



**chorus** 

**THIRD QUARTER  
2023**

**Unaudited Interim Condensed  
Consolidated Financial  
Statements**

**Chorus Aviation Inc.**

**Chorus Aviation Inc.**

## Unaudited Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

	As at	
	September 30, 2023	December 31, 2022
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	94,445	100,027
Restricted cash (note 14)	92,575	67,884
Accounts receivable – trade and other	199,071	197,364
Inventories	118,940	113,820
Prepaid expenses and deposits	20,195	19,268
Current portion of finance lease receivables	3,123	4,157
Income tax receivable	258	1,228
	528,607	503,748
<b>Finance lease receivables</b>	40,655	42,797
<b>Property and equipment</b> (note 6)	3,122,301	3,282,008
<b>Intangibles</b>	15,878	18,880
<b>Goodwill</b>	9,006	9,010
<b>Investments</b>	24,176	26,008
<b>Deferred income tax asset</b>	24,804	22,240
<b>Other long-term assets</b>	147,608	151,218
	3,913,035	4,055,909
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	368,896	346,296
Current portion of lease liabilities	3,573	5,041
Current portion of long-term incentive plan	2,626	2,821
Current portion of long-term debt	304,043	340,308
Preferred shares dividend payable	8,873	8,888
Income tax payable	9,851	29,335
	697,862	732,689
<b>Lease liabilities</b>	6,957	6,268
<b>Long-term debt</b>	1,477,805	1,678,659
<b>Deferred income tax liability</b>	213,680	187,684
<b>Other long-term liabilities</b>	229,195	182,186
	2,625,499	2,787,486
Equity attributable to shareholders	1,199,492	1,179,573
Equity attributable to non-controlling interest	88,044	88,850
<b>Equity</b>	1,287,536	1,268,423
	3,913,035	4,055,909

**Contingencies** (note 12)**Economic dependence** (note 13)**Subsequent events** (note 15)*The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.*

# Chorus Aviation Inc.



## Unaudited Consolidated Statements of Changes in Equity

(expressed in thousands of Canadian dollars)

	Equity Attributable to Shareholders						Equity attributable to non-controlling interest	Total
	Capital	Deficit	Exchange differences on foreign operations	Contributed surplus	Warrants	Equity component of convertible units/debentures		
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance - December 31, 2021</b>	356,611	(707,908)	(5,243)	1,039,832	1,513	5,664	—	690,469
Net income for the period	—	3,688	—	—	—	—	2,377	6,065
Other comprehensive (loss) income for the period (net of tax)	—	(8,167)	39,821	—	—	—	5,532	37,186
Comprehensive (loss) income for the period	—	(4,479)	39,821	—	—	—	7,909	43,251
Preferred dividends	—	(13,989)	—	—	—	—	—	(13,989)
Issuances of common shares, net of transaction costs and related tax	70,093	—	—	—	—	—	—	70,093
Issuance of preferred shares, net of transaction costs and related tax	375,217	—	—	—	—	—	—	375,217
Warrants expired	—	—	—	1,513	(1,513)	—	—	—
Warrants issued, net of transaction costs and related tax	—	—	—	—	24,366	—	—	24,366
Expense related to stock-based compensation plans	—	—	—	153	—	—	—	153
Non-controlling interest:								
Distributions	—	—	—	—	—	—	(4,843)	(4,843)
Business combination	—	—	—	—	—	—	85,304	85,304
<b>Balance - September 30, 2022</b>	801,921	(726,376)	34,578	1,041,498	24,366	5,664	88,370	1,270,021
Net income for the period	—	45,202	—	—	—	—	650	45,852
Other comprehensive loss for the period (net of tax)	—	(12,325)	(6,141)	—	—	—	(926)	(19,392)
Comprehensive income (loss) for the period	—	32,877	(6,141)	—	—	—	(276)	26,460
Preferred share dividends declared	—	(8,913)	—	—	—	—	—	(8,913)
Repurchase of shares under normal course issuer bid	(3,612)	—	—	(1,851)	—	—	—	(5,463)
Share repurchase commitment under the automatic share purchase plan	(9,611)	—	—	(4,925)	—	—	—	(14,536)
Redemption of convertible debentures	—	—	—	2,981	—	(2,981)	—	—
Expense related to stock-based compensation plans	—	—	—	98	—	—	—	98
Non-controlling interest:								
Distributions	—	—	—	—	—	—	(1,590)	(1,590)
Business combination	—	—	—	—	—	—	2,346	2,346
<b>Balance - December 31, 2022</b>	788,698	(702,412)	28,437	1,037,801	24,366	2,683	88,850	1,268,423
Net income for the period	—	67,175	—	—	—	—	2,310	69,485
Other comprehensive loss for the period (net of tax)	—	(9,808)	(1,256)	—	—	—	(145)	(11,209)
Comprehensive income (loss) for the period	—	57,367	(1,256)	—	—	—	2,165	58,276
Preferred share dividends declared	—	(26,486)	—	—	—	—	—	(26,486)
Repurchase of shares under normal course issuer bid	(15,674)	—	—	(8,862)	—	—	—	(24,536)
Share repurchase commitment under the automatic share purchase plan	9,611	—	—	4,925	—	—	—	14,536
Expense related to stock-based compensation plans	—	—	—	294	—	—	—	294
Non-controlling interest:								
Distributions	—	—	—	—	—	—	(2,971)	(2,971)
<b>Balance - September 30, 2023</b>	782,635	(671,531)	27,181	1,034,158	24,366	2,683	88,044	1,287,536

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

**Chorus Aviation Inc.**

## Unaudited Consolidated Statements of Income

## For the three and nine-month periods ended September 30, 2023 and 2022



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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Operating revenue</b> (note 13)	447,596	421,326	1,259,623	1,156,049
<b>Operating expenses</b> (note 13)				
Salaries, wages and benefits	127,902	130,743	388,991	377,202
Depreciation, amortization and impairment	79,381	48,831	178,495	151,056
Aircraft maintenance materials, supplies and services	75,603	65,627	220,168	204,939
Airport and navigation fees	38,248	48,294	110,039	122,385
Terminal handling services	4,897	3,432	16,746	10,764
Other	60,408	58,864	166,740	174,042
	386,439	355,791	1,081,179	1,040,388
<b>Operating income</b>	61,157	65,535	178,444	115,661
<b>Non-operating (expenses) income</b>				
Interest revenue	1,457	1,657	4,173	2,742
Interest expense	(26,538)	(28,532)	(78,364)	(74,776)
Gain on disposal of property and equipment	3	—	13	156
(Loss) gain on fair value of investments	(50)	224	2,441	(573)
Foreign exchange (loss) gain	(3,179)	(9,766)	3,535	(27,758)
	(28,307)	(36,417)	(68,202)	(100,209)
<b>Income before income taxes</b>	32,850	29,118	110,242	15,452
<b>Income tax (expense) recovery</b> (note 8)				
Current income tax	(5,821)	(6,323)	(14,617)	(15,570)
Deferred income tax	(9,881)	766	(26,140)	6,183
	(15,702)	(5,557)	(40,757)	(9,387)
<b>Net income</b>	17,148	23,561	69,485	6,065
Net income attributable to non-controlling interest	553	1,938	2,310	2,377
Net income attributable to shareholders	16,595	21,623	67,175	3,688
Preferred share dividends declared	(8,799)	(8,563)	(26,486)	(13,989)
<b>Earnings (loss) attributable to common shareholders</b>	7,796	13,060	40,689	(10,301)
<b>Earnings (loss) attributable to common shareholders, per share, basic</b> (note 10)	0.04	0.06	0.21	(0.05)
<b>Earnings (loss) attributable to common shareholders, per share, diluted</b>	0.04	0.06	0.20	(0.05)

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

**Chorus Aviation Inc.**Unaudited Consolidated Statements of Comprehensive Income  
For the three and nine-month periods ended September 30, 2023 and 2022

(expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2023 \$	2022 \$	2023 \$	2022 \$
<b>Net income</b>	17,148	23,561	69,485	6,065
<b>Other comprehensive income (loss)</b>				
<i>Items that will not be subsequently reclassified to the statements of income</i>				
Actuarial loss on employee benefit liabilities, net of tax recovery of \$4,314 and \$2,433 (2022 - \$6,420 and \$5,910) (note 5)	(11,571)	(17,375)	(6,525)	(15,993)
<i>Items that will be subsequently reclassified to the statements of income</i>				
Change in fair value of financial assets and liabilities, net of tax recovery (expense) of \$46 and \$205 (2022 - (\$284) and (\$1,118))	(323)	1,990	(3,283)	7,826
Exchange differences on translation of foreign operations	13,892	39,822	(1,401)	45,353
<b>Comprehensive income</b>	19,146	47,998	58,276	43,251
Comprehensive income attributable to non-controlling interest	2,424	7,909	2,165	7,909
Comprehensive income attributable to shareholders	16,722	40,089	56,111	35,342

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

**Chorus Aviation Inc.**

## Unaudited Consolidated Statements of Cash Flows

For the three and nine-month periods ended September 30, 2023 and 2022



(expressed in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2023 \$	2022 \$	2023 \$	2022 \$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income	17,148	23,561	69,485	6,065
Charges (credits) to operations not involving cash				
Depreciation, amortization and impairment	79,381	48,831	178,495	151,056
Amortization of accrued transaction and financing fees	644	321	1,865	1,736
Gain on disposal of property and equipment	(3)	(2,747)	(13)	(2,903)
Loss (gain) loss on fair value of investments	50	(224)	(2,441)	573
Unrealized foreign exchange loss (gain)	1,315	10,341	(9,142)	25,243
Realized foreign exchange loss	2,859	2,158	9,570	6,003
Effect of foreign exchange rate changes on cash	(790)	(179)	348	(5,008)
Deferred income tax expense (recovery)	9,881	(766)	26,140	(6,183)
Other	9,556	755	3,368	2,296
	120,041	82,051	277,675	178,878
Net changes in non-cash balances related to operations (note 14)	44,264	10,901	857	19,001
	164,305	92,952	278,532	197,879
<b>Financing activities</b>				
Repayment of lease liabilities	(1,221)	(1,233)	(3,904)	(3,450)
Repayment of long-term borrowings	(93,649)	(193,496)	(259,829)	(296,067)
Long-term borrowings, net of financing fees	(72)	—	(231)	(322)
Operating credit facility	(65,575)	(26,242)	24,984	24,241
Issuance of shares and warrants, net of transaction costs	—	—	—	465,038
Repurchase of shares under normal course issuer bid	(2,373)	—	(24,536)	—
Preferred dividends	(8,615)	(5,556)	(26,161)	(5,556)
Distribution to non-controlling interests	(3,047)	(4,843)	(2,971)	(4,843)
	(174,552)	(231,370)	(292,648)	179,041
<b>Investing activities</b>				
Business and aircraft acquisition, net of cash acquired	—	—	—	(464,831)
Increase in security deposits and maintenance reserves	19,953	19,904	56,220	6,615
Additions to property and equipment	(11,568)	(5,069)	(29,972)	(36,888)
Investment in funds	—	—	(1,613)	—
Payments received on finance lease receivables	1,046	1,683	3,077	3,123
Proceeds on return of investments	689	2,058	5,896	2,171
Proceeds on disposal of property and equipment	3	183,734	13	183,890
	10,123	202,310	33,621	(305,920)
<b>Effect of foreign exchange rate changes on cash</b>	3,771	8,234	(396)	12,894
<b>Net change in cash during the periods</b>	3,647	72,126	19,109	83,894
<b>Cash and restricted cash (note 14) – Beginning of periods</b>	183,373	190,214	167,911	178,446
<b>Cash and restricted cash (note 14) – End of periods</b>	187,020	262,340	187,020	262,340

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

# Chorus Aviation Inc.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

### 1 General information

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

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

Chorus' primary business activities include contract flying, aircraft leasing, managing aircraft on behalf of fund investors and other third-party aircraft investors and/or owners as well as maintenance, repair and overhaul services and pilot training.

Contract flying operations are conducted through both its Jazz Aviation LP ("Jazz") and Voyageur Aviation Corp. ("Voyageur") subsidiaries. Through Jazz's operations, Chorus provides a significant part of Air Canada's domestic and transborder network. Jazz and Air Canada are parties to an amended and restated capacity purchase agreement dated January 1, 2015, most recently amended effective January 1, 2021 and previously amended and restated on January 1, 2019 (the "CPA"), under which Air Canada purchases substantially all of Jazz's fleet capacity at pre-determined rates. As Chorus derives a majority of its revenue from the CPA, it is substantially dependent on Air Canada (refer to note 13 - Economic dependence for further details). Jazz also operates charter flights for a variety of customers. Voyageur provides specialized contract ACMI (aircraft, crew, maintenance and insurance) flying, such as medical, logistical and humanitarian flights, to international and domestic customers.

Chorus formally launched Cygnet Aviation Academy LP ("Cygnet") on March 28, 2023, a pilot academy in Canada, that together with CAE Inc., enables cadets to achieve their Integrated Airline Transport Pilot License and acquire an airline specific type rating.

On May 3, 2022, Chorus completed a sale and purchase agreement (the "Purchase agreement") pursuant to which one of its wholly-owned subsidiaries acquired Falko Regional Aircraft Limited ("Falko"), together with equity interests in certain entities and aircraft which are managed by Falko and its affiliates ("the Falko Acquisition"). Chorus subsequently rebranded its leasing business from "Chorus Aviation Capital" to "Falko Regional Aircraft".

Through its subsidiaries in the Regional Aircraft Leasing ("RAL") segment, Chorus provides aircraft leasing to third-party air operators and asset management services such that it earns lease revenue, asset management fees and incentives for outperforming performance targets. In addition, Chorus makes equity investments in aircraft investment funds managed by Falko and its affiliates, from which it earns co-investment returns. The RAL segment includes Falko, Falko (Ireland) Limited (formerly Chorus Aviation Capital (Ireland) Limited), and their respective affiliates.

### 2 Basis of presentation

These financial statements are in compliance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. Accordingly, certain information included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying Chorus' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 3 of Chorus' annual consolidated financial statements for the year ended December 31, 2022. These financial statements should be read in conjunction with Chorus' consolidated financial statements for the year ended December 31, 2022.

These financial statements have been authorized for issuance by Chorus' Board of Directors on November 8, 2023.



## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 3 Significant accounting policies, judgements and estimation uncertainty

##### Accounting policies

Except as otherwise indicated hereunder, these financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of Chorus for the year ended December 31, 2022.

##### *Revenue from contracts with customers*

Chorus recognizes revenue upon the transfer of control of promised goods or services to students, in an amount that reflects the consideration expected to be received for those goods or services. Chorus will generate vocational revenue through the provision of pilot training operations to domestic and international students. Revenue is recognized using a straight-line basis over the term of the training course.

Revenue for books and electronic equipment are recognized when delivered to the student. Revenue for license fees are recognized when the underlying license is provided to the students.

##### Critical accounting estimates and judgements

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

Estimates, judgements and assumptions that could have a significant impact on the amounts recognized in the interim consolidated financial statements are summarized in Chorus' annual consolidated financial statements for the year ended December 31, 2022 and remain unchanged for the period ended September 30, 2023, except for the following:

##### *Impairment of non-financial assets*

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

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

For any aircraft for which an indicator of impairment is present, management estimates the recoverable amount which is the greater of fair value less cost of disposal and value in use. An impairment charge is recorded if the estimated recoverable amount is less than the carrying amount of the assets being tested. For the nine months ended September 30, 2023, Chorus recorded an impairment provision of \$25,674 (2022 - \$20,499, net of \$10,205 recovered from security packages) (refer to note 6 - Property and equipment).



## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

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

In assessing recoverable amounts, Chorus makes significant estimates and assumptions about the expected useful lives and the expected residual value of aircraft, supported by estimates received from independent appraisers, for the same or similar aircraft types, and considers contractual cash flows, the creditworthiness of its lessees and Chorus' anticipated utilization of the aircraft. In determining the residual value of the aircraft, Chorus also applies a future inflation rate assumption of 2.0%. The September 30, 2023 value in use is estimated by taking the present value of future cash flows obtainable as a result of an asset's continued use, including those from its ultimate disposition, discounted at 7.20% (2022 - 7.20%).

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

#### 4 Segmented information

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

Chorus has two reportable operating segments:

- The Regional Aviation Services segment includes contract flying, charter operations and maintenance, repair and overhaul services that are carried on by both Jazz and Voyageur, as well as pilot training provided by Cygnet. Aircraft leasing under the CPA is also included in the Regional Aviation Services segment as it is an important part of the CPA. Aircraft leasing under the CPA currently includes 34 Dash 8-400s and 14 CRJ900s as well as five engines which are owned by Chorus.
- The Regional Aircraft Leasing segment leases aircraft to third parties. RAL earns asset management fees for managing aircraft on behalf of fund investors and other third-party aircraft investors and/or owners, lease income and incentives related to the fund performance investment targets. RAL's portfolio of wholly or majority-owned and managed aircraft was 222 as at September 30, 2023 (December 31, 2022 - 212).

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 4 Segmented information (continued)

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

Chorus revised its definition of Adjusted EBT and Adjusted EBITDA in the third quarter of 2023 to include the defined benefit pension revenue related to Air Canada's agreement to reimburse Jazz for the impact of the new pilot wage scales on the defined benefit pension plan for pilots to facilitate comparability of its results. Adjusted EBT and Adjusted EBITDA should not be used as exclusive measures of cash flow because these measures do not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, forming part of Chorus' financial statements.

Adjusted EBITDA refers to earnings before net interest expense, income taxes, depreciation and amortization, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provisions, defined benefit pension revenue, employee separation program costs, strategic advisory fees and other items such as foreign exchange gains or losses. Adjusted EBT refers to earnings before income tax, employee separation program costs, strategic advisory fees, impairment provisions, lease repossession costs net of security packages realized, restructuring expected credit loss provision, defined benefit pension revenue and other items such as foreign exchange gains and losses.

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

A significant customer is one that represents 10% or more of each segment revenue earned during the period. For the three and nine months ended September 30, 2023 and September 30, 2022, the Regional Aviation Services segment reported revenue from one significant customer. See note 13 "Economic dependence" for a discussion of transactions between Chorus and Air Canada, and its subsidiary (Air Canada Capital Ltd.). For the three and nine months ended September 30, 2023, there were two customers (2022 - two and one, respectively) that represented 10% or more of the Regional Aircraft Leasing segment revenue.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 4 Segmented information (continued)

Information regarding the quarterly and year-to-date financial results of each reportable operating segment and corporate is as follows:

	For the three months ended September 30, 2023				For the three months ended September 30, 2022			
	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenue	377,711	69,698	187	447,596	340,066	81,064	196	421,326
Operating expenses	307,670	73,138	5,631	386,439	299,974	46,994	8,823	355,791
<b>Operating income (loss)</b>	<b>70,041</b>	<b>(3,440)</b>	<b>(5,444)</b>	<b>61,157</b>	<b>40,092</b>	<b>34,070</b>	<b>(8,627)</b>	<b>65,535</b>
Net interest expense	(3,790)	(14,625)	(6,666)	(25,081)	(4,408)	(14,261)	(8,206)	(26,875)
Foreign exchange (loss) gain	(7,753)	(3,328)	7,902	(3,179)	(27,550)	(7,418)	25,202	(9,766)
Gain on disposal of property and equipment	3	—	—	3	—	—	—	—
(Loss) gain on fair value of investments	—	(50)	—	(50)	—	224	—	224
<b>Earnings (loss) before income tax</b>	<b>58,501</b>	<b>(21,443)</b>	<b>(4,208)</b>	<b>32,850</b>	<b>8,134</b>	<b>12,615</b>	<b>8,369</b>	<b>29,118</b>
Income tax (expense) recovery	(16,523)	(315)	1,136	(15,702)	(4,572)	1,274	(2,259)	(5,557)
<b>Net income (loss)</b>	<b>41,978</b>	<b>(21,758)</b>	<b>(3,072)</b>	<b>17,148</b>	<b>3,562</b>	<b>13,889</b>	<b>6,110</b>	<b>23,561</b>
Net income attributable to non-controlling interest	—	553	—	553	—	1,938	—	1,938
Net income (loss) attributable to shareholders	41,978	(22,311)	(3,072)	16,595	3,562	11,951	6,110	21,623
	For the nine months ended September 30, 2023				For the nine months ended September 30, 2022			
	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenue	1,044,436	214,640	547	1,259,623	977,339	177,957	753	1,156,049
Operating expenses	895,347	163,921	21,911	1,081,179	860,404	148,713	31,271	1,040,388
<b>Operating income (loss)</b>	<b>149,089</b>	<b>50,719</b>	<b>(21,364)</b>	<b>178,444</b>	<b>116,935</b>	<b>29,244</b>	<b>(30,518)</b>	<b>115,661</b>
Net interest expense	(11,718)	(44,349)	(18,124)	(74,191)	(13,883)	(34,926)	(23,225)	(72,034)
Foreign exchange gain (loss)	5,033	(1,164)	(334)	3,535	(35,599)	(17,131)	24,972	(27,758)
Gain on disposal of property and equipment	13	—	—	13	29	127	—	156
Gain (loss) on fair value of investments	—	2,441	—	2,441	—	(573)	—	(573)
<b>Earnings (loss) before income tax</b>	<b>142,417</b>	<b>7,647</b>	<b>(39,822)</b>	<b>110,242</b>	<b>67,482</b>	<b>(23,259)</b>	<b>(28,771)</b>	<b>15,452</b>
Income tax (expense) recovery	(40,003)	(11,504)	10,750	(40,757)	(22,004)	4,850	7,767	(9,387)
<b>Net income (loss)</b>	<b>102,414</b>	<b>(3,857)</b>	<b>(29,072)</b>	<b>69,485</b>	<b>45,478</b>	<b>(18,409)</b>	<b>(21,004)</b>	<b>6,065</b>
Net income attributable to non-controlling interest	—	2,310	—	2,310	—	2,377	—	2,377
Net income (loss) attributable to shareholders	102,414	(6,167)	(29,072)	67,175	45,478	(20,786)	(21,004)	3,688

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 4 Segmented information (continued)

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

	<u>For the three months ended</u> <u>September 30, 2023</u>		<u>For the three months ended</u> <u>September 30, 2022</u>	
	<u>Regional Aviation</u> <u>Services</u>	<u>Regional Aircraft</u> <u>Leasing</u>	<u>Regional Aviation</u> <u>Services</u>	<u>Regional Aircraft</u> <u>Leasing</u>
	\$	\$	\$	\$
<b>Operating income - as reported above</b>	<b>70,041</b>	<b>—</b>	<b>40,092</b>	<b>—</b>
Depreciation and amortization excluding impairment <sup>(1)</sup>	22,977	—	21,459	—
Defined benefit pension revenue <sup>(2)</sup>	(29,916)	—	—	—
Employee separation program <sup>(1)</sup>	(803)	—	442	—
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>62,299</b>	<b>—</b>	<b>61,993</b>	<b>—</b>
<b>(Loss) income before income tax</b>	<b>—</b>	<b>(21,443)</b>	<b>—</b>	<b>12,615</b>
Unrealized foreign exchange loss	—	3,547	—	7,656
Impairment provisions <sup>(1)</sup>	—	25,674	—	—
Lease repossession costs <sup>(1)(4)</sup>	—	3,357	—	8,443
<b>Adjusted EBT<sup>(3)</sup></b>	<b>—</b>	<b>11,135</b>	<b>—</b>	<b>28,714</b>
	<u>For the nine months ended</u> <u>September 30, 2023</u>		<u>For the nine months ended</u> <u>September 30, 2022</u>	
	<u>Regional Aviation</u> <u>Services</u>	<u>Regional Aircraft</u> <u>Leasing</u>	<u>Regional Aviation</u> <u>Services</u>	<u>Regional Aircraft</u> <u>Leasing</u>
	\$	\$	\$	\$
<b>Operating income - as reported above</b>	<b>149,089</b>	<b>—</b>	<b>116,935</b>	<b>—</b>
Depreciation and amortization excluding impairment <sup>(1)</sup>	67,987	—	63,081	—
Defined benefit pension revenue <sup>(2)</sup>	(29,916)	—	—	—
Employee separation program <sup>(1)</sup>	804	—	1,246	—
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>187,964</b>	<b>—</b>	<b>181,262</b>	<b>—</b>
<b>Income (loss) before income tax</b>	<b>—</b>	<b>7,647</b>	<b>—</b>	<b>(23,259)</b>
Unrealized foreign exchange loss	—	1,659	—	16,805
Impairment provisions <sup>(1)</sup>	—	25,674	—	20,499
Restructuring expected credit loss provision <sup>(1)(5)</sup>	—	—	—	10,353
Employee separation program <sup>(1)</sup>	—	—	—	847
Lease repossession costs <sup>(1)(4)</sup>	—	11,649	—	23,817
<b>Adjusted EBT<sup>(3)</sup></b>	<b>—</b>	<b>46,629</b>	<b>—</b>	<b>49,062</b>

(1) Included in operating expenses.

(2) Defined benefit pension revenue relates to Air Canada's agreement to reimburse Jazz for the impact of the new pilot wage scales on the defined benefit pension plan for pilots. The accounting receivable will be repaid in 60 equal monthly payments with the first payment due on December 1, 2023. In accordance with IFRS, the associated impact of the wage scale pension assumption change in the pension liability was charged to other comprehensive income.

(3) These are non-GAAP financial measures.

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

(5) Expected credit loss provision related to aircraft repossessions.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 4 Segmented information (continued)

Selected assets and liability information by reportable operating segment and corporate:

	As at September 30, 2023				As at December 31, 2022			
	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total	Regional Aviation Services	Regional Aircraft Leasing	Corporate	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Additions to property and equipment	28,397	1,437	138	29,972	40,930	21,350	—	62,280
Property and equipment	1,084,165	2,030,397	7,739	3,122,301	1,122,326	2,153,794	5,888	3,282,008
Long-term debt (excluding lease liabilities)	436,680	1,028,666	316,502	1,781,848	518,181	1,159,234	341,552	2,018,967

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

	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	\$	%	\$	%	\$	%	\$	%
Canada	378,942	84.7%	341,289	81.0%	1,048,143	83.2%	979,793	84.8%
Other <sup>(1)</sup>	68,654	15.3%	80,037	19.0%	211,480	16.8%	176,256	15.2%
	447,596	100.0%	421,326	100.0%	1,259,623	100.0%	1,156,049	100.0%

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

	As at September 30, 2023		As at December 31, 2022	
	\$	%	\$	%
Canada	1,119,217	35.8%	1,156,836	35.2%
Other <sup>(1)</sup>	2,003,084	64.2%	2,125,172	64.8%
	3,122,301	100.0%	3,282,008	100.0%

(1) There are no countries included in other that represent more than 10% of revenue or total assets (2022 - nil).

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 5 Revenue from contracts with customers

Chorus earns revenue from contracts with customers in addition to aircraft leasing. The table below excludes other sources of revenue relating to lease income (including any rights to use specified aircraft that have been identified as lease revenues embedded in the CPA and contract flying service agreements) of \$108,521 and \$326,965 for the three and nine months ended September 30, 2023, respectively (for the three and nine months ended September 30, 2022 - \$117,380 and \$291,302, respectively). Revenue is disaggregated primarily by nature and category in the underlying contract.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Controllable cost revenue	217,591	202,194	608,395	589,645
Defined benefit pension revenue <sup>(1)</sup>	29,916	—	29,916	—
Fixed margin <sup>(2)</sup>	15,820	16,580	47,460	49,740
Incentive revenue <sup>(3)</sup>	(22)	323	940	1,479
CPA pass-through revenue	53,022	57,940	165,532	154,547
Other	22,748	26,909	80,415	69,336
	339,075	303,946	932,658	864,747

(1) Defined benefit pension revenue relates to Air Canada's agreement to reimburse Jazz for the impact of the new pilot wage scales on the defined benefit pension plan for pilots. The accounting receivable will be repaid in 60 equal monthly payments with the first payment due on December 1, 2023. In accordance with IFRS, the associated impact of the wage scale pension assumption change in the pension liability was charged to other comprehensive income.

(2) Jazz earned a fixed margin based on the number of covered aircraft operated by Jazz under the CPA. The fixed margin does not vary based on flight activity.

(3) Incentive revenue earned under the CPA.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 6 Property and equipment

	Flight equipment \$	Facilities \$	Equipment \$	Leaseholds \$	Right-of-use assets \$	Total \$
<b>Year ended December 31, 2022</b>						
Opening net book value	2,544,985	29,168	4,287	6,839	3,808	2,589,087
Additions	58,713	379	3,132	56	—	62,280
Right-of-use assets	—	—	—	—	3,307	3,307
Disposals	(284,039)	—	—	(4,135)	—	(288,174)
Impairment	(30,704)	—	—	—	—	(30,704)
Falko Acquisition	1,008,860	—	796	—	1,314	1,010,970
Foreign currency adjustment	113,188	—	37	—	174	113,399
Depreciation	(171,982)	(1,621)	(2,188)	(188)	(2,178)	(178,157)
Closing net book value	3,239,021	27,926	6,064	2,572	6,425	3,282,008

<b>Nine months ended September 30, 2023</b>						
Opening net book value	3,239,021	27,926	6,064	2,572	6,425	3,282,008
Additions	24,889	114	3,856	99	1,014	29,972
Right-of-use assets	—	—	—	—	5,046	5,046
Disposals	(8,766)	—	—	—	(1,752)	(10,518)
Impairment	(25,674)	—	—	—	—	(25,674)
Foreign currency adjustment	(9,700)	—	—	5	(9)	(9,704)
Depreciation	(143,429)	(1,242)	(1,994)	(388)	(1,776)	(148,829)
Closing net book value	3,076,341	26,798	7,926	2,288	8,948	3,122,301

	Flight equipment \$	Facilities \$	Equipment \$	Leaseholds \$	Right-of-use assets \$	Total \$
<b>At December 31, 2022</b>						
Cost	4,146,620	47,317	86,217	14,405	11,370	4,305,929
Accumulated depreciation and impairment	(907,599)	(19,391)	(80,153)	(11,833)	(4,945)	(1,023,921)
Net book value	3,239,021	27,926	6,064	2,572	6,425	3,282,008
<b>At September 30, 2023</b>						
Cost	4,144,225	47,418	89,825	14,321	15,507	4,311,296
Accumulated depreciation and impairment	(1,067,884)	(20,620)	(81,899)	(12,033)	(6,559)	(1,188,995)
Net book value	3,076,341	26,798	7,926	2,288	8,948	3,122,301



## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 6 Property and equipment (continued)

For the nine months ended September 30, 2023, Chorus recorded an impairment provision of \$25,674 (2022 - \$20,499, net of \$10,205 recovered from security packages) to income. For any aircraft for which an indicator of impairment is present, management estimates the recoverable amount which is the greater of fair value less cost of disposal and value in use. An impairment charge is recorded if the estimated recoverable amount is less than the carrying amount of the assets being tested.

For the nine months ended September 30, 2023, Chorus released maintenance intangibles of \$8,766 (2022 - \$nil). 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. Chorus received \$19,210 in EOL compensation, representing \$10,444 over the maintenance intangibles. Chorus setup a maintenance reserve liability of \$6,361 and recorded the remaining amount of \$4,083 to income.

The property and equipment acquired through the Falko Acquisition in May 2022 are included in the above table with a purchase price allocation of \$1,010,970 and included maintenance intangibles of \$91,251.

During the nine months ended September 30, 2022, Chorus reclassified flight equipment with a net book value of \$14,437 from property and equipment to assets held for resale on the statement of financial position.

During the three months ended September 30, 2022, Chorus sold eight aircraft to a third party for gross proceeds of \$183,734. The net book value of the aircraft removed from property and equipment was \$180,987 generating a gain on disposal of \$2,747 which is recorded in revenue as mid-life aircraft sales are a key element of RAL's business model.

#### 7 Credit facilities

##### Operating credit facility

On January 27, 2023, Chorus amended the terms of its existing \$100,000 operating credit facility to extend the maturity date to January 27, 2026 and added a \$50,000 uncommitted accordion feature. In March 2023, Chorus partially exercised the accordion feature under the committed operating credit facility, thereby increasing the limit from \$100,000 to \$125,000.

On May 5, 2023, Chorus exercised the remaining \$25,000 accordion feature under the committed operating credit facility, thereby increasing the limit from \$125,000 to \$150,000.

As at September 30, 2023, Chorus had drawn \$25,000 on the facility and had also provided letters of credit totaling \$8,850 that reduce the amount available under this facility.

The facility bears interest for Canadian dollar advances at Canadian Prime plus 1.50% - 2.50% or Canadian Dollar Offered Rate ("CDOR") 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 a credit spread adjustment plus 2.50% - 3.50%.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 7 Credit facilities (continued)

The operating credit facility is secured by all present and after-acquired personal property of Chorus and certain designated subsidiaries including Chorus Aviation Capital Corp. ("CACC"), Jazz and Voyageur (collectively, the "Credit Parties"), excluding certain specified assets such as aircraft and engines and the equity securities of certain specified entities including CACC and its subsidiaries (which comprise substantially all of the entities in the RAL segment). Any outstanding balance under this facility is immediately repayable if Chorus undergoes a change in control without the lender's consent. It contains customary representations, warranties and covenants, including a covenant to maintain a minimum consolidated interest coverage ratio. As at September 30, 2023, Chorus was in compliance with all covenants under this facility.

##### Warehouse credit facility

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

The facility bears interest at SOFR plus a credit spread adjustment plus 3.25% until January 2024 and SOFR plus a credit spread adjustment plus 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 Falko (Ireland) Limited ("FIL").

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 September 30, 2023, Chorus was in compliance with these covenants.

##### Unsecured credit facility

On April 28, 2020, Chorus obtained a US \$100,000 unsecured revolving credit facility for general corporate purposes. For the period ended September 30, 2023, the facility bears interest at the SOFR rate plus 5.00%. 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 quarterly instalments starting in July 2022 and ending in April 2024. The facility contains customary covenants and events of default, including restrictions on share repurchases and the payment of dividends exceeding \$0.48 per share per year, a mandatory prepayment upon the occurrence of a change of control of Chorus, an event of default that would be triggered upon the acceleration of Chorus indebtedness in excess of US \$10,000 and an event of default triggered upon an event of default under any other indebtedness owed by Chorus to the lender. In addition, this credit facility contains a covenant to not exceed a prescribed total leverage ratio of debt to EBITDA. Chorus' obligations to pay principal and interest under this facility rank at least pari passu in right of payment with all unsecured and unsubordinated indebtedness.

As at September 30, 2023, Chorus was in compliance with these financial covenants.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 8 Income taxes

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

	Three months ended September 30,	
	2023	2022
	\$	\$
Income before income tax	32,850	29,118
Income tax expense at the Canadian statutory tax rate <sup>(1)</sup>	8,705	7,716
Recognition of previously unrecognized cumulative eligible capital	(1,260)	(1,346)
Net impact of capital items <sup>(2)</sup>	125	1,037
Impact of the Canadian statutory tax rate on entities with other tax rates	3,215	(3,157)
Non-deductible expenses and other	4,917	1,307
Income tax expense	15,702	5,557
Effective tax rate	47.8%	19.1%

  

	Nine months ended September 30,	
	2023	2022
	\$	\$
Income before income tax	110,242	15,452
Income tax expense at the Canadian statutory tax rate <sup>(1)</sup>	29,214	4,095
Recognition of previously unrecognized cumulative eligible capital	(3,779)	(4,037)
Net impact of capital items <sup>(2)</sup>	(329)	3,596
Impact of the Canadian statutory tax rate on entities with other tax rates	477	3,455
Non-deductible expenses and other	9,083	2,278
Allowance against deferred tax assets	6,091	—
Income tax expense	40,757	9,387
Effective tax rate	37.0%	60.7%

- (1) Chorus has modified the presentation of the tax rate reconciliation to calculate the tax impact of the statutory rate based on the Canadian average rate as opposed to an average blended rate of all jurisdictions. The impact of rate differentials from foreign jurisdictions is shown as a separate reconciling line item. Chorus uses an average Canadian statutory tax rate of 26.5%.
- (2) The impact of capital items is mainly related to the foreign exchange fluctuations on the long-term debt associated with the purchase of aircraft. The impact of the non-deductible portion of any unrealized loss (gain) is recognized in the calculation of income tax expense at the end of each period. To the extent that a capital loss is recorded for accounting purposes, the benefit of the deductible portion of the loss is recognized only to the extent that it is probable that the loss will be utilized. Income tax expense related to unrealized foreign exchange gains recorded in a period is reduced by previously unrecognized income tax assets related to unrealized foreign exchange losses. Chorus does not have a plan in place to utilize the deductible portion of the balance of the foreign exchange losses, accordingly no deferred tax asset has been recognized related to the foreign exchange losses.

In addition to the tax deductible amounts recognized as deferred tax assets in the financial statements, Chorus has other tax deductible amounts of approximately \$251,106 as at September 30, 2023, related to capital cost allowance on eligible capital property. In accordance with the initial recognition exemption, as outlined in IAS 12 *Income taxes*, the benefit of these deductible expenditures cannot be recognized in the financial statements until such time as those benefits can be applied to reduce current tax expense. During the three and nine months ended September 30, 2023 and September 30, 2022, Chorus utilized a total of \$13,914 (\$3,779 tax effected) and \$14,961 (\$4,037 tax effected), respectively, of these previously unrecognized tax deductions to reduce its taxable income.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 9 Dividends

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 BSI Dragonfly Holdings LP, an affiliate of Brookfield Special Investments Fund L.P. ("Brookfield"). The preferred shares carry a dividend entitlement of 8.75% per annum in cash, payable quarterly or 9.5% per annum in kind, accrued quarterly. The preferred share dividends are declared quarterly and paid in cash in US dollars in the following month.

During the three and nine months ended September 30, 2023, Chorus declared \$8,799 and \$26,486, respectively, in preferred share dividends (\$8,563 and \$13,989 for the three and nine months ended September 30, 2022, respectively).

During the three and nine months ended September 30, 2023, Chorus paid \$8,615 and \$26,161, respectively, in preferred share dividends (\$5,556 for the three and nine months ended September 30, 2022). The preferred share dividend payable on the statement of financial position has been converted to Canadian currency at 1.3520 which was the exchange rate in effect at closing on September 30, 2023. Preferred share dividends recorded in equity are converted to Canadian currency at the foreign exchange rate in effect on the day of the transaction.

#### 10 Capital stock

##### a) Common shares

Authorized:

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

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

Issued and outstanding:

	Number of Shares	\$
<b>Shares issued and outstanding December 31, 2021</b>	<b>177,650,988</b>	<b>356,611</b>
Shares issued through private placement	25,400,000	70,093
Shares repurchased and cancelled	(1,718,972)	(3,612)
Share repurchase commitment under the automatic share purchase plan	—	(9,611)
<b>Shares issued and outstanding December 31, 2022</b>	<b>201,332,016</b>	<b>413,481</b>
Shares repurchased and cancelled	(7,458,812)	(15,674)
Share repurchase commitment under the automatic share purchase plan	—	9,611
<b>Shares issued and outstanding September 30, 2023</b>	<b>193,873,204</b>	<b>407,418</b>

On November 9, 2022, Chorus announced that it had received approval from the Toronto Stock Exchange to implement a normal course issuer bid ("NCIB") to purchase up to 15,928,236 common shares during the period November 14, 2022 to no later than November 13, 2023. For the three and nine months ended September 30, 2023, Chorus purchased and cancelled 842,391 and 7,458,812 common shares, respectively, under its NCIB for total consideration of \$24,536. The net reduction to equity, after applying the accounts payable accrual at December 31, 2022 of \$14,536, was \$10,000. Common share capital was reduced by a net amount of \$6,063 and the remaining \$3,937 was accounted for as a reduction of contributed surplus.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 10 Capital stock (continued)

In connection with the NCIB, Chorus has established an automatic securities purchase plan (the "Plan") with a designated broker to allow for the purchase of common shares. Chorus' designated broker may purchase common shares under the Plan on any trading day during the NCIB during pre-determined trading blackout periods, subject to certain parameters as to price and number of common shares. The Plan will terminate when the NCIB terminates, unless terminated earlier in accordance with the terms of the Plan. Chorus may vary, suspend or terminate the Plan only if it does not have material non-public information, and the decision to vary, suspend or terminate the Plan is not taken during a pre-determined trading blackout period. The Plan constitutes an "automatic plan" for purposes of applicable Canadian securities legislation and has been reviewed by the TSX. Chorus recorded a liability for purchases that are estimated to occur during blackout periods based on the parameters of the NCIB and the Plan. As at September 30, 2023, a maximum obligation to purchase \$nil (December 31, 2022 - \$14,536) of common shares was recognized under the Plan in accounts payable and accrued liabilities on the consolidated statements of financial position. At December 31, 2022 common share capital was reduced by \$9,611 and the remaining \$4,925 was accounted for as a reduction of contributed surplus.

#### Private Placement

On May 3, 2022 and in connection with the Falko Acquisition, Chorus entered into a subscription agreement with Brookfield pursuant to which it (i) subscribed for US \$300,000 of preferred equity in exchange for US \$291,000 in cash, and (ii) subscribed for 25,400,000 common shares and was issued 18,642,772 share purchase warrants with an exercise price of CAD \$4.60 per common share in exchange for US \$74,000 in cash. The preferred equity is non-convertible and will initially pay a dividend of 8.75% in cash or 9.50% in kind at Chorus' option with step ups after the sixth anniversary. The net proceeds received for the common shares was \$94,459, net of transaction costs and income tax. The net value allocated to the common shares issued and the common share purchase warrants was \$70,093 and \$24,366, respectively.

#### b) Warrants

	Number of warrants	\$
<b>Outstanding, December 31, 2021</b>	32,134,074	1,513
Warrants issued pursuant to private placement	18,642,772	24,627
Less: warrant transaction costs	—	(261)
Warrants expired <sup>(1)</sup>	(32,134,074)	(1,513)
<b>Outstanding, December 31, 2022</b>	18,642,772	24,366
<b>Outstanding, September 30, 2023</b>	18,642,772	24,366

(1) During the year ended December 31, 2022, warrants of 7,891,650 expired on April 6, 2022 and warrants of 24,242,424 expired on December 29, 2022, following the redemption of the 6.00% Debentures.

As at September 30, 2023, Chorus had the following warrants outstanding:

Number of warrants	Exercise Price <sup>(1)</sup>	Expiry Date
18,642,772	4.60	May 3, 2029

(1) Subject to adjustment in accordance with the terms of the relevant warrant indenture.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 10 Capital stock (continued)

##### c) Preferred shares

Authorized:

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

On May 3, 2022 and in connection with the Falko Acquisition, Chorus entered into a subscription agreement with Brookfield for US \$300,000 Series 1 Preferred Shares ("Preferred Shares") in exchange for US \$291,000 in cash. The preferred equity is non-convertible and will initially pay a dividend of 8.75% in cash or 9.50% in kind at Chorus' option with step ups after the sixth anniversary. The net proceeds received for the Preferred Shares was \$375,217, net of transaction costs and income tax.

Issued and outstanding:

	Number of Shares	\$
<b>Shares issued and outstanding December 31, 2021</b>	—	—
Shares issued through private placement	300,000	375,217
<b>Shares issued and outstanding December 31, 2022</b>	300,000	375,217
<b>Shares issued and outstanding September 30, 2023</b>	300,000	375,217

##### d) Earnings per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2023 \$	2022 \$	2023 \$	2022 \$
<b>Numerator</b>				
Net income	17,148	23,561	69,485	6,065
Less:				
Net income attributable to non-controlling interest	(553)	(1,938)	(2,310)	(2,377)
Preferred share dividends declared	(8,799)	(8,563)	(26,486)	(13,989)
Earnings (loss) attributable to common shareholders	7,796	13,060	40,689	(10,301)
<b>Denominator</b>				
Weighted average number of shares	194,319,307	203,050,988	195,877,442	191,700,072
Weighted average dilutive shares in respect of stock-based compensation plans	5,604,613	3,970,812	5,714,515	4,160,869
Weighted average number of diluted shares	199,923,920	207,021,800	201,591,957	195,860,941

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 11 Financial instruments and fair values

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

Chorus' financial instruments consist of cash, restricted cash, accounts receivable, long-term defined benefit pension receivable, long-term lease and deferral receivables, finance lease receivables, investments, accounts payable and accrued liabilities, long-term incentive plan liability, lease liabilities, total return swaps, interest rate swaps and long-term debt.

The carrying amounts reported in the statement of financial position for cash, restricted cash, accounts receivable, long-term lease and deferral receivables, and accounts payable and accrued liabilities 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 following shows the fair value of other financial assets and liabilities compared to carrying value:

	As at September 30, 2023			As at December 31, 2022		
	Fair value	Carrying value	Deferred financing fees <sup>(1)</sup>	Fair value	Carrying value	Deferred financing fees <sup>(1)</sup>
	\$	\$	\$	\$	\$	\$
<b>Finance lease receivables<sup>(2)</sup></b>	36,731	43,778	—	46,871	46,954	—
<b>Investments</b>						
Third party <sup>(3)</sup>	456	456	—	459	459	—
Fund investment <sup>(3)</sup>	23,721	23,721	—	25,549	25,549	—
<b>Other long-term assets</b>						
Defined benefit pension receivable <sup>(2,4)</sup>	25,774	25,774	—	—	—	—
Interest rate swaps <sup>(5)</sup>	3,319	3,319	—	6,065	6,065	—
<b>Long-term debt</b>						
Amortizing term loans <sup>(6)</sup>	1,115,329	1,215,852	4,997	1,290,955	1,389,128	6,017
Asset backed securitization <sup>(6)</sup>	236,901	258,491	—	292,972	299,304	—
Series A Debentures <sup>(7)</sup>	81,938	86,250	1,083	81,722	86,250	1,690
Series B Debentures <sup>(7)</sup>	66,765	70,906	1,674	67,715	70,521	2,066
Series C Debentures <sup>(7)</sup>	69,692	85,000	2,597	71,825	85,000	3,043
Operating credit facility <sup>(8)</sup>	25,000	25,000	—	—	—	—
Unsecured credit facility <sup>(8)</sup>	50,299	50,700	—	99,657	101,580	—
<b>Other long-term liabilities</b>						
Total return swap <sup>(5)</sup>	5,994	5,994	—	3,813	3,813	—

(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 by discounting annual cash flows based on limited available market information and is classified as Level 3.

(4) Current portion of defined pension benefit receivable of \$4,142 is included in accounts receivable.

(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 based on quoted prices observed in active markets and is classified as Level 1.

(8) Fair value is calculated by discounting the future cash flow of the credit facility at a relevant market interest rate.



## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 11 Financial instruments and fair values (continued)

##### Financial risk factors

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

##### *Interest rate risk*

The majority of Chorus' debt is not subject to interest rate volatility as it bears interest at fixed rates or at floating rates that are fixed via interest rate swaps. Excluding revolving debt facilities, as at September 30, 2023, 91.9% of Chorus' term debt was fixed rate debt (inclusive of floating rate debt with swaps that effectively fix the rates thereunder) and 8.1% 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. There is an economic relationship between the hedged item and cash flow hedge, as notional amounts match and the fair value of the hedged item and cash flow hedge move in response to the same risk. The hedge ratio is determined by dividing the notional amount of the interest rate swap contract by the notional amount used to calculate the actual interest payments.

Chorus uses the hypothetical derivative method to assess hedge ineffectiveness. Under the hypothetical derivative method the critical terms of the hypothetical derivative will exactly match those of the hedged item. Hedge ineffectiveness can arise due to credit risk in the fair value of the cash flow hedge not being replicated in the hedged item and changes to the forecasted amount of cash flow of hedged items and hedging instruments.

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.

As at September 30, 2023, Chorus had eight (December 31, 2022 - ten) interest rate swap agreements with notional amounts totaling \$132,287 (December 31, 2022 - \$169,170). The fair value of interest rate swaps was as follows:

	As at September 30, 2023	As at December 31, 2022
	\$	\$
<b>Other long-term assets</b>		
Interest rate swaps	3,319	6,065

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 11 Financial instruments and fair values (continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Other comprehensive (loss) income</b>				
Change in fair value of financial assets and liabilities, net of tax recovery (expense) of \$46 and \$205 (2022 - (\$284) and (\$1,118))	(323)	1,990	(3,283)	7,826
(Loss) gain on ineffective interest rate swap <sup>(1)</sup>	(501)	1,012	1,186	2,052

(1) For the nine months ended September 30, 2023 includes the recognition of a gain of \$1,844 in interest expense related to the discontinuance of hedge accounting on an interest rate swap recycled from other comprehensive income.

In April 2023, the Financial Conduct Authority announced that following the official discontinuation of USD LIBOR on June 30, 2023 a synthetic USD LIBOR reference rate would continue to be published until September 2024. 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 do not mature before September 2024. As at September 30, 2023, Chorus had six loans which totaled \$80,514 and four derivative agreements which referenced notional amounts totaling \$17,321 that will be impacted by the transition from synthetic USD LIBOR to alternative reference rates. In addition, the CDOR will cease to be published on June 28, 2024, and the Canadian Overnight Repo Rate Average ("CORRA") will be the alternative risk-free rate used as replacement benchmark. Chorus is in the process of implementing a planned transition to alternative reference rates and does not anticipate any material impacts on its financial results as a result of this transition.

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 potential for changes in interest rates to cause adverse changes in cash flows to Chorus.

An interest rate change of 25 basis points would not have a material impact on annual net income as a result of Chorus' exposure to interest rate fluctuations on its floating rate debt.

#### Credit risk

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

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

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 11 Financial instruments and fair values (continued)

Chorus has entered into lease deferral arrangements with certain of its lessees in the RAL segment which will reduce Chorus' cash flow over the period of deferrals. In connection with the rent relief arrangements, certain of which include lease term extensions, the repayment of the deferred amounts typically coincide with the lease term extensions. These deferral arrangements could also increase Chorus' receivable risk due to the weakened financial state of its lessees. In addition, Chorus' liquidity could be put under stress where entities in the RAL segment are required to service principal and interest payments under its loans during the term of the deferral arrangements. The risks associated with the payment of deferred and future rent payments could have a material adverse effect on Chorus' business, results of operations, cash flows, financial position and prospects. At September 30, 2023, the RAL segment had total receivables of \$150,198 (December 31, 2022 - \$141,862), inclusive of the accrued straight-line rent receivable of \$32,482 (December 31, 2022 - \$32,641).

	As at September 30, 2023			As at December 31, 2022		
	Regional Aviation Services \$	Regional Aircraft Leasing \$	Total \$	Regional Aviation Services \$	Regional Aircraft Leasing \$	Total \$
Trade receivables	19,563	32,472	52,035	21,763	16,845	38,608
Deferred rent receivable	—	18,451	18,451	—	7,831	7,831
Air Canada trade receivable	125,367	—	125,367	140,805	—	140,805
Subtotal	144,930	50,923	195,853	162,568	24,676	187,244
Allowance for expected credit loss ("ECL")	(415)	(6,656)	(7,071)	(329)	(1,285)	(1,614)
Net trade receivables	144,515	44,267	188,782	162,239	23,391	185,630
Accrued straight-line rent receivable <sup>(1)(2)</sup>	—	5,247	5,247	—	1,055	1,055
Long-term accrued straight-line rent receivable <sup>(1)(3)</sup>	—	27,235	27,235	—	31,586	31,586
Long-term receivables <sup>(3)(4)</sup>	31,980	66,793	98,773	9,237	84,545	93,782
Subtotal	176,495	143,542	320,037	171,476	140,577	312,053
Long-term allowance for ECL	—	(22,353)	(22,353)	—	(25,724)	(25,724)
Total net receivables	176,495	121,189	297,684	171,476	114,853	286,329
Total gross receivables	176,910	150,198	327,108	171,805	141,862	313,667

(1) These receivables were assessed under IAS 36 for impairment (refer to note 3 - Significant accounting policies).

(2) Included in prepaid expenses and deposits.

(3) Included in other long-term assets.

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

Chorus has no financial assets past due, except for trade receivables. At September 30, 2023, the total amount of net trade receivables was \$188,782 (December 31, 2022 - \$185,630), inclusive of allowance for ECL of \$7,071 (December 31, 2022 - \$1,614) which has been estimated by management based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Significant judgements were made in determining these factors.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 11 Financial instruments and fair values (continued)

At September 30, 2023, the breakdown of past-due trade receivables were as follows:

	September 30, 2023 \$	December 31, 2022 \$
Past due		
60 - 90 days	3,675	2,921
Over 90 days	26,128	16,072
	29,803	18,993

#### 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 Chorus' common share price affecting settlement under its various stock-based compensation programs with a total return swap. The current swap is for 7.3 million common shares priced at \$3.16 per common share and matures in March 2024. Chorus does not apply hedge accounting to the total return swap and as such, gains and losses arising from changes in its fair value are recognized in operating income in the period in which they arise. For additional information, please refer to notes 3(j) and 3(k) - Significant accounting policies of the audited consolidated financial statements of Chorus for the year ended December 31, 2022.

Chorus recorded losses on the total return swap as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023 \$	2022 \$	2023 \$	2022 \$
<b>Income statement</b>				
Loss on total return swap	4,861	5,179	6,508	5,454

#### Liquidity risk

Chorus' liquidity needs are primarily related to funding ongoing operations, planned capital expenditures including investment in Falko-managed aircraft investment funds, principal and interest payments related to long-term borrowings and the payment of dividends.

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 September 30, 2023, Chorus had \$94,445 in cash and \$116,150 of available room on its operating credit facility, inclusive of letters of credit totaling \$8,850 that reduce the amount available under the operating credit facility. The operating credit facility is subject to a borrowing base calculation. (As of December 31, 2022 - \$100,027 in cash; \$130,294 of available room on its operating credit facility inclusive of letters of credit totaling \$10,338).

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 12 Contingencies

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

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

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

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

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

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

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

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 13 Economic dependence

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Operating revenue	354,014	316,243	970,532	909,853
Operating expenses	688	597	2,062	1,832

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

	September 30, 2023	December 31, 2022
	\$	\$
Accounts receivable	125,367	140,805
Finance lease receivables	1,699	3,870
Contract asset	17,498	18,277
Accrued Air Canada receivable - Deferred lease inducements, prepaid aircraft rent and related fees	2,288	1,884
Other long-term receivables <sup>(1)</sup>	31,980	9,236
Accounts payable and accrued liabilities <sup>(2)</sup>	49,515	5,867

(1) Includes defined benefit pension receivable relating to Air Canada's agreement to reimburse Jazz for the impact of the new pilot wage scales on the defined benefit pension plan for pilots. The accounting receivable will be repaid in 60 equal monthly payments with the first payment due on December 1, 2023. In accordance with IFRS, the associated impact of the wage scale pension assumption change in the pension liability was charged to other comprehensive income.

(2) Includes unearned revenue of \$47,827 related to a prepayment in September for October's controllable cost revenue.

## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 14 Statement of cash flows - supplementary information

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
(Increase) decrease in accounts receivable – trade and other	(17,508)	(11,794)	317	(51,362)
Increase in inventories	(2,814)	(1,058)	(5,120)	(3,680)
Decrease (increase) in prepaid expenses	1,104	3,563	(976)	(4,628)
Decrease in income tax receivable	18	109	971	102
(Increase) decrease in other long-term assets	(19,398)	7,017	(8,593)	11,925
Increase in accounts payable and accrued liabilities	80,309	4,643	36,911	59,063
(Decrease) increase in current portion long-term incentive plan	(779)	1,128	(195)	1,968
Increase (decrease) in income tax payable	2,576	4,993	(19,439)	6,523
Increase (decrease) in other long-term liabilities	756	2,300	(3,019)	(910)
	44,264	10,901	857	19,001

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

b) Other

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Cash payments of interest	16,230	23,927	71,759	70,293
Cash receipts of interest	521	673	1,978	1,366
Cash payments of tax	3,627	1,150	33,189	8,873



## Chorus Aviation Inc.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023

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

#### 14 Statement of cash flows - supplementary information (continued)

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

	Amortizing term loans <sup>(1)</sup>	Series A Debentures	Series B Debentures	Series C Debentures	Credit facilities <sup>(2)</sup>	Total long-term debt	Lease liabilities
	\$	\$	\$	\$	\$	\$	\$
<b>Balance - December 31, 2022</b>	1,682,415	84,560	68,455	81,957	101,580	2,018,967	11,309
Long-term borrowings, net of financing costs	(231)	—	—	—	24,984	24,753	—
Repayment of long-term borrowings	(209,670)	—	—	—	(50,159)	(259,829)	—
Repayment of lease liabilities	—	—	—	—	—	—	(3,904)
<b>Total financing cash flow activities</b>	<b>(209,901)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(25,175)</b>	<b>(235,076)</b>	<b>(3,904)</b>
New lease liabilities	—	—	—	—	—	—	5,040
Lease liability disposal	—	—	—	—	—	—	(1,887)
Interest expense	2,973	607	777	446	—	4,803	—
Deferred financing fee amortization	1,208	—	—	—	—	1,208	—
Unrealized foreign exchange gain	(11,662)	—	—	—	(240)	(11,902)	(21)
Realized foreign exchange loss (gain)	10,474	—	—	—	(465)	10,009	—
Foreign currency adjustments	(6,161)	—	—	—	—	(6,161)	(7)
<b>Total financing non-cash activities</b>	<b>(3,168)</b>	<b>607</b>	<b>777</b>	<b>446</b>	<b>(705)</b>	<b>(2,043)</b>	<b>3,125</b>
<b>Balance - September 30, 2023</b>	<b>1,469,346</b>	<b>85,167</b>	<b>69,232</b>	<b>82,403</b>	<b>75,700</b>	<b>1,781,848</b>	<b>10,530</b>

(1) Includes amortizing term loans and asset backed securitization.

(2) Includes the operating credit facility and the unsecured credit facility.

d) Restricted cash

Cash encumbered in support of issued letters of credit and leasing arrangements have been classified as restricted cash and shown separately in the consolidated statement of financial position (September 30, 2023 - \$92,575; December 31, 2022 - \$67,884).

## **Chorus Aviation Inc.**

### **Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the three and nine-month periods ended September 30, 2023**

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

#### **15 Subsequent events**

##### **Bi-Lateral Credit Facilities**

On November 1, 2023, Chorus entered into two credit facilities with The Bank of Nova Scotia.

The first facility provides Chorus with an unsecured revolving loan facility in an amount up to \$30,000 and matures on November 1, 2024. Borrowings under this facility are unsecured and bear interest for Canadian dollar advances at Canadian Prime plus 3.50% or CORRA plus a credit spread adjustment plus 4.50%, and for US dollar advances at Base Rate plus 3.50% or SOFR plus a credit spread adjustment plus 4.50%. This facility may be used for general corporate purposes but can only be drawn after Chorus has fully drawn under the operating credit facility. Indebtedness under this facility ranks at least pari passu in right of payment with all other senior, unsecured and unsubordinated indebtedness of Chorus. The loan agreement contains customary representations, warranties, covenants and events of default, and is cross-defaulted to any event of default under the operating credit facility.

The second facility provides Chorus with a revolving loan in an amount up to the lesser of (a) 50% of the current market value of certain unencumbered aircraft pledged as security for the loan, and (b) \$50,000. The facility matures on December 31, 2025. Borrowings bear interest for Canadian dollar advances at Canadian Prime plus 2.50% or CORRA plus a credit spread adjustment plus 3.50%, and for US dollar advances at Base Rate plus 2.50% or SOFR plus a credit spread adjustment plus 3.50%, and are secured by the aircraft pledged as security together with the related leases and insurance proceeds. The loan agreement contains customary representations, warranties, covenants and events of default, and is cross-defaulted to any event of default under the operating credit facility. The use of proceeds under this facility is currently limited to the repayment of the Series A Debentures.

##### **Renewal NCIB**

On November 8, 2023, Chorus announced that it had received approval from the Toronto Stock Exchange to implement a NCIB to purchase up to 15,160,372 common shares during the period November 14, 2023 to no later than November 13, 2024.