expense) recovery	(7,406)	3,576	(3,830)	12,203	1,103	13,306
Net income (loss)	14,802	(32,298)	(17,496)	(6,979)	(9,583)	(16,562)
Net income attributable to non-controlling interest	—	439	439	—	—	—
Net income (loss) attributable to Shareholders	**14,802**	**(32,737)**	**(17,935)**	**(6,979)**	**(9,583)**	**(16,562)**
Operating income (loss)	54,952	(4,826)	50,126	(14,602)	17,119	2,517
Depreciation and amortization excluding impairment(1)	41,747	39,979	81,726	40,469	33,106	73,575
Impairment provisions(1)	—	20,499	20,499	33,663	—	33,663
Restructuring expected credit loss provision(1)(2)	—	10,353	10,353	—	—	—
Inventory provision(1)	—	—	—	9,090	—	9,090
Employee separation program(1)(3)	804	847	1,651	26,719	—	26,719
Defined benefit pension curtailment(1)	—	—	—	8,868	—	8,868
Integration costs(1)	—	—	—	2,000	—	2,000
Signing bonuses(1)	—	—	—	721	—	721
Strategic advisory fees(1)	8,422	—	8,422	—	—	—
Lease repossession costs(1)	—	15,374	15,374	—	3,743	3,743
Adjusted EBITDA(4)	**105,925**	**82,226**	**188,151**	**106,928**	**53,968**	**160,896**
Earnings (loss) before income tax	22,208	(35,874)	(13,666)	(19,182)	(10,686)	(29,868)
Impairment provisions(1)	—	20,499	20,499	33,663	—	33,663
Restructuring expected credit loss provision(1)(2)	—	10,353	10,353	—	—	—
Inventory provision(1)	—	—	—	9,090	—	9,090
Employee separation program(1)(3)	804	847	1,651	26,719	—	26,719
Defined benefit pension curtailment(1)	—	—	—	8,868	—	8,868
Integration costs(1)	—	—	—	2,000	—	2,000
Signing bonuses(1)	—	—	—	721	—	721
Strategic advisory fees(1)	8,422	—	8,422	—	—	—
Lease repossession costs(1)	—	15,374	15,374	—	3,743	3,743
Unrealized foreign exchange loss (gain)	5,753	9,149	14,902	(22,300)	3,536	(18,764)
Adjusted EBT(4)	**37,187**	**20,348**	**57,535**	**39,579**	**(3,407)**	**36,172**

(1) Included in operating expenses.
(2) Expected credit loss provision related to anticipated aircraft repossessions.
(3) Includes $26.3 million related to pilot early retirement program costs as part of the 2021 CPA Amendments.
(4) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

Regional Aviation Services Analysis

Operating Income

The RAS segment reported quarterly operating income of $26.5 million and year-to-date operating income of $55.0 million, a decrease of $6.4 million and an increase of $69.6 million, respectively compared to the same periods last year.

The results for the quarter were impacted by:

- an increase in other revenue due to an increase in parts sales and contract flying partially offset by a decrease in third-party MRO activity;
- an increase in capitalization of major maintenance overhauls on owned aircraft of $3.2 million; and
- an increase in aircraft leasing revenue under the CPA of $1.3 million primarily due to a higher US dollar to CAD exchange rate; partially offset by
- an increase in strategic advisory fees related to the Falko Acquisition of $5.7 million; and
- an increase in general administrative expenses attributable to increased operations.

The year-to-date increase was primarily due to a decrease in one-time restructuring costs of $80.7 million related to the 2021 CPA Amendments, as well as:

- an increase in other revenue due to an increase in parts sales and contract flying partially offset by a decrease in third-party MRO activity;
- an increase in capitalization of major maintenance overhauls on owned aircraft of $4.6 million; and
- an increase in aircraft leasing revenue under the CPA of $1.6 million primarily due to a higher US dollar to CAD exchange rate; partially offset by
- an increase in stock-based compensation expense of $4.4 million due to the change in the Share price inclusive of the change in fair value of the Total Return Swap (refer to Section 8 - Capital Structure - Equity Price Risk);
- an increase in strategic advisory fees related to the Falko Acquisition of $8.4 million; and
- an increase in general administrative expenses attributable to increased operations.

Non-Operating Expenses

The weakening of the Canadian dollar versus the US dollar resulted in foreign exchange losses quarter-over-quarter and year-over-year. These changes are primarily unrealized and are related to US dollar loans, but also includes foreign exchange on working capital.

Adjusted EBITDA

Adjusted EBITDA increased $2.6 million for the three months ended June 30, 2022 compared to the same period last year primarily due to changes described above for operating income excluding the strategic advisory fees.

Adjusted EBITDA decreased $1.0 million for the six months ended June 30, 2022 compared to the same period last year primarily due to changes described above for operating income excluding the strategic advisory fees.

Portfolio of Aircraft Leasing under the CPA

- Current fleet of 48 wholly-owned aircraft and five spare engines
- Current net book value of $932.8 million
- Approximately US $660.1 million in future contracted lease revenue[1]
- Current weighted average fleet age of 6.1 years[2]
- Current weighted average remaining lease term of 7.2 years[2]
- 100% debt is fixed rate
- Current weighted average cost of borrowing of 3.36%

1 Refer to Section 25 - Caution Regarding Forward-Looking Information.
2 Fleet age and remaining lease term is calculated based on the weighted-average of the aircraft net book value.

Regional Aircraft Leasing Analysis

Operating Income

The RAL segment reported an operating loss of $19.7 million for the three months ended June 30, 2022, a decrease of $26.2 million compared to the same period last year.

Chorus recorded aircraft impairments, restructuring expected credit loss provisions and lease repossession charges in CACIL's aircraft fleet of $45.6 million in the second quarter of 2022 based on an in-depth valuation assessment of its portfolio. These provisions and charges are primarily related to anticipated repossessions of aircraft and lease restructurings in CACIL's aircraft portfolio.

The quarter-over-quarter results were also impacted by:

- an increase in revenue of $26.9 million related to the Falko Business consisting of $23.2 million in lease revenue and $3.7 million in asset management fees; and
- increased lease revenue from re-leased aircraft in CACIL's aircraft portfolio; offset by
- increased expenses related to the Falko Business.

The RAL segment reported operating loss of $4.8 million for the six months ended June 30, 2022, a decrease of $21.9 million compared to the same period last year.

The year-to-date results were also impacted by:

- an increase in revenue of $26.9 million related to the Falko Business consisting of $23.2 million in lease revenue and $3.7 million in asset management fees; and
- an increase in revenue due to the recognition of the expected recovery of Chorus' claim in the Aeromexico bankruptcy and increased lease revenue from re-leased aircraft in CACIL's aircraft portfolio; offset by
- increased expenses related to the Falko Business.

Non-Operating Expenses

Net interest expense increased for the three months ended June 30, 2022 primarily due to interest on long-term debt assumed as part of the Falko Acquisition; partially offset by the repayment of certain aircraft financing.

Net interest expense decreased for the six months ended June 30, 2022 primarily due to the repayment of certain aircraft financing offset by interest on long-term debt assumed as part of the Falko Acquisition.

Adjusted EBT

Adjusted EBT increased by $14.9 million for the three months ended June 30, 2022 primarily due to Falko's earnings, lower interest expense related to the repayment of certain aircraft financing and increased lease revenue from re-leased aircraft.

Adjusted EBT increased by $23.8 million for the six months ended June 30, 2022 primarily due to earnings related to the Falko Acquisition, lower interest expense related to the repayment of certain aircraft financing, the recognition of the expected recovery of Chorus' claim in the Aeromexico bankruptcy and increased lease revenue from re-leased aircraft.

Portfolio

Fleet *(as at June 30, 2022)*

- Fleet of 136 wholly or majority-owned aircraft[1]
- Approximately US $994.3 million in future contracted lease revenue[2]
- RAL collected approximately 88% of lease revenue billed in the second quarter of 2022
- Current net book value of approximately US $1.8 billion
- Current weighted average fleet age of 7.6 years[3]
- Current weighted average remaining lease term of 4.7 years[3]
- The RAL segment has limited net exposure to changes in interest rates because 91.8% of its debt has fixed interest rates (inclusive of floating rate debt that is fixed through the use of swaps)
- Current weighted average cost of borrowing of 4.41%

1 CAC executed long-term leases for six ATR72-600s to Emerald Airlines. As at June 30, 2022, five of the aircraft had been delivered and the remaining aircraft was delivered on July 7, 2022. In addition, one aircraft was returned in the first quarter of 2022 by Philippine Airlines.
2 Refer to Section 25 - Caution Regarding Forward-Looking Information.
3 Fleet age and remaining lease term is calculated based on the weighted-average of aircraft net book value.

8 CAPITAL STRUCTURE

Chorus' capital structure currently consists primarily of Common Shares, Preferred Shares and debt consisting of the 6.00% Debentures, Series A Debentures, Series B Debentures, Series C Debentures, senior secured amortizing facilities, revolving loan facilities, lease liabilities and loans under the Regional 2021-1ABS.

Chorus' objective when managing its capital structure is to maintain adequate liquidity and flexibility, while obtaining the lowest cost of capital available. It manages foreign exchange and interest rate risk in its capital structure by borrowing when appropriate in currencies other than the Canadian dollar to align with underlying revenue streams and fixing interest rates on its debt.

Chorus uses debt to lower its cost of capital. The amount of debt available to Chorus is a function of earnings and/or equity, tangible asset backing, ability to service the debt and market accepted norms for businesses in this sector.

Chorus maintains flexibility in its capital structure by regularly reviewing forecasts, multi-year business plans, and making any required changes to its debt and equity on a proactive basis. These changes can include issuing or repurchasing equity, issuing new secured or unsecured debt, modifying the term of existing debt facilities or repaying existing debt from cash or proceeds from the sale of surplus assets.

Chorus' capital structure was as follows as at June 30, 2022 and December 31, 2021.

(unaudited) *(expressed in thousands of Canadian dollars)*	**June 30, 2022 $**	**December 31 2021 $**	**Change $**
Equity			
Capital	801,921	356,611	445,310
Contributed surplus	1,041,401	1,039,832	1,569
Deficit	(724,051)	(707,908)	(16,143)
Exchange differences on foreign operations	105	(5,243)	5,348
Equity component of Convertible Units/debentures	5,664	5,664	—
Warrants	24,365	1,513	22,852
	1,149,405	690,469	458,936
Long-term debt	2,363,086	1,903,677	459,409
Lease liabilities	12,160	10,137	2,023
Total capital	3,524,651	2,604,283	920,368

As at July 28, 2022 and December 31, 2021, the issued and outstanding shares of Chorus were as follows:

(unaudited)	**July 28, 2022**	**December 31, 2021**
Total issued and outstanding Common Shares	203,050,988	177,650,988
Common Shares potentially issuable		
Stock-based compensation plans	5,082,398	2,942,664
Total outstanding and potentially dilutive Common Shares	208,133,386	180,593,652
Total issued and outstanding Preferred Shares	300,000	—

In addition, and subject to adjustment in certain circumstances:

- up to 24,242,424 Common Shares are issuable at a price of $8.25 per Common Share upon the exercise of the Stapled Warrants;
- up to 11,417,322 Common Shares are issuable upon conversion of all of the Series B Debentures by the holders thereof; and
- up to 18,642,772 Common Shares are issuable at a price of $4.60 per Common Share upon the exercise of the 2022 Warrants.

Falko Acquisition and Private Placement

On May 3, 2022, certain wholly-owned subsidiaries of Chorus completed the majority of the Falko Acquisition and Chorus concurrently completed a private placement with BSI Dragonfly Holdings LP, an affiliate of Brookfield Special Investments Fund L.P. ("**Brookfield**"), pursuant to which Brookfield subscribed for (i) US $300.0 million of Preferred Shares in exchange for US $291.0 million in cash, and (ii) 25,400,000 Common Shares and was issued 18,642,772 Common Share purchase warrants with an exercise price of $4.60 per Common Share expiring on May 3, 2029 (the "**2022 Warrants**") in exchange for US $74.0 million in cash (the "**Private Placement**"). A copy of the indenture relating to the 2022 Warrants is available under the Corporation's profile on SEDAR at www.sedar.com.

The Preferred Shares are non-voting shares (except that they have the right to vote separately as a class on the matters contemplated by section 176 of the Canada Business Corporations Act and in other specified circumstances as set out in the terms of the Preferred Shares). The Preferred Shares carry a dividend entitlement of 8.75% per annum in cash or 9.5% per annum in kind, payable quarterly. The dividend rate increases each year by 1% per annum in cash, 1.5% per annum in kind, starting on the sixth anniversary of the issuance up to a cap of 14.75% per annum in cash and 15.5% per annum in kind. The Preferred Shares are subject to a 2% per annum dividend rate increase in the event of a continuing event of default. The Corporation has a one-time option to redeem 50% of the Preferred Shares at any time, and an option to redeem all of the Preferred Shares, subject in each case to the payment of multiples on the subscriber's invested capital of (a) any time prior to the third anniversary of the original issue date of the Preferred Shares (the "**Issue Date**"), 1.4x; (b) starting on the third anniversary of the Issue Date until the sixth anniversary of the Issue Date, 1.6x; and (c) on or after the sixth anniversary of the Issue Date, 0x. The holders of the Preferred Shares have a put right in the event of change of control or the disposition by the Corporation of a material business or the acquisition by the Corporation and/or entry into of a new unrelated business line that fundamentally changes the nature of the business of the Corporation. The terms of the Preferred Shares are set out in the Corporation's Articles of Amendment dated May 2, 2022, a copy of which is available under the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.chorusaviation.com.

The net proceeds of the Private Placement were used in their entirety to partially fund the Falko Acquisition. In connection with the Private Placement, Chorus and Brookfield entered into an investor rights agreement (the "**Investor Rights Agreement")** pursuant to which, among other covenants, Chorus agreed to a maximum leverage covenant and certain restrictions on dividends payable in respect of its Common Shares. A copy of the Investor Rights Agreement is available under the Corporation's profile on SEDAR at www.sedar.com.

Long-term debt

Long-term debt consists of the following:

(unaudited) (expressed in thousands of Canadian dollars)	June 30, 2022 $	December 31, 2021 $
Secured long-term debt and credit facilities[1]		
Amortizing term loans		
Secured by aircraft	1,442,843	1,334,143
Secured by engines	4,909	5,542
Warehouse credit facility	88,488	91,950
Nova Scotia Jobs Fund loan - secured by office building	6,000	6,000
Asset backed securitization	312,280	—
Operating Credit Facility	50,255	—
6.00% Debentures	115,000	115,000
	2,019,775	1,552,635
Unsecured long-term debt[1]		
Series A Debentures	86,250	86,250
Series B Debentures	72,500	72,500
Series C Debentures	85,000	85,000
Unsecured Credit Facility	128,860	126,780
	2,392,385	1,923,165
Less:		
Deferred financing fees	(14,661)	(16,247)
Accretion discount on amortizing term loans and asset backed securitization	(11,753)	—
Accretion discount on Convertible Units and debentures	(2,885)	(3,241)
	2,363,086	1,903,677
Less: Current portion[2]	354,576	226,509
	2,008,510	1,677,168

(1) The majority of long-term debt is payable in US dollars and has been converted to Canadian currency at 1.2886 which was the exchange rate in effect at closing on June 30, 2022 (December 31, 2021 - 1.2678).

(2) The current portion of long-term debt in the above table includes deferred financing fees of $1.3 million and interest accretion of $3.8 million, respectively for the period ended June 30, 2022 (December 31, 2021 - $1.3 million and $nil, respectively).

The principal attributes of Chorus' long-term debt facilities are summarized below. Such summaries are qualified in their entirety by the specific terms and conditions of the relevant indentures and agreements. For full details, of the terms of the 6.00% Debentures, the Stapled Warrants, the Series A Debentures, the Series B Debentures, the Series C Debentures and the Operating Credit Facility, please refer to the relevant agreements and indentures which are under the Corporation's profile on SEDAR at www.sedar.com.

Amortizing term loans

Chorus' aircraft amortizing term loans are repayable in instalments, bearing fixed, floating, and floating interest fixed via swap agreements, at a weighted average rate of 3.65%, maturing between July 2022 and February 2033, each secured primarily by the aircraft and engines financed by the loans, as well as an assignment of any leases in respect thereof.

The engine loans are repayable in instalments, bearing fixed and floating interest at a weighted average rate of 4.32%, maturing between December 2024 and May 2028, each secured primarily by one PW150A engine.

Chorus' aircraft warehouse credit facility includes a series of term loans repayable in instalments, bearing floating interest at a weighted average rate of 4.60%, 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 5.07%.

Chorus has an office building loan that is repayable in annual instalments of $1.0 million, bearing interest at a fixed rate of 3.33%, and matures on 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.

Asset backed securitization

As part of the Falko Acquisition completed on May 3, 2022, Chorus indirectly acquired a majority interest in the equity note issued by Regional 2021-1 Limited to Regional 2021-1 E Holding Limited (the "**E Note**") in connection with an asset-backed securitization of 39 regional aircraft which closed in April 2021 (the "**Regional 2021-1 ABS**"). In addition to issuing the equity note, Regional 2021-1 Limited and its wholly-owned subsidiary, Regional 2021-1 LLC (collectively, the "**ABS Borrowers**"), co-borrowed US $255 million of Series A Loans (the "**Series A Loans**"). The ABS Borrowers are not subsidiaries (directly or indirectly) of Chorus, and Chorus is not liable for the debts under the Series A Loans. Chorus has an interest in the aircraft owned by the Co-Borrowers and their subsidiaries by virtue of its indirect interest in the E Note.

These Series A Loans amortize on a straight-line basis based on the aircraft type that ranges from eight to 11 years, bear interest at 5.75% and are secured by 39 regional aircraft.

The Series A Loans are subject to priority of payment provisions and financial tests that could result in, among other things, requirements to replenish a liquidity facility, requirements to replenish maintenance reserve and security deposit accounts as well as tests that could result in the restriction of cash, accelerated amortization, and/or cash sweeps.

Financial Covenants under amortizing term loans

A description of the principal financial covenants in Chorus' debt agreements is set out below:

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

- The Falko Business has certain loans that are required to maintain a maximum loan to value ratio and a minimum debt service coverage ratio.
- 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.

- 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 Jazz Leasing 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 Jazz Leasing under facilities under which Jazz Leasing is the borrower.

As at June 30, 2022, Chorus was in compliance with all of these financial covenants.

Furthermore, most amortizing term loans contain provisions that require the immediate repayment of all amounts outstanding thereunder if the borrower or any guarantor of the loan undergoes a change of control without the lender's consent.

Convertible Units

In December 2016, the Corporation entered into a subscription agreement with Fairfax for an investment of $200.0 million 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 $196.0 million.

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.

The related 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 the Corporation may be required to make an offer to repurchase all of the 6.00% Debentures) or the exercise of the Stapled Warrants.

On December 31, 2021, the Corporation redeemed $85.0 million principal amount of the 6.00% Debentures. As a result of this redemption, $115.0 million aggregate principal amount of the 6.00% Debentures currently remain outstanding.

The related Stapled Warrants are exercisable by the holder thereof by paying the exercise price of $8.25 (subject to certain adjustments) in cash or by tendering the 6.00% Debentures. Except in certain circumstances relating to a change of control of Chorus, the Stapled Warrants are exercisable up to and including the earlier of the redemption of all of the outstanding 6.00% Debentures by the Corporation and the business day immediately preceding the maturity date of the 6.00% Debentures. The Stapled Warrants include customary anti-dilution provisions.

24,242,424 Common Shares are issuable upon the exercise of all of the Stapled Warrants. 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 6.00% Debentures.

The 6.00% Debentures are listed on the TSX under the symbol CHR.DB.

Series A Debentures

In December 2019, the Corporation issued $86.3 million aggregate principal amount of Series A Debentures, which bear interest at a rate of 5.75% per annum, and mature on December 31, 2024.

The Series A Debentures are not convertible by the holders thereof into Common Shares at any time.

Subject to regulatory and stock exchange approvals and compliance with applicable securities laws, and provided no event of default has occurred and is continuing at such time under the indenture governing the Series A Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Series A Debentures on redemption or at maturity through, in whole or in part, the issuance of Common Shares at a price equal to 95% of the then Current Market Price (as defined in the indenture). In addition, and subject to the aforementioned conditions, the Corporation may, at its option, satisfy its obligation to pay interest on the Series A Debentures by delivering Common Shares to the trustee under the indenture governing the Series A Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

Chorus received proceeds of $82.4 million, net of $3.9 million in transaction costs associated with the offering. Transaction costs are capitalized and offset against the Series A Debentures and amortized over the life of the debentures using the effective interest rate.

The Series A Debentures trade on the TSX under the symbol CHR.DB.A.

Series B Debentures

On April 6, 2021, the Corporation issued $72.5 million aggregate principal amount of Series B Debentures, which bear interest at a rate of 6.00% per annum, and mature on June 30, 2026. Subject to adjustment in certain circumstances, the Series B Debentures are convertible at the holder's option into 157.4803 Common Shares per $1,000 principal amount of such debentures, initially representing a conversion price of $6.35 per Share. The net proceeds, after transactions costs, were $69.5 million. Transaction costs are capitalized and offset against the debt and equity portions of the Series B Debentures and amortized over the life of the debentures using the effective interest rate.

Subject to regulatory and stock exchange approvals and compliance with applicable securities laws, and provided no event of default has occurred and is continuing at such time under the indenture governing the Series B Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the Series B Debentures, plus any accrued and unpaid interest, on redemption or at maturity through, in whole or in part, the issuance of Shares at a price equal to 95% of the then current market price (as defined in the indenture). In addition, subject to the aforementioned conditions, the Corporation may issue Shares to the trustee under the indenture for the Series B Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

The Series B Debentures trade on the TSX under the symbol CHR.DB.B.

Series C Debentures

In September 2021, the Corporation issued $85.0 million aggregate principal amount of Series C Debentures, which bear interest at a rate of 5.75% per annum, and mature on June 30, 2027.

The Series C Debentures are not convertible by the holders thereof into Common Shares at any time.

Subject to regulatory and stock exchange approvals and compliance with applicable securities laws, and provided no event of default has occurred and is continuing at such time under the indenture governing the Series C Debentures, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Series C Debentures on redemption or at maturity through, in whole or in part, the issuance of Common Shares at a price equal to 95% of the then Current Market Price (as defined in the indenture). In addition, and subject to the aforementioned conditions, the Corporation may, at its option, satisfy its obligation to pay interest on the Series C Debentures by delivering Common Shares to the trustee under the indenture governing the Series C Debentures for sale, with the proceeds used to satisfy the interest payment obligation.

Chorus received proceeds of $81.2 million, net of $3.8 million in transaction costs associated with the offering. Transaction costs are capitalized and offset against the Series C Debentures and amortized over the life of the Series C Debentures using the effective interest rate.

The Series C Debentures trade on the TSX under the symbol CHR.DB.C.

Loan facilities

Operating Credit Facility

On October 14, 2021, Chorus entered into an agreement for the Operating Credit Facility. In March 2022, Chorus exercised the accordion feature under the Operating Credit Facility, thereby increasing the limit from $75.0 million to $100.0 million.

The Operating Credit Facility provides Chorus and certain designated subsidiaries including CACC, Jazz and Voyageur (collectively, the "**Credit Parties**") with a committed limit of up to $100.0 million, subject to a borrowing base calculation. Chorus has also provided letters of credit totaling $10.5 million that reduce the amount available under this facility.

The Operating Credit Facility is secured by all present and after-acquired personal property of the Credit Parties, excluding certain specified assets which include aircraft and engines and the equity securities of CACC and its subsidiaries. It contains customary representations, warranties and covenants, including a covenant to maintain a minimum consolidated interest coverage ratio. Any outstanding balance under this facility is immediately repayable if the Corporation undergoes a change in control without the lender’s consent.

The facility bears interest for Canadian dollar advances at Canadian Prime plus 1.50% - 2.50% or BA Borrowing plus 2.50% - 3.50%, and for US dollar advances at Base Rate plus 1.50% - 2.50% or secured overnight financing rate ("**SOFR**") plus 2.50% - 3.50%.

In connection with Chorus entering into the agreement for the Operating Credit Facility, the trustees (collectively, the "**Trustees**") under the indentures for the Series A Debentures, Series B Debentures, and Series C Debentures (collectively, the "**Unsecured Debentures**") entered into, in their capacity as trustee for and on behalf of the holders of the relevant Unsecured Debentures, intercreditor agreements (the "**New Intercreditor Agreements**") with The Bank of Nova Scotia, in its capacity as administrative agent for and on behalf of the lenders under the Operating Credit Facility. The New Intercreditor Agreements are on substantially similar terms as the intercreditor agreements that were entered into by each of the Trustees with the administrative agent for and on behalf of the lenders under the Prior Facility. Copies of the New Intercreditor Agreements are available under Chorus' profile on SEDAR at www.sedar.com.

The agreement for the Operating Credit Facility was amended and restated on May 2, 2022. A copy of the amended and restated agreement is available under Chorus' profile on SEDAR at www.sedar.com.

Unsecured Revolving Operating Credit Facility

On May 2, 2022, the Corporation entered into a US $30.0 million credit agreement for Unsecured Revolving Operating Credit Facility with a nine-month term, maturing February 2023. This facility contains customary representations, warranties and covenants, including a covenant to maintain a minimum consolidated interest coverage ratio, and is cross-defaulted to any default under the Operating Credit Facility. The purpose of this new facility was to provide Chorus with additional liquidity in the initial months following the completion of the Falko Acquisition.

The facility bears interest for Canadian dollar advances at Canadian Prime plus 3.00% - 4.00% or BA Borrowing plus 4.00% - 5.00%, and for US dollar advances at Base Rate plus 3.00% - 4.00% or SOFR plus 4.00% - 5.00%.

As of June 30, 2022, Chorus has not drawn on the facility.

Warehouse Credit Facility

In December 2020, Chorus amended the terms of its aircraft warehouse credit facility to, among other things, cancel the remaining available credit under the facility and eliminate the associated commitment fees. The balance outstanding under this facility as at June 30, 2022 was $88.5 million (US $68.7 million).

Effective January 22, 2021, the loans under this facility are repayable based on a 12-year straight-line full pay-out 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 $5.0 million minimum prepayment.

The facility bears interest at US dollar LIBOR plus 3.00% until January 2023 and ranging from LIBOR plus 3.25% - 4.00% thereafter until maturity.

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 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 June 30, 2022, Chorus was in compliance with these covenants.

Unsecured Credit Facility

In April 2020, the Corporation obtained a US $100.0 million Unsecured Credit Facility. The facility had a committed revolving availability period of two years from April 28, 2020 to April 28, 2022. Effective April 28, 2022, this facility automatically converted to a fixed, amortizing debt facility, and the indebtedness thereunder is required to be repaid over eight equal instalments of principal and interest starting in July 2022 and ending in April 2024.

The Unsecured Credit Facility contains customary covenants and events of default, including restrictions on share repurchases and the payment of dividends exceeding $0.48 per Common Share per year, a mandatory prepayment upon the occurrence of a change of control of Chorus, an event of default that is triggered upon the acceleration of Chorus indebtedness in excess of US $10.0 million, and an event of default that is 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. The Corporations' obligations to pay principal and interest under this facility rank at least pari passu in right of payment with all unsecured and unsubordinated indebtedness.

Total scheduled principal payments on long-term debt on June 30, 2022, excluding unamortized deferred financing fees, are as follows:

(unaudited) *(expressed in thousands of Canadian dollars)*	$
No later than one year	359,662
Later than one year and no later than five years	1,656,058
Later than five years	376,665
	2,392,385

Covenant Default Risk

Chorus' debt agreements contain financial and non-financial 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, a default or acceleration under one agreement could cause a default or acceleration under another agreement.

As at June 30, 2022, Chorus' largest lender currently held approximately 46% of Chorus' consolidated long-term debt. Of this amount, the Corporation owes 12% under the Unsecured Credit Facility, CACIL owes approximately 38% under aircraft loans, the Jazz Group owes approximately 49% under aircraft loans, the Falko Business owes approximately 1% under aircraft loans and Voyageur owes less than 1% under aircraft loans. The Corporation's indebtedness under the Unsecured Credit Facility is cross-defaulted to any event of default under any other loan between this lender and the Corporation or any of its subsidiaries. In addition, approximately 41% of Chorus Aviation Capital's indebtedness to this lender is cross-defaulted to any payment default by Jazz Leasing (which is a member of the Jazz Group). Further, all loans with this lender extended to Chorus Aviation Capital, excluding those in the Falko Business, are cross-defaulted and cross-collateralized with each other, and all loans with this lender extended to the Jazz Group are cross-defaulted and cross-collateralized with each other. Finally, all loans with Chorus' largest lender, and indeed with all lenders, contain customary event of default clauses that may be triggered when any other financial indebtedness of the borrowers or guarantors thereunder (subject to prescribed thresholds) is in default or is declared due prior to its scheduled maturity. The foregoing is a general summary only and is qualified in its entirety by the specific terms and conditions of Chorus' loan agreements.

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.

Interest Rate Risk

As of June 30, 2022, 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, at June 30, 2022, 89.9% of Chorus' term debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 10.1% was floating rate debt.

Chorus has entered into interest rate swaps on certain of its amortizing term loans and its aircraft warehouse 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. Certain of the interest rate swaps are designated and effective as cash flow hedges. Changes in the fair value of effective interest rate swaps are recorded in other comprehensive (loss) income and ineffective interest rate swaps are recorded in income. 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.

Chorus recorded the following gains and losses on the interest rate swaps:

(unaudited) (in thousands of Canadian dollars)	Three months ended June 30, 2022 $	Three months ended June 30, 2021 $	Six months ended June 30, 2022 $	Six months ended June 30, 2021 $
Other comprehensive income				
Gain on changes in fair value of effective interest rate swaps, net of tax expense of $237 and $834 (2021 - $75 and $332)	1,652	527	5,836	4,410
Income statement				
Gain (loss) on ineffective interest rate swap	632	(75)	1,040	(1,866)

In July 2017 the U.K. Financial Conduct Authority announced that the LIBOR will be phased out by the end of 2021. At present, USD LIBOR rates will continue to be published until June 2023. Chorus' exposure to changes in LIBOR rates is confined to those loans, credit facilities, and derivative agreements that have floating rates that reference USD LIBOR and that did not mature before December 31, 2021. As at June 30, 2022, Chorus had 22 loans which totaled $501.8 million and 11 derivative agreements which referenced notional amounts totaling $260.5 million that will be impacted by the transition from USD LIBOR to alternative reference rates as they mature after December 31, 2021 but not prior to June 30, 2023. Chorus continues to monitor, and plan for, the transition to alternative reference rates and does not anticipate any material impacts on its financial results (refer to Section 25 - Caution Regarding Forward-Looking Information).

Chorus manages interest rate risk on a portfolio basis and seeks financing terms in individual arrangements that are most advantageous considering all relevant factors, including credit margin, term and basis. The risk management objective is to minimize the 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 period ended June 30, 2022.

Foreign Exchange Rate Risk

Chorus receives revenue and incurs expenses in US dollars, Canadian dollars and Euros. Chorus manages its exposure to currency risk in the RAS segment 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 US denominated cash, accounts receivable, accounts payable, and in particular, obligations under finance leases 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 the RAL segment by borrowing in the same currencies as the related lease revenues.

The amount of US dollar denominated financial assets was $67.7 million and US denominated financial liabilities was $660.3 million at June 30, 2022. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately $5.9 million. A 1¢ change in the Euro versus Canadian dollar exchange rate would not have a material impact on unrealized gains or losses.

Equity Price Risk

Chorus has equity price risk exposure to Common Shares that it issues under its various stock-based compensation programs. To mitigate this risk, Chorus hedges the variability of its Common Share price effecting settlement under its various stock-based compensation programs with a Total Return Swap. The current swap is for 5.7 million Common Shares priced at $3.91 per Common Share and matures in February 2023. The Corporation 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. For additional information, please refer to notes 3(j) and 3(k), under the heading "Significant Accounting Policies", of the audited consolidated financial statements of the Corporation for the year ended December 31, 2021.

Chorus recorded (losses) gains on the Total Return Swap as follows:

	Three months ended June 30,		**Six months ended June 30,**	
(unaudited) *(in thousands of Canadian dollars)*	**2022** **$**	**2021** **$**	**2022** **$**	**2021** **$**
Income statement				
(Loss) gain on total return swap	(3,163)	630	(275)	2,921

9 LIQUIDITY

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

Chorus has a number of treasury management practices designed to ensure sufficient 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 June 30, 2022, Chorus' liquidity was $148.6 million including cash of $70.7 million and $77.9 million of available room on its Operating Credit Facility and Unsecured Revolving Operating Credit Facility. Liquidity decreased from the first quarter of 2022 by $51.1 million primarily due to payment for the Falko Acquisition; partially offset by strong cash flows from operations.

During the quarter, Chorus generated cash flow from operations of $66.1 million. Other key liquidity changes during the quarter were as follows:

- Increased cash by $22.2 million due to an increase in accounts payable and accrued liabilities offset by increase in the receivable from Air Canada resulting from increased engine overhaul maintenance events driven by increased flight operations.
- Decreased cash by $67.4 million due to scheduled debt repayments.
- Decreased cash by $20.2 million due to capital expenditures.
- Decreased cash by $6.1 million due to a decrease in security deposits and maintenance reserves.
- Decreased cash by $1.7 million due to an increase in restricted cash.

At June 30, 2022, the Controllable Cost Guardrail receivable was $35.8 million.

Chorus acquired the beneficial interests in five aircraft trusts as part of the Falko Acquisition. Subsequent to June 30, 2022, Chorus' cash increased by US $27.6 million due to a reduction in restricted cash which was previously held as security for a loan related to these five aircraft.

Chorus anticipates having sufficient liquidity to fund ongoing operations, planned capital expenditures and principal and interest payments related to long-term borrowings (refer to Section 25 - Caution Regarding Forward-Looking Information).

Working Capital

Chorus' working capital is typically not a good measure of its liquidity due to the fact that current liabilities include the current portion of long-term debt, whereas current assets do not include the current portion of the long-term aircraft operating lease receivables as aircraft lease revenue is recorded as it is earned on a monthly basis.

Chorus’ working capital deficit as reflected on the June 30, 2022 balance sheet was $322.8 million (December 31, 2021 - $101.6 million). The current portion of contracted aircraft operating lease receivables as at June 30, 2022 is estimated to be approximately $262.6 million converted to CAD at the June 30, 2022 rate of 1.2886. Working capital adjusted for the current portion of estimated long-term aircraft operating lease receivables reflects a deficit of approximately $60.2 million (refer to Section 25 - Caution Regarding Forward-Looking Information).

Leverage

Chorus has reviewed market-acceptable ranges for leverage in the regional aviation industry, and intends to stay within those ranges, with changes for relatively short periods of time, to allow for accretive investments or economic disruptions.

Chorus’ leverage ratio (measured as Net debt to trailing 12-month Adjusted EBITDA) was 6.4 as at June 30, 2022 an increase from the March 31, 2022 ratio of 5.2 due to the inclusion of debt related to the Falko Business partially offset by reduction in long-term debt due to scheduled amortization (refer to Section 18 - Non-GAAP Financial Measures). The 12-month Adjusted EBITDA only includes two months of Falko earnings whereas the net debt numbers includes the debt assumed as part of the acquisition. Please refer to Section 4 - Outlook for commentary on the expected leverage at December 31, 2022.

Cash Flows

The following table provides information on Chorus' cash flows for the three and six months ended June 30, 2022 and June 30, 2021.

	Three months ended June 30,		Six months ended June 30,	
(unaudited) *(expressed in thousands of Canadian dollars)*	**2022** **$**	**2021** **$**	**2022** **$**	**2021** **$**
Cash provided by operating activities	66,142	14,986	107,673	53,218
Cash provided by (used in) financing activities	456,212	(17,795)	410,411	(49,625)
Cash (used in) provided by investing activities	(565,254)	10,507	(573,197)	(23,226)
Cash flow from operating, financing and investing activities	(42,900)	7,698	(55,113)	(19,633)
Effect of foreign exchange rate changes on cash	3,595	(1,256)	2,264	(3,655)
Net change in cash during the periods	(39,305)	6,442	(52,849)	(23,288)
Cash – Beginning of periods	110,029	135,987	123,573	165,717
Cash – End of periods	70,724	142,429	70,724	142,429

Cash provided by operating activities

Chorus had cash inflows from operating activities of $66.1 million for the three months ended June 30, 2022, compared to cash inflows from operating activities of $15.0 million for the three months ended June 30, 2021. The increase was primarily due to strong operating cash flows as well as changes in working capital primarily related to increased accounts payable and accrued liabilities offset by an increase in the receivables from Air Canada both due primarily to increased engine overhaul maintenance events driven by increased flight operations.

Chorus had cash inflows from operating activities of $107.7 million for the six months ended June 30, 2022, compared to cash inflows from operating activities of $53.2 million for the six months ended June 30, 2021. The increase was primarily due to an increase in operating income offset by changes in working capital primarily related to increased accounts payable and accrued liabilities offset by an increase in the receivables from Air Canada both due primarily to increased engine overhaul maintenance events driven by increased flight operations.

Cash provided by (used in) financing activities

Cash provided by financing activities for the three months ended June 30, 2022 was $456.2 million, comprised primarily of net proceeds of $465.0 million related to the issuance of Common Shares and Preferred Shares to partially finance the Falko Acquisition and new long-term borrowings of $60.0 million offset by payments on scheduled long-term borrowings of $67.4 million.

Cash used in financing activities for the three months ended June 30, 2021 was $17.8 million, comprised primarily of payments on long-term borrowings of $154.7 million (which included scheduled payments of $49.1 million, repayment of deferrals of $33.9 million and early repayments of amortizing term loans on six aircraft totaling $71.7 million), offset by net proceeds of $138.1 million related to the 2021 Capital Raise.

Cash provided by financing activities for the six months ended June 30, 2022 was $410.4 million, comprised primarily of net proceeds of $465.0 million related to the issuance of Common Shares and Preferred Shares to partially finance the Falko Acquisition and new long-term borrowings of $60.0 million offset by payments on scheduled long-term borrowings of $112.1 million.

Cash used in financing activities for the six months ended June 30, 2021 was $49.6 million, comprised primarily of payments on long-term borrowings of $210.7 million (which included scheduled payments of $105.1 million, repayment of deferrals of $33.9 million and early repayments of amortizing term loans on six aircraft totaling $71.7 million), offset by net proceeds of $138.1 million related to the 2021 Capital Raise and $24.9 million of borrowings, net of financing fees on a new loan related to an aircraft acquisition.

Cash (used in) provided by investing activities

Cash used in investing activities for the three months ended June 30, 2022 was $565.3 million, which includes the Falko Acquisition, net of cash acquired of $538.4 million, capital expenditures of $20.2 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and decreased security deposits and maintenance reserves of $6.1 million related to leased aircraft and increased restricted cash of $1.7 million.

Cash provided by investing activities for the three months ended June 30, 2021 was $10.5 million, which included decreased restricted cash of $12.8 million, increased security deposits and maintenance reserves of $6.0 million related to leased aircraft and insurance proceeds of $1.7 million. This was partially offset by capital expenditures of $10.6 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures.

Cash used in investing activities for the six months ended June 30, 2022 was $573.2 million, which includes the Falko Acquisition, net of cash acquired of $538.4 million, capital expenditures of $31.8 million for the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures and decreased security deposits and maintenance reserves of $13.3 million related to leased aircraft. This was partially offset by decreased restricted cash of $8.6 million.

Cash used in investing activities for the six months ended June 30, 2021 was $23.2 million, which included capital expenditures of $47.2 million for the acquisition of one aircraft and the reconfiguration costs on certain off-lease and re-leased aircraft, as well as major maintenance overhauls and other capital expenditures. This was partially offset by increased security deposits and maintenance reserves of $11.4 million related to leased aircraft and decreased restricted cash of $9.8 million.

Capital expenditures

The following table provides a breakdown of capital expenditures on a quarter-over-quarter and year-over-year basis.

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended June 30,			Six months ended June 30,		
	2022 **$**	**2021** **$**	**Change** **$**	**2022** **$**	**2021** **$**	**Change** **$**
Capital expenditures, excluding aircraft acquisitions	2,427	456	1,971	3,836	886	2,950
Capitalized major maintenance overhauls	4,264	2,107	2,157	10,203	5,729	4,474
Aircraft acquisitions and improvements(1)(2)	13,493	8,049	5,444	17,780	40,625	(22,845)
Total capital expenditures	20,184	10,612	9,572	31,819	47,240	(15,421)

(1) 2022 includes reconfiguration costs on certain off-lease and re-leased aircraft.
(2) 2021 includes the acquisition of one CRJ900 and reconfiguration costs on certain off-lease and re-leased aircraft.

Commitments for capital expenditures

Chorus has no material commitments for capital expenditures.

Dividends on Common Shares and Preferred Shares

Chorus does not currently pay a dividend on its Common Shares. Dividends are subject to the discretion of Chorus' Board of Directors.

On May 3, 2022, Chorus issued Preferred Shares to Brookfield. The Preferred Shares currently carry a dividend entitlement of 8.75% per annum in cash, payable quarterly or 9.5% per annum in kind, accrued quarterly.

For the three months ended June 30, 2022, Chorus declared $5.4 million in Preferred Share dividends. The Preferred Share dividend was paid in cash on July 15, 2022.

10 RISK FACTORS

For a more detailed description of the possible risk factors associated with Chorus' business, including its dependence on the CPA, the aviation industry, the aircraft leasing business carried on by CAC, and the Voyageur business refer to Section 8 - Capital Structure of this MD&A, the Section entitled “Risk Factors” in Chorus’ Annual Information Form dated February 16, 2022 (which is deemed incorporated into this MD&A), as well as Section 10 - Risk Factors in Chorus' first quarter 2022 MD&A dated May 5, 2022 (which is deemed incorporated into this MD&A).

11 ECONOMIC DEPENDENCE

Chorus and Air Canada are parties to the CPA under which Air Canada currently purchases substantially all of Jazz's fleet capacity on the Covered Aircraft. As Chorus derives a majority of its revenue from the CPA, it is substantially dependent on the CPA (refer to Section 2 - About Chorus and note 16 of the audited consolidated financial statements of Chorus for the years ended December 31, 2021 and 2020).

12 CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with GAAP requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgement, estimate and assumption items include employee future benefits, depreciation and amortization of long-lived assets and impairment. These estimates are based on historical experience and management's best knowledge of current events and actions that Chorus may undertake in the future. By their nature, estimates and judgements may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates.[1]

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

COVID-19

Although the COVID-19 pandemic continues to adversely impact demand for passenger air travel, demand for passenger air travel continued to show improvements during the first and second quarters of 2022 aided by increasing vaccination rates and the relaxation of travel restrictions. However, the COVID-19 pandemic and its adverse effect on passenger air travel could be prolonged if new variants of concern were to emerge. Therefore, any estimate of the length and severity of the pandemic is 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.

Operating revenue

In accordance with the CPA, Chorus and Air Canada are in the process of re-setting certain Controllable Cost Revenue rates for the year ending December 31, 2022. Pending the settlement of those rates, Chorus has used interim rates for certain Controllable Costs to estimate CPA operating revenues during the three-month period ended June 30, 2022. Once the new rates are established, Chorus and Air Canada will reconcile amounts already recorded to the new, agreed rates retroactive to January 1, 2022. 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 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 $2.0 million annually.

Business combination

Chorus applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of an entity is equal to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair value of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair value of the acquired company's assets and assumed liabilities.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer relationships and trade name. To determine the fair value of these customer-based intangible assets, significant assumptions were made, which include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates.

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, amortization and impairment expense. A 10% reduction to the residual values of aircraft with remaining depreciation periods greater than five years would result in an increase of $9.0 million to annual depreciation expense. For aircraft with shorter remaining depreciation periods, the residual values are not expected to change significantly.

[1] (Refer to Section 25 - Caution Regarding Forward-Looking Information.) The significant accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the years ended December 31, 2021 and 2020.

13 CHANGES IN ACCOUNTING STANDARDS

The significant accounting policies of Chorus are described in note 3 of the December 31, 2021 consolidated financial statements, except for the following:

Intangible assets

Intangible assets are recorded at cost. Chorus has intangible assets with indefinite lives and intangible assets with finite lives as follows:

Trade names	Indefinite life - not amortized
Customer relationships	Finite life - amortized on a straight line basis over 3-5 years
Management contracts	Finite life - amortized on a straight line basis over 5 years
Maintenance intangible	Finite life - recognized at end of lease

The indefinite life intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupportable, the change in the useful life from indefinite to finite life is made and amortization is recognized on a prospective basis.

Maintenance intangibles

Maintenance intangibles are recognized when Chorus acquires flight equipment subject to existing leases. The intangibles represent the contractual right to receive the aircraft in a specified maintenance condition at the end of the lease under lease contracts with end of lease ("**EOL**") cash compensation, or Chorus' right to receive the aircraft in better maintenance condition due to aircraft maintenance events performed by the lessee either through reimbursement of maintenance deposit rents held under lease contracts with maintenance reserve provisions, or through a lessor contribution to the lessee. For leases with EOL maintenance provisions, upon lease termination, Chorus recognizes receipt of EOL cash compensation as lease revenue to the extent those receipts exceed the EOL maintenance intangibles, and Chorus recognizes operating expense when the EOL maintenance intangible exceeds the EOL cash received.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Property and equipment are depreciated to estimated residual values based on the straight-line method over their useful lives. New aircraft and other flight equipment are depreciated over 20 to 30 years or to the end of the lease for certain aircraft, with 5% - 25% estimated average residual values or appraised residual values. Additional depreciation is charged to reduce the carrying value of specific assets to the recoverable amount where impairment is considered to have occurred. Where the recoverable amount is greater than the carrying value no adjustment is made.

Major maintenance overhaul expenditures (also referred to as "heavy checks"), including labour, are capitalized and depreciated over the expected life of the maintenance cycle. Any remaining carrying value is derecognized when the major maintenance overhaul commences. All other costs associated with maintenance of fleet assets (including engine maintenance provided under "power-by-the-hour" arrangements) are charged to the statement of income as incurred.

Buildings are depreciated over their useful lives not exceeding 40 years on a straight-line basis. An exception to this is where the useful life of the building is greater than the term of the land lease. In these circumstances, the building is depreciated over the life of the lease.

Depreciation on other property and equipment is provided on a straight-line basis from the date assets are placed in service, to their estimated residual values, over the following estimated useful lives:

Leaseholds	Over the term of the related lease
Ground and other equipment	5 years

Property under finance leases and the related obligation for future lease payments are initially recorded at an amount equal to the lesser of fair value of the property or equipment and the present value of those lease payments. Property and equipment under finance leases are depreciated to estimated residual value over the useful life, unless there is no reasonable certainty that Chorus will obtain ownership at the end of the lease term, in which case the asset is depreciated over the shorter of the lease term and its useful life.

Depreciation methods, residual values and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

14 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 9 of Chorus' annual MD&A dated February 16, 2022. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, long-term receivables included in other assets, finance lease receivables, Total Return Swap, accounts payable and accrued liabilities, long-term incentive plan liability, interest rate swaps, long-term debt and lease liabilities.

The carrying amounts reported in the statement of financial position for cash, restricted cash, accounts receivable, long-term receivables included in other assets, accounts payable and accrued liabilities, and the Operating Credit Facility approximate fair values based on the immediate or short-term maturities of these financial instruments. Assets and liabilities, such as commodity taxes and deferred lease inducements, that are not contractual and that arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are therefore excluded.

The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

(unaudited) *(expressed in thousands of Canadian dollars)*	As at June 30, 2022			As at December 31, 2021		
	Fair value	**Carrying value**	**Deferred financing fees[1]**	**Fair value**	**Carrying value**	**Deferred financing fees[1]**
	$	**$**	**$**	**$**	**$**	**$**
Finance lease receivables[2]	47,541	47,494	—	6,513	6,126	—
Investments						
Held for trading[3]	1,437	1,437	—	—	—	—
Third party[4]	356	356	—	—	—	—
Fund investment[4]	19,029	19,029	—	—	—	—
Other long-term assets						
Interest rate swaps[5]	5,081	5,081	—	—	—	—
Long-term debt						
Amortizing term loans[6]	1,512,126	1,542,219	6,086	1,426,650	1,437,635	6,627
Asset backed securitization[6]	296,288	300,547	—	—	—	—
6.00% Debentures[7]	114,497	114,341	857	119,484	114,222	1,014
Series A Debentures[8]	82,343	86,250	2,078	85,344	86,250	2,454
Series B Debentures[8]	71,775	70,275	2,312	71,630	70,037	2,548
Series C Debentures[8]	70,380	85,000	3,328	77,341	85,000	3,604
Operating Credit Facility[9]	50,255	50,255	—	—	—	—
Unsecured Credit Facility[9]	128,860	128,860	—	124,954	126,780	—
Other long-term liabilities						
Interest rate swaps[5]	—	—	—	3,976	3,976	—
Total Return Swap[5]	3,796	3,796	—	3,242	3,242	—

1) Fair value and carrying values exclude related deferred financing fees.
2) Fair value is calculated by discounting annual cash flows at the relevant market interest rates.
3) Fair value is calculated based on quoted prices observed in active markets.
4) Fair value is calculated by discounting annual cash flows at the relevant market interest rate and is classified as Level 3.
5) Fair value is estimated using valuation models that utilize market based observable inputs and is classified as Level 2.
6) Fair value is calculated by discounting the future cash flow of the respective long-term debt at relevant market interest rates of similar debt instruments.
7) Fair value is calculated by valuing Stapled Warrants held within Convertible Units and discounting the future cash flow of the respective debt at the estimated yield to maturity of similar debt instruments.
8) Fair value is calculated based on quoted prices observed in active markets.
9) Fair value is calculated by discounting the future cash flow of the credit facility at a relevant market interest rate.

16 RELATED PARTY TRANSACTIONS

As at June 30, 2022, Chorus had no transactions with related parties as defined in the CPA Canada Handbook, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements or transaction that are otherwise not material.

17 CONTROLS AND PROCEDURES

Chorus' disclosure controls and procedures ("**DC&P**") have been designed to provide reasonable assurance that the relevant information is recorded, processed, summarized and reported to its President and Chief Executive Officer ("**CEO**"), its Chief Financial Officer ("**CFO**") and its Disclosure Policy committee in a timely basis to ensure appropriate and timely decisions are made regarding public disclosure.

The internal controls over financial reporting ("**ICFR**") have been designed by management, under the supervision of, and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In Chorus' 2021 filings, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and operational effectiveness of both the DC&P and the ICFR.

In Chorus' second quarter 2022 filings, the CEO and CFO also certified, as required by National Instrument 52-109, the appropriateness of the financial disclosures, the design of both the DC&P and the ICFR based on the framework established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO - 2013).

Due to inherent limitations, the ICFR and DC&P can only provide reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

National Instrument 52-109 permits an issuer to limit its design of DC&P or ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the financial period to which the certificate relates. As the Falko Business was acquired in the second quarter of 2022, the CEO and CFO have limited the scope of their design of the Corporation's DC&P and ICFR to exclude controls, policies and procedures relating to the Falko Business as they have not yet performed sufficient procedures to include the Falko Business in the certifications. As at June 30, 2022, the Falko Business had revenues of $26.9 million, assets of $1.2 billion and liabilities of $463.8 million.

Other than the reference to the Falko Business exclusion, there has been no change in Chorus' internal control over financial reporting that occurred during the second quarter of fiscal 2022 that has materially affected Chorus' ICFR.

The Audit, Finance and Risk Committee of the Board of Directors of Chorus reviewed this MD&A and the unaudited interim condensed consolidated financial statements of Chorus for June 30, 2022 and approved these documents prior to their release.

chorus
aviation inc.

18 NON-GAAP FINANCIAL MEASURES

Chorus uses certain non-GAAP financial measures, described below, to evaluate and assess performance. These non-GAAP 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 Net Income, Adjusted EBT and Adjusted EBITDA

Chorus revised its definition of Adjusted net income in the second quarter of 2022 to include expected credit loss provision related to anticipated aircraft repossessions ("**restructuring expected credit loss provision**") to facilitate comparability of its results.

Adjusted net income and Adjusted net income per Share are used by Chorus to assess performance without the effects of unrealized foreign exchange gains or losses on long-term debt and lease liability related to aircraft, signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs, strategic advisory fees and the applicable tax expense (recovery). Chorus manages its exposure to currency risk on such long-term debt by billing the lease payments within the CPA in the underlying currency (US dollars) related to the aircraft debt. These items are excluded because they affect the comparability of Chorus' financial results, period-over-period, and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring due to ongoing currency fluctuations between the Canadian and US dollar (refer to Section 25 - Caution Regarding Forward-Looking Information).

Chorus revised its definition of Adjusted EBT and Adjusted EBITDA in the second quarter of 2022 to include the expected credit loss provision related to anticipated aircraft repossession ("**restructuring expected credit loss provision**") 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.

EBT is defined as earnings before income tax. Adjusted EBT (EBT before signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs, strategic advisory fees and other items such as foreign exchange gains and losses) is a non-GAAP financial measure used by Chorus as a supplemental financial measure of operational performance. Management believes Adjusted EBT assists investors in comparing Chorus' performance by excluding items, which it does not believe will re-occur over the longer-term (such as signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs and strategic advisory fees) as well as items that are non-cash in nature such as foreign exchange gains and losses.

EBITDA is defined as earnings before net interest expense, income taxes, depreciation and amortization and impairment and is a non-GAAP financial measure that is used frequently by companies in the aviation industry as a measure of performance. Adjusted EBITDA (EBITDA before signing bonuses, employee separation program costs, strategic advisory fees, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment and integration costs, and other items such as foreign exchange gains or losses) is a non-GAAP financial measure used by Chorus as a supplemental financial measure of operational performance. Management believes Adjusted EBITDA assists investors in comparing Chorus' performance by excluding items, which it does not believe will re-occur over the longer-term (such as signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs and strategic advisory fees) as well as items that are non-cash in nature such as foreign exchange gains and losses. Adjusted 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.

	Three months ended June 30,			Six months ended June 30,		
(unaudited) *(expressed in thousands of Canadian dollars)*	**2022** **$**	**2021** **$**	**Change** **$**	**2022** **$**	**2021** **$**	**Change** **$**
Net (loss) income	**(40,403)**	**21,517**	**(61,920)**	**(17,496)**	**(16,562)**	**(934)**
Add (Deduct) items to get to Adjusted net income						
Impairment provisions[1]	20,499	—	20,499	20,499	33,663	(13,164)
Restructuring expected credit loss provision[1][2]	10,353	—	10,353	10,353	—	10,353
Inventory provision[1]	—	—	—	—	9,090	(9,090)
Employee separation program[1][2]	1,651	3	1,648	1,651	26,719	(25,068)
Defined benefit pension curtailment[1]	—	(1,107)	1,107	—	8,868	(8,868)
Integration costs[1]	—	—	—	—	2,000	(2,000)
Signing bonuses[1]	—	14	(14)	—	721	(721)
Strategic advisory fees[1]	5,749	—	5,749	8,422	—	8,422
Lease repossession costs[1]	14,728	2,753	11,975	15,374	3,743	11,631
Unrealized foreign exchange loss (gain)	22,582	(11,751)	34,333	14,902	(18,764)	33,666
Tax recovery on adjusted items	(7,573)	(49)	(7,524)	(8,375)	(22,354)	13,979
	67,989	(10,137)	78,126	62,826	43,686	19,140
Adjusted net income	**27,586**	**11,380**	**16,206**	**45,330**	**27,124**	**18,206**
Add (Deduct) items to get to Adjusted EBT						
Income tax (recovery) expense	(970)	5,613	(6,583)	3,830	(13,306)	17,136
Tax recovery on adjusted items	7,573	49	7,524	8,375	22,354	(13,979)
Adjusted EBT	**34,189**	**17,042**	**17,147**	**57,535**	**36,172**	**21,363**
Add (Deduct) items to get to Adjusted EBITDA						
Net interest expense	25,105	24,017	1,088	45,159	48,873	(3,714)
Depreciation and amortization excluding impairment	45,077	35,779	9,298	81,726	73,575	8,151
Foreign exchange (gain) loss	(141)	1,733	(1,874)	3,090	3,992	(902)
Gain on disposal of property and equipment	(156)	(1,716)	1,560	(156)	(1,716)	1,560
Loss on fair value of investments	797	—	797	797	—	797
	70,682	59,813	10,869	130,616	124,724	5,892
Adjusted EBITDA	**104,871**	**76,855**	**28,016**	**188,151**	**160,896**	**27,255**

(1) Included in operating expenses.
(2) Expected credit loss provision is related to anticipated aircraft repossessions.
(3) Includes $26.3 million related to the pilot early retirement program costs as part of the 2021 CPA Amendments.

Adjusted net income available to Common Shareholders per Common Share

(unaudited) *(expressed in thousands of Canadian dollars, except per Share amounts)*	Three months ended June 30,			Six months ended June 30,		
	2022 $	**2021 $**	**Change $**	**2022 $**	**2021 $**	**Change $**
Adjusted net income	**27,586**	**11,380**	**16,206**	**45,330**	**27,124**	**18,206**
Add (Deduct) items to get to Adjusted net income available to Common Shareholders						
Net income attributable to non-controlling interest	(439)	—	(439)	(439)	—	(439)
Preferred share dividends	(5,426)	—	(5,426)	(5,426)	—	(5,426)
Adjusted net income available to Common Shareholders	**21,721**	**11,380**	**10,341**	**39,465**	**27,124**	**12,341**
Adjusted net income available to Common Shareholders per Common Share - basic	**0.11**	**0.06**	**0.05**	**0.21**	**0.16**	**0.05**

Net Debt to Adjusted EBITDA

Net debt to trailing 12-month Adjusted EBITDA leverage ratio (also referred to as "leverage ratio" in this MD&A) is commonly used in the airline industry and is used by Chorus as a means to measure financial leverage. Leverage ratio is calculated by dividing Net debt by trailing 12-month Adjusted EBITDA. Leverage is not a recognized measure under GAAP, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity and does monitor and manage leverage. In addition, as leverage is a measure frequently analyzed for public companies, Chorus has calculated the amount to assist readers in this review. Leverage should not be construed as a measure of cash flows.

(unaudited) *(expressed in thousands of Canadian dollars)*	**June 30, 2022** **$**	**December 31, 2021** **$**	**Change** **$**
Long-term debt (including current portion)	2,375,246	1,913,814	461,432
Less:			
Cash	(70,724)	(123,573)	52,849
Restricted cash(1)	(10,535)	(10,353)	(182)
Net debt	2,293,987	1,779,888	514,099
Adjusted EBITDA	356,695	329,440	27,255
Leverage ratio	6.4	5.4	1.0

(1) The 6.00% Debentures are secured primarily by certain Dash 8-100s and Dash 8-300s. A restricted cash placement of US $8.0 million (December 31, 2021 - US $8.0 million), in accordance with the terms of the agreement, relates to the release of the security on one Dash 8-300 in the third quarter of 2021 and one Dash 8-300 in 2019. The restricted cash will become unrestricted once the 6.00% Debentures are fully redeemed (refer to Section 8 - Capital Structure).

Net debt is a key component of capital management by Chorus and provides management with a measure of its net indebtedness.

As at June 30, 2022, Net debt increased by $514.1 million or 28.9% from December 31, 2021. The increase was primarily related to debt assumed as part of the Falko Acquisition partially offset by scheduled payments on long-term borrowings and lease liabilities and the impact of foreign exchange which decreased long-term debt by approximately $3.9 million.

Adjusted EBITDA increased for the trailing 12-months ended June 30, 2022 compared to the trailing 12-months ended December 2021 primarily due to the Falko Acquisition.

Chorus' leverage ratio (Net debt to trailing 12-month Adjusted EBITDA) was 6.4 as at June 30, 2022 (December 31, 2021 - 5.4). Leverage increased for June 30, 2022 compared to year ended December 31, 2021, primarily related to long-term debt assumed as part of the Falko Business offset by reduction in long-term debt due to scheduled amortization. The 12 month Adjusted EBITDA only includes two months of Falko earnings whereas the Net debt numbers include 100% of the debt assumed on acquisition. Please refer to Section 4 - Outlook for commentary on the expected leverage by December 31, 2022.

Adjusted Cash Provided by Operating Activities

Adjusted Cash Provided by Operating Activities is defined as cash provided by operating activities less net changes in non-cash balances related to operations and capital expenditures excluding aircraft acquisitions. Management believes that this metric reflects Chorus' capacity to invest in growth investments and service debt and dividend payments.

(unaudited) *(expressed in thousands of Canadian dollars)*	Three months ended June 30,			Six months ended June 30,		
	2022 $	2021 $	Change $	2022 $	2021 $	Change $
Cash provided by operating activities	66,142	14,986	51,156	107,673	53,218	54,455
Add (Deduct)						
Net changes in non-cash balances related to operations	(22,196)	35,583	(57,779)	(8,100)	17,115	(25,215)
Capital expenditures, excluding aircraft acquisitions	(2,427)	(456)	(1,971)	(3,836)	(886)	(2,950)
Capitalized major maintenance overhauls	(4,264)	(2,107)	(2,157)	(10,203)	(5,729)	(4,474)
Adjusted cash provided by operating activities	**37,255**	**48,006**	**(10,751)**	**85,534**	**63,718**	**21,816**

Adjusted cash provided by operating activities was positively impacted by increased operating income due a decrease in one-time restructuring costs of $37.9 million related to the 2021 CPA Amendments, excluding the non-cash impairment and inventory provisions of $42.8 million related to the Dash 8-300s, in addition to:

- an increase in revenue due to the Falko Acquisition, recognition of the expected recovery of Chorus' claim in the Aeromexico bankruptcy and increased lease revenue from re-leased aircraft in the RAL segment; and
- increased other revenue due to an increase in part sales and contract flying partially offset by decreased MRO activity.

Return on Invested Capital

Return on Invested Capital is a non-GAAP financial measure commonly used to assess the efficiency with which a company allocates its capital to generate returns. Return is calculated based on Chorus' earnings before tax, excluding special items and finance costs. Invested capital includes average long-term debt, average lease liabilities and average Shareholders' equity.

	Trailing 12-months ended		
(unaudited) *(expressed in thousands of Canadian dollars)*	**June 30, 2022 $**	**December 31, 2021 $**	**Change $**
Loss before income taxes	(11,678)	(27,880)	16,202
Unrealized foreign exchange loss (gain)	32,364	(1,302)	33,666
	20,686	(29,182)	49,868
Add:			
Finance costs	94,169	97,213	(3,044)
	114,855	68,031	46,824
Invested capital:			
Average long-term debt(1)	2,184,474	2,043,142	141,332
Average lease liabilities(2)	12,018	11,061	957
Average Shareholders' equity	958,390	665,906	292,484
	3,154,882	2,720,109	434,773
Return on invested capital	3.6%	2.5%	1.1%

(1) Average long-term debt includes the current portion and long-term portion.
(2) Average lease liabilities includes the current portion and long-term portion.

During the trailing 12-months ended June 30, 2022, the average return on invested capital increased from 2.5% to 3.6% primarily due to the Falko Acquisition offset by scheduled payments on long-term borrowings and the impact of foreign exchange which decreased long-term debt. In addition, income before income taxes increased primarily due to the Falko Acquisition.

19 SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following table summarizes quarterly financial results and major operating statistics of Chorus for the previous eight quarters.

(unaudited)	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**
Chorus								
Total revenue ($000)	392,343	342,380	346,516	274,399	199,873	202,487	218,166	196,618
Net (loss) income ($000)	(40,403)	22,907	10,159	(14,082)	21,517	(38,079)	9,157	20,458
Adjusted net income(1) ($000)	27,586	17,743	21,456	15,310	11,380	15,744	7,667	10,908
Adjusted net income available to Common Shareholders(1) ($000)	21,721	17,743	21,456	15,310	11,380	15,744	7,667	10,908
Adjusted EBITDA(1) ($000)	104,871	83,280	90,463	78,081	76,855	84,041	81,972	85,859
Net (loss) income available to Common Shareholders per Common Share, basic ($)	(0.24)	0.13	0.06	(0.08)	0.12	(0.24)	0.06	0.13
Net (loss) income available to Common Shareholders per Common Share, diluted ($)	(0.24)	0.13	0.06	(0.08)	0.12	(0.24)	0.06	0.12
Adjusted net income available to Common Shareholders,(1) per Common Share - basic ($)	0.11	0.10	0.12	0.09	0.06	0.10	0.05	0.07
FTE employees (end of period)	4,783	4,583	4,426	4,175	3,114	2,567	2,875	2,810
Number of aircraft (end of period)	381	233	234	234	234	209	212	208
Average foreign exchange rates (USD-CAD)	1.2758	1.2666	1.2602	1.2596	1.2284	1.2668	1.3040	1.3321
Jazz								
Departures	41,832	30,978	39,014	30,820	11,806	8,924	13,145	13,788
Block Hours	68,837	50,839	64,403	49,890	18,025	12,681	19,222	20,447
Billable Block Hours	72,816	58,444	66,400	51,250	21,039	15,478	24,246	26,194

(1) These are non-GAAP financial measures. Refer to Section 18 – Non-GAAP Financial Measures.

20 REVENUE

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30,				Six months ended June 30,			
	2022	**2021**	**Change**	**Change**	**2022**	**2021**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Controllable Cost Revenue	201,535	76,077	125,458	164.9	387,812	155,470	232,342	149.4
Pass-Through Revenue	53,374	21,232	32,142	151.4	96,607	33,622	62,985	187.3
	254,909	97,309	157,600	162.0	484,419	189,092	295,327	156.2
Fixed Margin	16,580	16,430	150	0.9	33,160	32,860	300	0.9
Incentive Revenue	476	599	(123)	(20.5)	1,156	1,126	30	2.7
Aircraft leasing under the CPA	36,511	35,210	1,301	3.7	72,786	71,160	1,626	2.3
Other[(1)]	22,795	19,450	3,345	17.2	46,309	42,520	3,789	8.9
	76,362	71,689	4,673	6.5	153,411	147,666	5,745	3.9
RAS Revenue	**331,271**	**168,998**	**162,273**	**96.0**	**637,830**	**336,758**	**301,072**	**89.4**
Lease revenue	57,407	30,875	26,532	85.9	93,228	65,602	27,626	42.1
Asset management fees	3,665	—	3,665	100.0	3,665	—	3,665	100.0
RAL Revenue	**61,072**	**30,875**	**30,197**	**97.8**	**96,893**	**65,602**	**31,291**	**32.3**
Total Revenue	**392,343**	**199,873**	**192,470**	**96.3**	**734,723**	**402,360**	**332,363**	**45.2**

(1) Other includes charter, contract flying, MRO and other.

21 RAL Breakdown

(unaudited) (in thousands of Canadian dollars)	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	CAC excluding Falko $	Falko Business $	Total $	CAC excluding Falko $	Falko Business $	Total $
Operating revenue	34,186	26,886	61,072	30,875	—	30,875
Operating expenses	64,485	16,248	80,733	24,291	—	24,291
Operating (loss) income	(30,299)	10,638	(19,661)	6,584	—	6,584
Net interest expense	(8,785)	(4,005)	(12,790)	(11,153)	—	(11,153)
Foreign exchange (loss) gain	(6,492)	12	(6,480)	539	—	539
Loss on fair value of investments	(797)	—	(797)	—	—	—
Gain on disposal of property and equipment	—	127	127	—	—	—
(Loss) earnings before income tax	(46,373)	6,772	(39,601)	(4,030)	—	(4,030)
Income tax recovery (expense)	5,634	(1,050)	4,584	448	—	448
Net (loss) income	(40,739)	5,722	(35,017)	(3,582)	—	(3,582)
Net income attributable to non-controlling interest	—	439	439	—	—	—
Net (loss) income attributable to Shareholders	(40,739)	5,283	(35,456)	(3,582)	—	(3,582)
Adjusted EBITDA(1)	29,696	20,792	50,488	25,052	—	25,052
Adjusted EBT(1)	3,467	9,535	13,002	(1,852)	—	(1,852)
Depreciation, amortization and impairment	36,830	7,391	44,221	15,715	—	15,715

(1) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

(unaudited) (in thousands of Canadian dollars)	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	CAC excluding Falko $	Falko Business $	Total $	CAC excluding Falko $	Falko Business $	Total $
Operating revenue	70,007	26,886	96,893	65,602	—	65,602
Operating expenses	85,471	16,248	101,719	48,483	—	48,483
Operating (loss) income	(15,464)	10,638	(4,826)	17,119	—	17,119
Net interest expense	(16,660)	(4,005)	(20,665)	(24,020)	—	(24,020)
Foreign exchange (loss) gain	(9,725)	12	(9,713)	(3,785)	—	(3,785)
Loss on fair value of investments	(797)	—	(797)	—	—	—
Gain on disposal of property and equipment	—	127	127	—	—	—
(Loss) earnings before income tax	(42,646)	6,772	(35,874)	(10,686)	—	(10,686)
Income tax recovery (expense)	4,626	(1,050)	3,576	1,103	—	1,103
Net (loss) income	(38,020)	5,722	(32,298)	(9,583)	—	(9,583)
Net income attributable to non-controlling interest	—	439	439	9,583	—	—
Net (loss) income attributable to Shareholders	(38,020)	5,283	(32,737)	(9,583)	—	(9,583)
Adjusted EBITDA[1]	61,434	20,792	82,226	53,968	—	53,968
Adjusted EBT[1]	10,813	9,535	20,348	(3,407)	—	(3,407)
Depreciation, amortization and impairment	53,087	7,391	60,478	33,106	—	33,106

(1) These are non-GAAP financial measures – refer to Section 18 for disclosures on non-GAAP financial measures.

The following table shows RAL's gross and net receivables:

(unaudited) (in thousands of Canadian dollars)	As at June 30, 2022			As at December 31, 2021		
	CACIL $	Falko Business $	Total $	CACIL $	Falko Business $	Total $
Total gross receivables	68,413	53,552	121,965	84,006	—	84,006
Allowance for expected credit loss	(5,130)	(12,497)	(17,627)	(7,212)	—	(7,212)
Total net receivables	63,283	41,055	104,338	76,794	—	76,794
Total gross receivables - US dollars	53,091	41,558	94,649	66,261	—	66,261
Total net receivables - US dollars	49,110	31,860	80,970	60,573	—	60,573

22 CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2022 $	Three months ended June 30, 2021 $	Six months ended June 30, 2022 $	Six months ended June 30, 2021 $
Operating revenue	392,343	199,873	734,723	402,360
Operating expenses				
Salaries, wages and benefits	126,326	64,051	246,459	164,618
Depreciation, amortization and impairment	65,576	35,779	102,225	107,238
Aircraft maintenance materials, supplies and services	75,314	14,386	139,312	44,271
Airport and navigation fees	40,442	15,763	74,091	25,257
Terminal handling services	3,620	1,273	7,332	2,196
Other	74,251	29,208	115,178	56,263
	385,529	160,460	684,597	399,843
Operating income	6,814	39,413	50,126	2,517
Non-operating (expenses) income				
Interest revenue	941	280	1,085	415
Interest expense	(26,046)	(24,297)	(46,244)	(49,288)
Gain on disposal of property and equipment	156	1,716	156	1,716
Loss on fair value of investments	(797)	—	(797)	—
Foreign exchange (loss) gain	(22,441)	10,018	(17,992)	14,772
	(48,187)	(12,283)	(63,792)	(32,385)
(Loss) income before income taxes	(41,373)	27,130	(13,666)	(29,868)
Income tax recovery (expense)				
Current income tax	(3,864)	(2,663)	(9,247)	(4,164)
Deferred income tax	4,834	(2,950)	5,417	17,470
	970	(5,613)	(3,830)	13,306
Net (loss) income	(40,403)	21,517	(17,496)	(16,562)
Net income attributable to non-controlling interest	439	—	439	—
Net (loss) income attributable to Shareholders	(40,842)	21,517	(17,935)	(16,562)
Preferred Share dividends	(5,426)	—	(5,426)	—
Net (loss) income attributable to Common Shareholders	(46,268)	21,517	(23,361)	(16,562)

23 ADDITIONAL INFORMATION

Additional information relating to Chorus, including Chorus' Annual Information Form, is available on SEDAR at www.sedar.com or on Chorus' website at www.chorusaviation.com, under "Reports".

24 GLOSSARY OF TERMS

This glossary of terms provides definitions for certain capitalized terms that are used but not otherwise defined in this MD&A.

"**2015 CPA**" means the amended and restated capacity purchase agreement effective January 1, 2015, between Air Canada and Jazz, as amended;

"**2019 CPA Amendments**" means the amendments to, including the extension of the term of, the 2015 CPA described in the Corporation's Material Change Report dated January 24, 2019;

"**2021 CPA Amendments**" means the amendments to the 2015 CPA (as amended by the 2019 CPA Amendments) described in the Corporation's Material Change Report dated March 19, 2021;

"**6.00% Debentures**" means the 6.00% senior debentures of the Corporation due December 31, 2024 which trade on the TSX under the symbol CHR.DB;

"**A220-300**" means Airbus A220-300;

"**ATR72-212A**", "**ATR72-500**" and "**ATR72-600**" means the ATR 72-212A, 72-500 and 72-600 aircraft manufactured by Avions de Transport Régional G.I.E.;

"**Billable Block Hours**" mean actual Block Hours flown and Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights, under the CPA;

"**Block Hours**" mean the number of minutes elapsing from the time the chocks are removed from the wheels of an aircraft until the chocks are next again returned to the wheels of the aircraft, divided by 60;

"**CACC**" means Chorus Aviation Capital Corp. (formerly, Chorus Aviation Holdings Inc.), a corporation incorporated under the *Canada Business Corporations Act* on November 28, 2013, including its subsidiaries. CACC is a subsidiary of the Corporation;

"**CACIL**" means Chorus Aviation Capital (Ireland) Limited, a private company limited by shares incorporated under the *Companies Act 2014* (Ireland) on March 15, 2017. CACIL is a subsidiary of the Corporation;

"**CEWS**" means the Canada Emergency Wage Subsidy;

"**Chorus**" means, as the context may require, the Corporation and its current and former subsidiaries;

"**Chorus Aviation Capital**" or "**CAC**" means CACC and its subsidiaries (excluding Jazz Leasing);

"**Chorus Aviation Leasing**" means Chorus Aviation Leasing Inc., a corporation incorporated under the *Canada Business Corporations Act* on November 28, 2013. Chorus Aviation Leasing is a subsidiary of the Corporation;

"**CL-415**" means the Canadair CL-415 and the De Havilland Canada DHC-515, a series of amphibious aircraft;

"**Common Shareholders**" means holders of Common Shares (excluding for the avoidance of doubt, the holders of Preferred Shares);

"**Common Shares**" means the Class B Voting Shares and Class A Variable Voting Shares excluding the Preferred Shares in the capital of the Corporation;

"**Controllable Costs**" means for any period, all costs and expenses incurred and paid by Jazz under the CPA other than Pass-Through Costs;

"**Convertible Units**" means the convertible debt units issued by the Corporation to Fairfax in 2017 for gross proceeds of $200.0 million, each such unit comprising a $1,000 6.00% Debenture and 121.2122121 Stapled Warrants;

"**Corporation**" means Chorus Aviation Inc., a corporation incorporated under the *Canada Business Corporations Act* on September 27, 2010;

"**Covered Aircraft**" means the aircraft whose capacity Air Canada purchases from Jazz under the CPA;

"**COVID-19**" means the novel strain of coronavirus, which was declared a pandemic by the World Health Organization on March 11, 2020;

"**CPA**" means the 2015 CPA as amended and extended by the 2019 CPA Amendments and further amended by the 2021 CPA Amendments;

"**CPA Canada Handbook**" means the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1, which incorporates IFRS as issued by the IASB;

"**CRJ200**", "**CRJ900**" and "**CRJ1000**" means, respectively, Bombardier CRJ 200, CRJ 705, CRJ 900, and CRJ 1000 regional jet aircraft, and "**CRJ aircraft**" means all of the foregoing;

"**Dash 8-100**", "**Dash 8-300**", "**Dash 8-400**" and "**Dash 7-100**" means, respectively, De Havilland Dash 8-100, Dash 8-300 and Dash 8-400 (and Dash 7-100 turboprop aircraft, and "**Dash Aircraft**" means all of the foregoing;

"**Departure**" means one take off of an aircraft;

"**E175**", "**E190**" and "**E195**" means, respectively, Embraer E175, Embraer E190 and Embraer E195 E jet aircraft;

"**EBITDA**" means earnings before net interest expense, income taxes, depreciation, amortization and impairment and is a non-GAAP financial measure that is used frequently by companies in the aviation industry as a measure of performance;

"**EBT**" means earnings before income tax;

"**EDC**" means Export Development Canada;

"**Fairfax**" means Fairfax Financial Holdings Limited and/or certain of its subsidiaries;

"**Falko**" means Falko Regional Aircraft Limited together with its subsidiaries;

"**Falko Acquisition**" means the acquisition of the Falko Business by indirect subsidiaries of the Corporation;

"**Falko Business**" means Falko and the equity interests in certain entities and aircraft managed by such entities (all as more particularly described in Chorus' Material Change Report dated May 3, 2022);

"**Fixed Margin**" means the fixed fee under the CPA that, is paid to Jazz by Air Canada for the operation of the Covered Aircraft under the CPA;

"**FTE**" means full-time equivalents in respect of employee staffing levels;

"**GAAP**" means generally accepted accounting principles in Canada after the adoption of IFRS;

"**IASB**" means the International Accounting Standards Board;

"**IFRS**" means International Financial Reporting Standards;

"**Jazz**" means Jazz Aviation LP, a limited partnership established under the laws of the Province of Ontario on November 18, 2010. Jazz is a subsidiary of the Corporation;

"**Jazz Leasing**" means Jazz Leasing Inc., the successor by amalgamation to Jazz Leasing Inc. and Jazz Aircraft Financing Inc. under the *Canada Business Corporations Act* on December 31, 2016. Jazz Leasing is a subsidiary of the Corporation;

"**King Air 200**" means Beechcraft King Air 200 turboprop aircraft;

"**LIBOR**" means London Interbank Offered Rate;

"**Managed Aircraft**" means aircraft that are not wholly or majority-owned by Chorus but are managed by Falko (and its subsidiaries) in exchange for the payment by third parties of certain asset management fees;

"**MD&A**" means Chorus' management's discussion and analysis of results of operations and financial condition;

"**On-time performance**" means the percentage of flights that arrive within 15 minutes of their scheduled time;

"**Operating Credit Facility**" means the three-year committed operating credit facility dated October 14, 2021 between the Corporation as borrower, The Bank of Nova Scotia as administrative agent, issuing bank, sole lead arranger and bookrunner, and the lenders from time to time parties thereto;

"**Pass-Through Costs**" means costs incurred directly by Jazz that are passed-through to Air Canada and fully reimbursed under the CPA;

"**Pass-Through Revenue**" means revenue received by Jazz under the CPA in payment of Pass-Through Costs;

"**Performance Incentives**" mean compensation to Jazz, under the CPA, for achieving established performance targets, being: controllable on-time performance, controllable flight completion, passengers arriving with luggage and customer service;

"**Preferred Shares**" means the series of preferred shares in the capital of the Corporation designated as "Series 1 Preferred Shares";

"**Prior Facility**" means the previous three-year committed operating credit facility that had a maturity date of August 30, 2022;

"**Q400**" means the Bombardier Q400 turboprop aircraft (now known as the Dash 8-400);

"**RAL**" means the Regional Aircraft Leasing segment which consists of CAC and all of its subsidiaries, including Falko and CACIL and the asset management and aircraft leasing businesses carried on by those entities;

"**RAS**" means the Regional Aviation Services segment which includes contract flying, charter operations and maintenance, repair and overhaul services that is carried on by both Jazz and Voyageur as well as corporate expenses;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Series A Debentures**" means the 5.75% senior unsecured debentures of the Corporation due December 31, 2024 which trade on the TSX under the symbol CHR.DB.A;

"**Series B Debentures**" means the 6.00% convertible senior unsecured debentures of the Corporation due June 30, 2026 which trade on the TSX under the symbol CHR.DB.B;

"**Series C Debentures**" means the 5.75% senior unsecured debentures of the Corporation due June 30, 2027 which trade on the TSX under the symbol CHR.DB.C;

"**Shareholders**" means holders of Common Shares and Preferred Shares;

"**Stapled Warrants**" means the warrants exercisable to acquire Common Shares at a price of $8.25 per Share (subject to certain adjustments) which were issued by the Corporation as part of the Convertible Units;

"**Total Return Swap**" means the equity derivative contract entered into by the Corporation;

"**TSX**" means the Toronto Stock Exchange;

"**Unsecured Credit Facility**" means the US $100.0 million unsecured credit facility between the Corporation, as borrower, and EDC, as lender;

"**Unsecured Revolving Operating Credit Facility**" means the US $30.0 million unsecured operating credit facility entered into on May 2, 2022 and maturing February 2, 2023; and

"**Voyageur**" means Voyageur Aviation Corp., the successor by amalgamation to Voyageur Aviation Corp., Voyageur Airways Limited, Voyageur Aerotech Inc., Voyageur Avparts Inc., Chorus Holdings II Inc., and North Bay Leasing Inc. under the *Business Corporations Act* (Ontario) on January 1, 2019. Voyageur is a subsidiary of the Corporation.

25 CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes forward-looking information and statements. Forward-looking information and statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such information and statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information and statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking information and statements, by their nature, are based on assumptions, including those referenced below, and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, among other things, external events, changing market conditions and general uncertainties of the business. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those indicated in the forward-looking information and statements.

Examples of forward-looking information and statements in this MD&A include the discussion in the Outlook section, as well as statements regarding expectations as to Chorus’ future liquidity and financial strength and contracted revenues, the recovery of air traffic in Canada and around the world, Chorus’ future growth and competitive position, Chorus' ability to grow Falko's asset management business and realize the benefit of synergies among its subsidiaries, and the completion of pending or planned transactions (including the successful close of a new Falko-managed fund). Actual results may differ materially from results indicated in forward-looking information for a number of reasons, including: Chorus' ability to successfully integrate Falko's operations and employees and realize the anticipated benefits of the Falko Acquisition; the potential impact of the completion of the Falko Acquisition on relationships, including with employees, suppliers, customers, investors and other providers of capital; Falko's ability to successfully launch a new fund on the terms currently contemplated or at all; deviations from the key economic assumptions described in the Outlook section; a prolonged duration of the COVID-19 pandemic (including as a result of the emergence of new COVID-19 variants) and/or further restrictive measures to minimize its public health impacts; the evolving impact of the COVID-19 pandemic on Chorus’ contractual counterparties; changes in aviation industry and general economic conditions including inflation; the continued payment (in whole or in part) of amounts due under the CPA and/or aircraft lease agreements with CAC's customers; the risk of disputes under the CPA and/or aircraft lease agreements with CAC's customers; Chorus’ ability to pay its indebtedness and otherwise remain in compliance with its debt covenants; the risk of cross defaults under debt agreements and other significant contracts; the risk of asset impairments and provisions for expected credit losses; a failure to conclude transactions (including potential financings) referenced in this MD&A, as well as the factors identified in the risk factors in Section 8 - Capital Structure and Section 10 - Risk Factors of this MD&A and in Chorus’ public disclosure record available at www.sedar.com. The forward-looking statements contained in this MD&A represent Chorus’ expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. Chorus disclaims any intention or obligation to update or revise such statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws. Readers are cautioned that the foregoing factors and risks are not exhaustive.