chorus aviation inc.

First Quarter 2018
Management's Discussion and Analysis of Results of Operations and Financial Conditions

May 3, 2018

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 the Glossary of Terms for definition of capitalized terms and acronyms used in this MD&A.

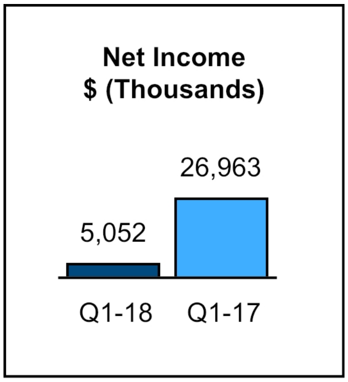
This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus and the notes therein for the three months ended March 31, 2018, the audited consolidated financial statements of Chorus for the year ended December 31, 2017, Chorus' annual MD&A dated February 14, 2018 and Chorus' Annual Information Form dated February 14, 2018. 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 May 3, 2018.

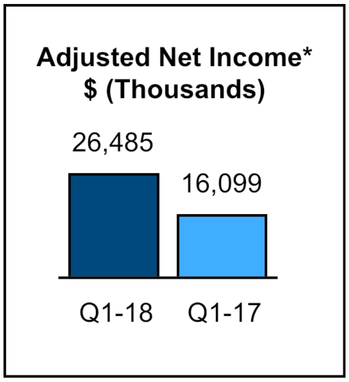
The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 9 – Risk Factors.

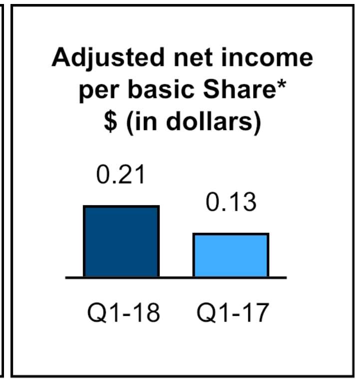
Except where the context otherwise requires, all amounts are stated in Canadian dollars.

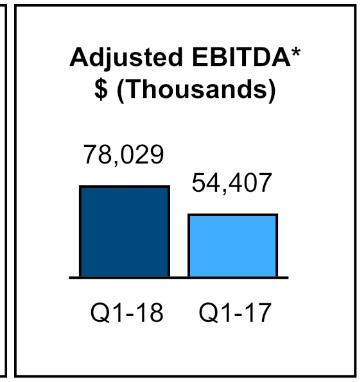
On January 1, 2018, Chorus adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes a new control-based revenue recognition model and the adoption of the new standard required restatement of certain previously reported results. Please refer to Section 12 - Changes in Accounting Standards.

Please refer to Section 20 - Caution Regarding Forward-Looking information at the end of this document.









* This is a non-GAAP measure. Refer to Section 16 – Non-GAAP Financial Measures.

Q1 2018 Highlights

- Net income of $5.1 million, or $0.04 per basic Share, inclusive of an unrealized foreign exchange loss of $18.0 million.
- Adjusted net income of $26.5 million, or $0.21 per basic Share.
- Adjusted EBITDA of $78.0 million.
- Increase in Adjusted EBITDA of $23.6 million or 43% driven by increased revenue from aircraft leasing.
- Completed equity raise of approximately $112.0 million.
- Completed leasing transaction with Dublin-based CityJet for two CRJ900s.
- Implemented Dividend Reinvestment Plan offering a 4% discount.
- Completed the fifth Extended Service Program on a Dash 8-300 aircraft.
- Jazz airport services employees, representing approximately 15% of Jazz's workforce, ratified a new collective agreement with a term to January 2022.

Chorus continues to deliver solid earnings that are within management's expectations, supporting positive operating income and cash flow from operations.

In the first quarter of 2018, Chorus successfully completed a public offering of Shares for gross proceeds of $112.0 million. The net proceeds of the offering will be used primarily to fund the growth of Chorus Aviation Capital, including the acquisition of aircraft intended for or currently on lease to third parties as well as for working capital requirements and other general corporate purposes.

On March 21, 2018, a subsidiary of Chorus Aviation Capital acquired two Bombardier CRJ900s through a sale and leaseback transaction with CityJet of Dublin, Ireland. These aircraft are two years old and constitute incremental additions to Chorus Aviation Capital's growing regional aircraft fleet. This latest transaction expands Chorus Aviation Capital's business to 10 lessees located in 10 countries, on six continents. These two additional CRJ900s grew Chorus' fleet of leased aircraft to 67, the average age of which is six years of which 44 aircraft are operated by Jazz under the CPA, and 23 aircraft operated by third-party airlines.

JTS completed its fifth Extended Service Program on a Dash 8-300 aircraft which subsequently began generating leasing revenue under the CPA. The Jazz airport services employee group ratified a new collective agreement with a term to January 13, 2022.

First Quarter Summary

In the first quarter of 2018, Chorus reported Adjusted EBITDA of $78.0 million versus $54.4 million in 2017, an increase of $23.6 million or 43.4%.

The $23.6 million increase in Adjusted EBITDA was primarily driven by:

- a $13.8 million increase mainly due to the growth in third party regional aircraft leasing;
- increased aircraft leasing revenue under the CPA of $2.3 million;
- decreased stock based compensation of $2.2 million;
- decreased operating costs related to a $1.3 million increase in capitalized labour and maintenance costs on owned aircraft for major maintenance overhauls; and
- a decrease of $4.9 million in other expenses, offset by a decline of $0.9 million in CPA performance incentive revenue.

Adjusted net income was $26.5 million for the period, an increase from 2017 of $10.4 million, or 64.5%. The change was a result of the $23.6 million increase in Adjusted EBITDA previously described, plus a $0.2 million decrease in income taxes, partially offset by:

- $5.8 million of interest costs related to increased aircraft debt and Convertible Units; and
- $7.6 million of additional depreciation primarily related to new aircraft.

Net income was $5.1 million for the period, a decrease of $21.9 million or 81.3% from the same period of 2017. The decrease was primarily due to changes in unrealized foreign exchange loss of $32.2 million; offset by the previously noted $10.4 million increase in the adjusted net income.

2 ABOUT CHORUS

Chorus' vision is to deliver regional aviation to the world. It owns the businesses described below and its Shares are listed on the TSX under the symbol 'CHR'.

Jazz

Jazz is Canada's largest regional airline, and operates more flights to more Canadian airports than any other carrier. As at March 31, 2018, Jazz operated scheduled service on behalf of Air Canada to 59 destinations in Canada and 15 destinations in the U.S. using 116 Covered Aircraft. Jazz and Air Canada are parties to the CPA which has a term expiring December 31, 2025. Under the CPA, Jazz is contracted to fly under the Air Canada Express brand and is responsible for all aspects of managing the operational execution of the service, while Air Canada determines and manages all commercial aspects. Jazz also performs heavy maintenance on Bombardier aircraft through its JTS division.

Chorus Aviation Capital

Chorus Aviation Capital was established in 2017 with the objective of developing a global, regional aircraft leasing business. CAC is focused on building a diversified portfolio of regional aircraft manufactured by ATR, Bombardier and Embraer for lease to brand-name regional aircraft operators around the world. As of March 31, 2018, CAC has developed Chorus' regional aircraft leasing business to include 10 airlines located in 10 countries spanning six continents, and a fleet of regional aircraft valued at over $1.0 billion.

Voyageur

Voyageur provides specialized contract flying operations and customized engineering, design and MRO services to international customers, and regional aircraft parts provisioning sales and service.

3 STRATEGY

Chorus is transitioning its business to become an international leader in regional aircraft leasing and related support services. Chorus' three primary revenue streams are:

1. Aircraft leasing from third party (unaffiliated) airlines and under the CPA
2. Contract flying under the CPA and other contract flying
3. Maintenance, Repair and Overhaul (MRO) including part sales

A large portion of Chorus' revenues consist of Pass-Through Revenue and Controllable Revenue, both of which serve to compensate Chorus for the costs of operating services under the CPA. Pass-Through Revenue is a direct reimbursement for Pass-Through Costs and Controllable Revenue is a reimbursement for Controllable Costs based on negotiated cost rates.

In the first quarter of 2018, Chorus derived approximately 88% of its revenue from the CPA (94% in 2017); however, approximately 71% of Chorus' consolidated revenue in the first quarter of 2018 (2017 - 74%) was attributable to Pass-Through Revenue and Controllable Revenue.

Chorus' Vision and Value Proposition

Chorus' vision is to deliver regional aviation to the world. Chorus is achieving its vision by leveraging the synergistic expertise through our subsidiaries of Chorus Aviation Capital, Jazz and Voyageur.

The Chorus group of companies possess unique experience and capabilities in regional aviation. Our combined competencies afford Chorus the opportunity to offer a full suite of flight, maintenance, repair, overhaul, modification and leasing solutions to regional aircraft owners and operators around the globe. In time, this will increasingly differentiate Chorus from its competition and is at the core of Chorus' value proposition to Shareholders. Combined with Chorus' values of listening, collaborating and improving, Chorus is uniquely positioned to deliver regional aviation to the world.

The Growth Opportunity

Chorus' focus on the regional aircraft leasing market is due to the following:

- passenger demand is growing and creating the need for more regional aircraft operations;
- the regional aircraft leasing segment currently has limited competition, creating potential for further penetration and typically generates higher yields and sector margins when compared to narrow and wide-body aircraft; and
- the regional aircraft market has experienced historically stable aircraft deliveries with limited technical obsolescence risk.

Chorus' approach to growing its aircraft leasing business is based on the following:

New to Mid-Life Aircraft	- Acquire new technology, high demand, marketable aircraft. - Use sale leasebacks to build relationships with airlines. - Use skyline purchases to reduce aircraft acquisition costs.
Customers	- Build geographic, product and customer diversity. - Seek airline customers with high credit quality and/or strong prospects. - Employ collaborative approach to working with airlines.
Long-Term Leases	- Target 5 to 10 years to provide significant visibility into the future. - Conduct rigorous and thorough credit review. - Aim to recover aircraft costs over first lease.
Low Cost Capital	- Seek debt financing from a variety of sources. - Match financing and lease term for risk hedge where feasible. - Reserve capital for select deals to allow for opportunistic purchasing.
Highly Experienced Team	- Develop team with significant industry experience. - Leverage relationships with over 100 airlines.

4 2018 OUTLOOK

The discussion that follows includes forward-looking information (refer to Section 20 - Caution regarding forward-looking information). This outlook is provided for the purpose of providing information about current expectations for 2018. This information may not be appropriate for other purposes.

Chorus is committed to building additional Shareholder value by growing and diversifying regional aircraft leasing revenue, pursuing additional growth opportunities and strengthening the foundational contract flying segment.

Since the start of last year, Chorus has realized net proceeds of $303.0 million from the issuance of Convertible Units in March 2017 and the issuance of Shares in March 2018.

When combined with anticipated debt financing at typical ratios of up to three times equity, this capital affords Chorus the ability to invest up to $1.2 billion in aircraft for its leasing business.

Approximately 50% of this capital has been invested to date and Chorus anticipates investing the balance in 2018 to mid 2019 methodically by selecting a strategic mix of assets, clients and geographic locations.

Based on the 2017-2018 winter schedule, the 2018 summer schedule and updated planning assumptions received from Air Canada, Billable Block Hours for 2018 are expected to be between 360,000 and 375,000 hours based on 116 Covered Aircraft as at December 31, 2018. The actual number of Billable Block Hours for 2018 may vary from this anticipated range due to a number of factors (see Section 9 - Risk Factors).

Capital expenditures for 2018, excluding those for the acquisition of aircraft and the ESP, and including capitalized major maintenance overhauls, are expected to be between $44.0 million and $50.0 million.

(unaudited) (expressed in thousands of Canadian dollars)	Planned 2018[(1)] $	Actual Three months ended March 31, 2018 $	Actual Year ended December 31, 2017 $
Capital expenditures, excluding aircraft acquisitions and ESP	25,000 to 28,000	5,856	31,074
Capitalized major maintenance overhauls	19,000 to 22,000	4,358	27,003
Aircraft related acquisitions and ESP	81,000 to 84,000	61,096	564,271
	125,000 to 134,000	71,310	622,348

(1) The 2018 plan includes ESP and two CRJ900s which have been converted using a foreign exchange rate of $1.2894. Excludes any additional capital for CAC, beyond that announced.

5 FIRST QUARTER ANALYSIS

Revenue

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2018 $	 2017 $	Change $
CPA Revenue			
Controllable Revenue	195,292	180,997	14,295
Pass-Through Revenue	50,517	54,176	(3,659)
Aircraft leasing revenue under the CPA	29,770	27,484	2,286
Fixed Margin and Infrastructure Fee per Covered Aircraft	27,918	27,668	250
Incentive revenue	3,913	4,771	(858)
	307,410	295,096	12,314
Charter and other contract flying revenue	11,978	12,026	(48)
Other revenue	28,162	12,639	15,523
	347,550	319,761	27,789

Controllable revenue

Controllable Revenue increased $14.3 million or 8.0%. Chorus incurred increased engine overhaul maintenance expense for the Jazz CRJ200s and CRJ900s which have been under a time and materials based contract since Q4 2017. This increase in expense resulted in a corresponding increase in Controllable Revenue billed to Air Canada under the CPA. The remaining increase in revenue was mostly attributable to flight crew salaries, wages and benefits as a result of increased contract flying activity.

Pass-Through Revenue

Pass-Through Revenue decreased by $3.7 million or 6.8%, as a result of Air Canada entering into new commercial agreements with certain domestic airports during 2017 that were previously under contract by Jazz. Pass-Through Costs related to food, beverage and supplies, airport fees and certain terminal handling services and are now paid directly by Air Canada pursuant to these new agreements.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA was earned from 34 Q400s, five CRJ900s and five Dash 8-300s which have completed an ESP. The increase of $2.3 million was attributable to the additional revenue earned from five CRJ900s and five Dash 8-300s versus no revenue earned on these aircraft in 2017.

Other revenue

Other revenue increased by $15.5 million. The increase was mainly attributable to increased third party aircraft leasing revenue. Third party leasing revenue was earned from 23 aircraft in the first quarter 2018 versus two aircraft in Q1 2017.

Expenses

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, **2018** **$**	 **2017** **$**	 **Change** **$**
Operating expenses			
Salaries, wages and benefits	117,487	114,220	3,267
Depreciation and amortization	29,655	22,049	7,606
Aircraft maintenance materials, supplies and services	53,770	44,289	9,481
Airport and navigation fees	39,573	39,393	180
Aircraft rent	24,247	24,729	(482)
Terminal handling services	6,258	9,329	(3,071)
Other	31,645	37,657	(6,012)
	302,635	291,666	10,969

Operating expenses increased by $11.0 million or 3.8%, compared to Q1 2017.

Salaries, wages and benefits

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2018 $	 2017 $	 Change $
Adjusted salaries, wages and benefits	114,691	107,668	7,023
Stock-based compensation	1,236	3,481	(2,245)
Employee separation program costs	3,459	4,263	(804)
Capitalized major maintenance overhaul labour	(1,899)	(1,192)	(707)
	117,487	114,220	3,267

Adjusted salaries, wages and benefits increased $7.0 million related primarily to increased contract flying activity and increased FTEs compared to the first quarter of 2017; partially offset by lower labour costs due to increased efficiencies. Stock-based compensation decreased by $2.2 million as compared to the same period in 2017 primarily due to a decrease in the price of Chorus' Shares during the quarter. Employee separation program costs which relates to various cost reduction programs decreased $0.8 million. Salaries and wages also decreased due to $0.7 million of additional labour costs being capitalized on owned aircraft for major maintenance overhauls in 2018.

Depreciation and amortization

Depreciation and amortization expense increased by $7.6 million from $22.0 million to $29.7 million due to the purchase of additional aircraft for the regional aircraft leasing business.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense increased by $9.5 million from $44.3 million to $53.8 million. The increase was attributable to $7.3 million in engine overhauls and $2.8 million in other maintenance costs; offset by a $0.6 million decrease in maintenance costs associated with third party contracts.

Chorus incurred increased engine overhaul maintenance expense for the Jazz CRJ200s and CRJ900s which have been under a time and materials based contract since Q4 2017. This increase in expense resulted in a corresponding increase in Controllable Revenue billed to Air Canada under the CPA.

Aircraft rent

Aircraft rent decreased by $0.5 million from $24.7 million to $24.2 million, which was due to the reduction in aircraft rent of $2.3 million as a result of the return of CRJ200s in 2017; partially offset by $1.8 million due to the addition of Q400s subleased from Air Canada and a change in the US dollar exchange rate.

Terminal handling services

Terminal handling costs decreased by $3.1 million from $9.3 million to $6.3 million as a result of Air Canada assuming certain airport contract costs of $2.4 million, as well as a $0.7 million decrease related to aircraft deployment changes.

Other

Other expenses decreased by $6.1 million from $37.7 million to $31.6 million primarily as a result of food, beverage and supplies which are now paid directly by Air Canada and other reductions in certain overhead costs.

Non-operating income (expenses)

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2018 $	 2017 $	 Change $
Non-operating (expenses) income			
Net interest expense	(13,805)	(8,014)	(5,791)
Gain (loss) on disposal of property and equipment	8	(187)	195
Foreign exchange (loss) gain	(20,000)	13,377	(33,377)
	(33,797)	5,176	(38,973)

Non-operating expenses increased by $39.0 million from an income of $5.2 million to expenses of $33.8 million.

Net interest expense increased by $5.8 million. Interest expense increased due to incremental aircraft debt incurred throughout 2017 and 2018, primarily related to funding of new aircraft for the regional aircraft leasing business through secured debt facilities and Convertible Units.

The weakening of the Canadian dollar versus the US dollar resulted in a foreign exchange loss of $20.0 million in Q1 2018, compared to a gain of $13.4 million in the same period in 2017. This loss relates primarily to US dollar loans, but also includes foreign exchange changes on working capital. The US dollar exchange rate at March 31, 2018 was $1.2894 while the US dollar exchange rate at December 31, 2017 was $1.2545. The US dollar exchange rate at March 31, 2017 was $1.3299 while the US dollar exchange rate at December 31, 2016 was $1.3427. These rates are based on the closing day rate from the Bank of Canada. Chorus manages its exposure to currency risk by billing for its services within the CPA in the underlying currency related to the expenditure. As a result, due to the nature of the underlying associated revenue stream provided by the CPA, the unrealized foreign exchange gains/losses on long-term debt and finance leases do not materially affect current or future cash flows.

6 FLEET

The following table provides the total number of aircraft in Chorus' fleet as at March 31, 2018 and December 31, 2017.

(unaudited)	December 31, 2017	2018 Fleet Changes			March 31, 2018	Owned[1]
		Additions	Removals	Transfers		
Leased Aircraft						
Third Party Leased Aircraft						
CRJ900s	—	2	—	—	2	2
CRJ1000s	4	—	—	—	4	4
Q400s	5	—	—	—	5	5
E190s	4	—	—	—	4	4
E195s	2	—	—	—	2	2
ATR 72-600s	6	—	—	—	6	6
	21	2	—	—	23	23
Covered Aircraft Leased under the CPA[2]						
Q400s	34	—	—	—	34	34
CRJ900s	5	—	—	—	5	5
Dash 8-300s	4	—	—	1	5	5
	43	—	—	1	44	44
Total Leased Aircraft	64	2	—	1	67	67
Other Covered Aircraft						
CRJ200s	10	—	—	—	10	—
CRJ900s[3]	16	—	—	—	16	—
Dash 8-100s	16	—	(1)	—	15	15
Dash 8-300s	22	—	—	(1)	21	16
Q400s	10	—	—	—	10	—
Total Other Covered Aircraft[2]	74	—	(1)	(1)	72	31
Voyageur Aircraft						
CRJ200s	7	—	—	—	7	7
King Air 200s	2	—	—	—	2	2
Dash 8-100s[4]	6	—	—	(1)	5	5
Dash 8-300s[5]	6	—	—	—	6	6
Total Voyageur Aircraft	21	—	—	(1)	20	20
Non-Operational Aircraft						
CRJ200s	1	—	—	—	1	1
Dash 8-100s	8	—	—	1	9	9
Total Non-Operational Aircraft	9	—	—	1	10	10
Total Aircraft	168	2	(1)	—	169	128

(1) Denotes aircraft owned by Chorus versus leased from third parties.
(2) Total Covered Aircraft in the CPA is 116, including 44 aircraft leased under the CPA.
(3) Completed the reconfiguration of CRJ705s to CRJ900s.
(4) Includes three aircraft leased to a third party.
(5) Includes one aircraft leased to a third party.

7 CAPITAL STRUCTURE

Chorus’ capital structure consists primarily of a combination of equity and debt including Shares, Convertible Units and amortizing secured debt facilities.

Chorus’ objective when managing its capital structure is to maintain adequate liquidity and flexibility, while obtaining the lowest cost of capital available. It manages exchange and interest rate risk 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 leverage to lower its cost of capital. The amount of debt available to Chorus is a function of earnings, typically measured at the Adjusted EBITDAR level (refer to Section 16 - Non-GAAP Financial Measures) and market accepted norms for businesses in its sector.

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

Chorus’ capital structure was as follows as at March 31, 2018 and December 31, 2017.

(unaudited) (expressed in thousands of Canadian dollars)	**March 31, 2018 $**	**December 31 2017 $**	**Change $**
Equity			
Capital	141,382	32,412	108,970
Contributed surplus	1,040,910	1,040,826	84
Deficit	(790,415)	(794,197)	3,782
Equity component of Convertible Units	2,981	2,981	—
	394,858	282,022	112,836
Convertible Units	193,724	193,540	184
Finance leases	7,503	7,981	(478)
Long-term debt	1,164,488	1,114,809	49,679
Consideration payable	4,514	4,387	127
Total capital	1,765,087	1,602,739	162,348

As at April 27, 2018 and December 31, 2017, the issued and outstanding Shares of Chorus were as follows:

(unaudited)	April 27, 2018	December 31, 2017
Total issued and outstanding Shares	138,599,182	125,410,001
Shares potentially issuable		
Stock-based compensation plans	2,637,286	2,637,286
Total outstanding and potentially dilutive Shares	141,236,468	128,047,287

In addition, approximately 24,242,242 Shares are potentially issuable at an exercise price of $8.25 in connection with the private placement of Convertible Units as noted below.

Dividend Reinvestment Plan ("DRIP")

Chorus implemented a DRIP effective February 1, 2018, which provides Shareholders who are resident in Canada the opportunity to purchase additional Shares using cash dividends paid on Shares enrolled in the DRIP. All Shares purchased under the DRIP are newly issued by Chorus from treasury, and the proceeds received by Chorus are used for general corporate purposes.

The price for Shares purchased under the DRIP is equal to 100% of the average market price; however, Chorus may, from time to time, offer a discount of up to 5% from the average market price for Shares purchased under the DRIP. As of the date of this MD&A, Chorus offers a 4% discount and reserves the right to change or eliminate the discount at any time.

Long-term debt

Long-term debt consists of the following:

(unaudited) (expressed in thousands of Canadian dollars)	March 31, 2018 $	December 31, 2017 $
Amortizing term loans		
Secured by aircraft	1,143,065	1,093,350
Secured by engines	11,423	11,459
Secured by office building	10,000	10,000
	1,164,488	1,114,809
Current portion	125,397	118,729
	1,039,091	996,080

Chorus' aircraft amortizing term loans are repayable in monthly, quarterly, or semi-annual instalments, ranging from $0.1 million to $1.3 million, bearing fixed, floating, and floating interest fixed via swap agreements at a weighted average rate of 3.844%, maturing between April 2020 and December 2028, each secured primarily by its respective aircraft and engines.

The engine loans are repayable in quarterly instalments of approximately $0.1 million, including fixed interest at a weighted average rate of 4.396%, maturing between February 2022 and May 2028, each secured primarily by one PW150A engine.

The office building loan is repayable in annual instalments of $1.0 million, bearing interest at a fixed rate of 3.33%, maturing August 31, 2027. The loan may be repaid in full or in part at any time without bonus or penalty and is secured by a first security interest in the land and office building located at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia and the assignment of the building tenant leases.

Total scheduled principal payments on long-term debt are as follows:

(unaudited) (expressed in thousands of Canadian dollars)	$
No later than one year	125,397
Later than one year and no later than five years	575,350
Later than five years	463,741
	1,164,488

Covenants

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

As at March 31, 2018, Chorus (or as applicable, certain subsidiaries) were in compliance with all these covenants.

A description of the principal financial covenants is set out below:

Amortizing term loans totaling CAD $858.9 million, as at March 31, 2018, have covenants which apply separately to the "Jazz Group" (comprising Jazz and Jazz Leasing and any entity controlled directly or indirectly by either of them), the "North Bay Leasing Group" (comprising North Bay Leasing, Voyageur Aviation, Voyageur Airways, Voyageur Aerotech and Voyageur Avparts), and various subsidiaries of Chorus Aviation Capital (which hold aircraft acquired for lease to customers outside the Chorus group and the CPA).

- The Jazz Group is required to maintain a maximum adjusted leverage and a minimum adjusted interest debt coverage ratio. The financing agreement with the lender also contains a covenant respecting the continuation of business under the CPA which is specific to Jazz as the operator of the financed Q400s, Q400 spare engines, and CRJ900s.

- The North Bay Leasing Group is required to maintain prescribed liquidity levels, a minimum lease coverage ratio, and a minimum EBITDAR level, measured annually prior to the payment of consideration payable to the former owner of Voyageur. Also, Voyageur Aviation, Voyageur Airways, Voyageur Aerotech and Voyageur Avparts have each provided full recourse guarantees to the lender, and Chorus Aviation Holdings II Inc. has pledged the shares of North Bay Leasing Inc. to the lender.

- On each of June 29, 2017 and March 21, 2018, certain subsidiaries of Chorus Aviation Capital entered into financing agreements with the lender in connection with the acquisition of six ATR 72-600s and two CRJ900s, respectively. Both Chorus Aviation Capital and Jazz Leasing have guaranteed the indebtedness under these agreements to the lender. Under the terms of the financing agreements, Chorus Aviation Capital is required to maintain a maximum consolidated total debt to tangible net worth ratio and is also prohibited from declaring or paying dividends or other distributions unless its consolidated tangible net worth is equal to at least the prescribed minimum. The indebtedness under these agreements is cross-defaulted to any payment default by Jazz Leasing under its other debt facilities with the lender. It is also cross-defaulted and cross-collateralized to any other debt of Chorus Aviation Capital or its subsidiaries supported by the lender, except debt in respect of which such lender does not have recourse beyond the borrower entity.

Amortizing term loans totaling CAD$32.7 million as at March 31, 2018 have covenants which apply directly to Chorus Aviation Leasing. This entity is required to maintain a minimum consolidated tangible net worth.

Revolving loan facility

On August 30, 2017, Chorus entered into a three-year committed operating credit facility. The facility provides Chorus and certain designated subsidiaries (collectively, the "Credit Parties") with a committed limit of up to $50.0 million with the opportunity to borrow up to a further $25.0 million on a demand basis, subject in each case to a borrowing base calculation based principally on the value of eligible accounts receivable, inventory and equipment. As of March 31, 2018, no amounts were drawn on the facility, however, Chorus has provided letters of credit totaling $6.5 million that reduce the amount available under this facility. The indebtedness under this facility is secured by all present and after-acquired personal property of the Credit Parties, excluding aircraft, engines and certain real estate property.

Under the terms of this credit facility, Chorus is required to maintain a maximum ratio of total debt to EBITDA, as well as a minimum ratio of EBITDA to fixed charges. At March 31, 2018, Chorus was in compliance with these covenants.

Convertible Units

In December 2016, Chorus 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.

Each Convertible Unit comprises a $1,000 senior debenture (the “Debenture”) and 121.21212121 warrants (the “Warrants”). The Debentures bear interest at a rate of 6.00% per annum, are 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 (the “Maturity Date”) and are redeemable at par at any time after December 31, 2021, except in the event of the satisfaction of certain conditions after a change of control (in which case Chorus may be required to make an offer to repurchase all of the Debentures) or the exercise of the Warrants. The Collateral Security will be released in the event that Fairfax sells or otherwise disposes of any of the Convertible Units.

Each Warrant is exercisable by the holder thereof to acquire one Share at an exercise price equal to $8.25 per Share payable in cash or by tendering the Debentures. Except in certain circumstances relating to a change of control of Chorus, the Warrants may only be exercised after December 31, 2019 up to and including the earlier of the redemption of the Debentures by Chorus and the business day immediately preceding the Maturity Date. The Warrants also include customary anti-dilution provisions.

Assuming the exercise of all of the Warrants, Fairfax, through its subsidiaries, would beneficially own 24,242,424 of the issued and outstanding Shares of Chorus. The Debentures are listed on the TSX under the symbol “CHR.DB”. Fairfax has agreed to hold the Convertible Units until at least December 31, 2019, after which time it may dispose of all or part of the Convertible Units.

8 LIQUIDITY

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

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

Liquidity

As of March 31, 2018, Chorus had $151.8 million in cash and a committed facility of up to $50.0 million with the opportunity to borrow up to a further $25.0 million on a demand basis. The ability to borrow on the facility is based upon eligible inventory and receivables. No amounts were drawn as of March 31, 2018, however, Chorus has provided letters of credit totaling $6.5 million that reduce the amount available under this facility.

Chorus' cash balance, together with available credit on the revolving loan, will be used to fund the growth of its regional aircraft leasing business, as well as for working capital requirements and general corporate purposes. Chorus is satisfied that it has ample liquidity to satisfy its working capital requirements. Refer to Section 20 - Caution regarding forward-looking information.

Leverage

Chorus has reviewed market-acceptable ranges for leverage in the airline and aircraft leasing industries, and intends to stay within those ranges, with changes for relatively short periods of time, to allow for accretive investments.

The issuance of the Debentures forming part of the Convertible Units has had the effect of increasing Chorus' overall leverage until they mature or are redeemed by Chorus in connection with an exercise of the Warrants, or as otherwise set out in the indentures governing the Debentures and Warrants. However, scheduled payments under term debt facilities are expected to reduce Chorus' debt and related leverage over the next several years.

Chorus' leverage ratio (Adjusted net debt to trailing 12-month Adjusted EBITDAR) was 4.0 as at March 31, 2018 (December 31, 2017 - 4.4). Leverage decreased in 2018 compared to 2017 due to increased EBITDAR, scheduled payments on long-term debt, cash proceeds from the equity raise in the first quarter of 2018 (which are netted against debt for leverage purposes), partially offset by additional debt related to the regional aircraft leasing business for which there is not yet 12 months of trailing Adjusted EBITDAR. Leverage as measured on an Adjusted net debt to Adjusted EBITDAR basis is typically higher in the regional aircraft leasing business. Refer to Section 16 - Non-GAAP Financial Measures. As the regional aircraft leasing business continues to grow, Chorus' overall leverage will shift to be more in line with market acceptable levels for regional aircraft leasing businesses. Refer to Section 20 - Caution regarding forward-looking information.

Cash Flows

The following table provides information on Chorus' cash flows for the three months ended March 31, 2018 and March 31, 2017.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2018 $	 2017 $
Cash provided by operating activities	38,433	34,415
Cash provided by financing activities	108,337	163,223
Cash used in investing activities	(68,175)	(9,736)
Cash flow from operating, financing and investing activities	78,595	187,902
Effect of foreign exchange rate changes on cash	1,971	(617)
Net change in cash during the periods	80,566	187,285
Cash – Beginning of periods	71,249	23,491
Cash – End of periods	151,815	210,776

Cash provided by operating activities

Cash provided by operating activities increased by $4.0 million. Chorus continues to generate positive operating income and cash flows from operations before net changes in non-cash balances, producing $59.8 million for the three months ended March 31, 2018, compared to $48.5 million for the three months ended March 31, 2017. This was partially offset by $21.4 million and $14.1 million investments in non-cash working capital in 2018 and 2017, respectively.

Cash provided by financing activities

Cash provided by financing activities for the three months ended March 31, 2018 was comprised primarily of net proceeds received from the issuance of Shares in the amount of $107.0 million and $45.4 million of borrowings on new loans related to aircraft acquisitions; partially offset by scheduled payments on long-term borrowings of $28.8 million and dividends of $14.5 million (net of dividend reinvestment plan of $0.6 million).

On March 13, 2018, Chorus announced the completion of a public offering of 11,628,000 Shares at an offering price of $8.60 per Share. In addition, Chorus issued an additional 1,400,000 Shares at the same offering price upon the exercise of the underwriters' over-allotment option. Gross proceeds of the offering were $112.0 million ($107.0 million net of commissions, fees, and issuance costs).

The net proceeds of the offering will be used to fund the growth of Chorus Aviation Capital, Chorus' aircraft leasing business, including the acquisition of aircraft intended for or currently on lease to third parties, as well as for working capital requirements and other general corporate purposes.

For the three months ended March 31, 2017, cash provided by financing activities was comprised primarily of $196.0 million received on the issuance of Convertible Units and $2.2 million of borrowings on new loans related to aircraft acquisitions; offset partially by scheduled payments on long-term borrowings of $18.9 million and dividends of $14.7 million.

Cash used in investing activities

Cash used in investing activities for the three months ended March 31, 2018, include capital expenditures of $71.3 million net of an increase in restricted cash of $3.1 million, related to deposits paid to Chorus on a leased aircraft. The capital expenditures in 2018 include the purchase of two CRJ900s, the completion of one ESP aircraft and $10.1 million related to major maintenance overhauls and other capital expenditures. The 2017 capital expenditures of $9.7 million related mostly to major maintenance overhauls and other capital expenditures.

Capital expenditures

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

(unaudited) (expressed in thousands of Canadian dollars)	**Three months ended March 31,** **2018** **$**	 **2017** **$**	 **Change** **$**
Capital expenditures, excluding aircraft acquisitions and ESP	5,856	5,360	496
Capitalized major maintenance overhauls	4,358	3,644	714
Aircraft acquisitions and ESP (1)	61,096	739	60,357
Total capital expenditures	71,310	9,743	61,567

(1) Includes the acquisition of two CRJ900s on lease to CityJet of Dublin, Ireland on March 21, 2018 and the ESP.

Commitments for capital expenditures

Chorus has entered into an agreement with Bombardier to be the launch customer for the ESP, which is expected to extend the service life of the Dash 8-300s by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the program began in April 2017, with five aircraft being completed by end of March 2018. The cost for each aircraft that undergoes the program includes the Bombardier service bulletin and parts and anticipated labour costs to complete the service bulletin. The anticipated cost (a portion of which will be incurred in US dollars) for the years 2018, 2019 and 2020 is expected to be approximately $24.9 million, $10.4 million and $0.8 million, respectively (US dollar amounts were converted to Canadian dollars at $1.2894, the March 31, 2018 closing day rate from the Bank of Canada). In connection with the issuance of the Convertible Units and the granting of certain aircraft security to the holders thereof, Chorus is required to complete the ESP for 16 Dash 8-300s by no later than December 31, 2019 and a further three Dash 8-300s by no later than December 31, 2022, for a total investment commitment of at least $60.0 million, which includes amounts previously spent in 2015, 2016 and 2017. Refer to Section 20 - Caution regarding forward-looking information.

Dividends

Chorus pays a monthly dividend of $0.04 per Share. Chorus declared and paid dividends of $15.6 million and $14.5 million (net of the DRIP of $0.6 million), respectively, for the three months ended March 31, 2018 (2017 - $14.7 million and $14.7 million, respectively). See Section 7 - Capital Structure for details of Chorus' Dividend reinvestment plan. Dividends are subject to the discretion of Chorus' board of directors.

9 RISK FACTORS

For a 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 the Section entitled “Risk Factors” in Chorus’ Annual Information Form dated February 14, 2018.

10 ECONOMIC DEPENDENCE

For a detailed description of the CPA, please refer to Section 3 and Section 10 of Chorus' annual MD&A dated February 14, 2018.

Chorus is economically and commercially dependent on Air Canada and one of its subsidiaries as, in addition to being Chorus' primary source of revenue, these entities currently provide services and aircraft to Jazz. Chorus is directly affected by the financial and operational strength of Air Canada, its competitive position, and its ability to maintain sufficient liquidity (refer to Section 9 - Risk Factors).

11 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates and judgments may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates (refer to Section 20 - 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, 2017 and 2016.

Operating revenue

Under the CPA, Chorus and Air Canada are to re-set certain rates applicable to the year ending December 31, 2018. The new rates will be retroactive to January 1, 2018. The negotiation of these rates has not yet been completed. As a result, Chorus used interim rates for certain Controllable Costs to estimate CPA operating revenues during the three-month period ended March 31, 2018. Once the new rates are established, Chorus and Air Canada will reconcile amounts already recorded to those rates now under negotiation. Any upward or downward adjustment to CPA operating revenue will be made in the quarter in which the negotiations conclude. As such, Chorus' revenue is subject to judgement and estimate uncertainty. If the negotiated rates were to differ 1% from the current estimate being used, the amount of operating revenue recognized under the CPA for the three months ended March 31, 2018 would change by approximately $1.6 million.

12 CHANGES IN ACCOUNTING STANDARDS

The significant accounting policies of Chorus are described in note 3 of the December 31, 2017 consolidated financial statements.

New accounting standards adopted during the period

IFRS 15 - *Revenue from Contracts with Customers*

On January 1, 2018, Chorus adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15" or the "new standard") using the full retrospective method applied to contracts that were not completed as of January 1, 2017. Chorus also elected not to restate contracts that began and ended in the comparative period. IFRS 15 establishes a new control-based revenue recognition model and the adoption of the new standard required restatement of certain previously reported results, relating to the following accounting changes:

- A portion of maintenance fees earned under the CPA will be recognized using a different methodology than under the current standard. Based on more specific guidance related to the identification of the contract and performance obligations, revenue recognition related to these services will be accelerated.

- Some pass-through billings previously recognized as revenue have been recorded net of the related costs. This change relates to costs that Chorus incurs on behalf of Air Canada, for which Chorus is deemed to be acting as an agent.

Impacts on financial statements

The following tables summarize the impacts of adopting IFRS 15 on Chorus' consolidated financial statements.

Consolidated Statements of Financial Position *January 1, 2017* *(unaudited)* *(expressed in thousands of Canadian dollars)*	As previously reported $	IFRS 15 adoption $		As restated $
Deferred income tax liability	126,099	1,124	*1*	127,223
Accounts payable and accrued liabilities	173,656	(4,036)	*1*	169,620
Equity	138,963	2,912	*1*	141,875

Consolidated Statements of Financial Position *December 31, 2017* *(unaudited)* *(expressed in thousands of Canadian dollars)*	As previously reported $	IFRS 15 adoption $		As restated $
Deferred income tax liability	134,240	1,500	*1*	135,740
Accounts payable and accrued liabilities	216,197	(5,388)	*1*	210,809
Equity	278,134	3,888	*1*	282,022

Consolidated Statements of Income *Three months ended March 31, 2017* *(unaudited)* *(expressed in thousands of Canadian dollars, except earnings per share)*	As previously reported $	IFRS 15 adoption $		As restated $
Revenue	320,590	(829)	*1,2*	319,761
Other expense	38,807	(1,150)	*2*	37,657
Deferred income tax expense	(5,578)	(89)		(5,667)
Net income	26,731	232		26,963
Earnings per Share, basic	0.22	—		0.22
Earnings per Share, diluted	0.21	—		0.21

[1] Adjustments related to acceleration of revenue recognition on a portion of maintenance fees.
[2] Adjustments related to Pass-Through Revenue recorded net of related costs.

IFRS 9 - *Financial Instruments*

The IASB issued IFRS 9 (2014) Financial Instruments ("IFRS 9 (2014)") effective for annual periods beginning on or after January 1, 2018. IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, additional changes relating to financial liabilities and new general hedge accounting requirements. Chorus has already early adopted all previous iterations of IFRS 9 (2009 through 2013). The adoption of this standard had no impact on the Chorus consolidated financial statements.

IFRS 2 - *Share-based Payment*

The IASB issued amendments to IFRS 2 Share-based Payment ("IFRS 2"), to clarify the classification and measurement of share-based payment transactions. The amendments provided for requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The adoption of this standard had no impact on the Chorus consolidated financial statements.

Accounting standards issued but not yet applied

The IASB issued IFRS 16 Leases ("IFRS 16") effective for annual periods beginning on or after January 1, 2019 with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases ("IAS 17") and IFRIC 4 Determining whether an Arrangement contains a Lease. Chorus does not anticipate early adoption of the new standard.

IFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. These new requirements will significantly impact Chorus' statement of financial position and statement of income. Qualifying leases will be recorded as a right-of-use asset or together with property and equipment, and will have a corresponding liability with both current and long-term portions. Lessor accounting under the new standard remains similar to IAS 17. Chorus is continuing to evaluate the impact that the new standard will have on its consolidated financial statements.

13 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 7 of Chorus' annual MD&A dated February 14, 2018. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

14 RELATED PARTY TRANSACTIONS

As at March 31, 2018, 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 otherwise immaterial to Chorus and the individuals involved.

15 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 Executive Vice President and 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 the Chorus' 2017 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' first quarter 2018 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, 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.

There has been no change in Chorus' internal control over financial reporting that occurred during the first quarter of fiscal 2018 that has materially affected, or is reasonably likely to affect, 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 March 31, 2018, and approved these documents prior to their release.

16 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 and Adjusted EBITDA

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 finance leases related to aircraft, foreign exchange gains or losses on cash held on deposit for investment in the regional aircraft leasing business, signing bonuses, employee separation program costs and strategic advisory fees. 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 our 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. During the first quarter of 2017, Chorus revised its definition of Adjusted net income to exclude the signing bonuses, employee separation program costs, and strategic advisory fees to facilitate transparency and comparability as these items can fluctuate from period to period. In addition, Chorus revised its definition of Adjusted net income to exclude foreign exchange gains or losses on US dollar denominated cash held on deposit for investment in the regional aircraft leasing business. This item is excluded as it relates to a foreign exchange gain or loss on proceeds from the Convertible Units that were converted to US dollars and will be used to invest in long-term and primarily US dollar denominated assets, whose related income is expected to be earned over time. (Refer to Section 20 - Caution regarding forward-looking information)

EBITDA is defined as earnings before net interest expense, income taxes, and depreciation and amortization 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 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 occur over the longer-term (such as signing bonuses, employee separation program costs and strategic advisory fees) as well as items that are non-cash in nature such as foreign exchange gains and losses.

During the first quarter of 2017, Chorus revised its definition of Adjusted EBITDA to include signing bonuses, employee separation program costs and strategic advisory fees to facilitate transparency and comparability as these items can fluctuate from period to period. 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.

(unaudited) (expressed in thousands of Canadian dollars, except per share amounts)	**Three months ended March 31,**			
	2018 $	**2017 $**	**Change $**	**Change %**
Net income	**5,052**	**26,963**	**(21,911)**	**(81.3)**
Add (Deduct) items to get to Adjusted net income				
Unrealized foreign exchange loss (gain)	17,974	(10,415)	28,389	(272.6)
Foreign exchange gain on cash held for deposit	—	(4,712)	4,712	100.0
Employee separation program	3,459	4,263	(804)	(18.9)
	21,433	(10,864)	32,297	(297.3)
Adjusted net income	**26,485**	**16,099**	**10,386**	**64.5**
Adjusted net income per Share - basic	**0.21**	**0.13**	**0.08**	**61.5**
Add (Deduct) items to get to Adjusted EBITDA				
Net interest expense	13,805	8,014	5,791	72.3
Income tax expense	6,066	6,308	(242)	(3.8)
Depreciation and amortization	29,655	22,049	7,606	34.5
Foreign exchange loss	2,026	1,750	276	15.8
(Gain) loss on disposal of property and equipment	(8)	187	(195)	(104.3)
	51,544	38,308	13,236	34.6
Adjusted EBITDA	**78,029**	**54,407**	**23,622**	**43.4**

Adjusted Net Debt to Adjusted EBITDAR

Adjusted net debt to trailing 12-month Adjusted EBITDAR 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 Adjusted net debt by trailing 12-month Adjusted EBITDAR. 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)	March 31, 2018 $	December 31, 2017 $	Change $
Long-term debt and finance leases	1,171,991	1,122,790	49,201
Convertible Units	193,724	193,540	184
Consideration payable	4,514	4,387	127
Total debt (including current portion)	1,370,229	1,320,717	49,512
Less: Cash	(151,815)	(71,249)	(80,566)
Net debt	1,218,414	1,249,468	(31,054)
Capitalized operating leases	44,074	40,295	3,779
Adjusted net debt	1,262,488	1,289,763	(27,275)
Adjusted EBITDA	309,502	285,559	23,943
Add:			
Aircraft rent	5,877	5,372	505
Adjusted EBITDAR	315,379	290,931	24,448
Leverage ratio	4.0	4.4	(0.4)

Adjusted net debt is a non-GAAP financial measure used by Chorus and may not be comparable to measures presented by other public companies. Adjusted net debt is a key component of capital management by Chorus and provides management with a measure of its net indebtedness. Chorus includes capitalized operating leases which is a measure commonly used in the airline industry to ascribe a value to obligations under operating leases. Common industry practice is to multiply annualized aircraft rent by 7.5. This definition of capitalized operating leases is used by Chorus and may not be comparable to similar measures presented by other public companies. Aircraft rent was $98.9 million and $99.4 million for the trailing twelve months ended March 31, 2018 and December 31, 2017, respectively. The majority of Chorus' aircraft under operating leases are leased or subleased from Air Canada, or its subsidiary. Aircraft rent related to these aircraft of $92.8 million and $94.0 million for the trailing twelve months ended March 31, 2018 and December 31, 2017 respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included in the above definition, the leverage ratio would be 6.2 and 5.9, respectively.

As at March 31, 2018, Adjusted net debt decreased from $1,289.8 million to $1,262.5 million, representing a decrease of $27.3 million or 2.1% from December 31, 2017. The decrease was primarily the result of the equity raise through the issuance of Shares of $107.0 million, net of transactions costs and $29.5 million in scheduled payments on long-term borrowings; partially offset by new debt of $45.4 million related to aircraft acquisitions and the impact of a higher US dollar exchange rate which increased long-term debt by approximately $17.8 million.

Chorus' leverage ratio (Adjusted net debt to trailing 12-month Adjusted EBITDAR) was 4.0 as at March 31, 2018 (December 31, 2017 - 4.4). Leverage decreased in 2018 due to the equity raise through the issuance of Shares offset by additional debt related to the regional aircraft leasing business for which there is not yet twelve months of trailing Adjusted EBITDAR. Leverage as measured on an Adjusted net debt to Adjusted EBITDAR basis is typically higher in the regional aircraft leasing business. As the regional aircraft leasing business continues to grow, Chorus' overall leverage will migrate to be more in line with market acceptable levels for regional aircraft leasing businesses.

Adjusted Cash Provided by Operating Activities

Adjusted Cash Provided by Operating Activities is defined as cash provided by operating activities before net changes in non-cash balances related to operations less capital expenditures excluding aircraft acquisitions and ESP. Management believes that this metric reflects the focus on strengthening Chorus' financial position for growth.

	Three months ended March 31,		
(unaudited)	**2018**	**2017**	**Change**
(expressed in thousands of Canadian dollars)	**$**	**$**	**$**
Adjusted Cash Provided by Operating Activities before net changes in non-cash balance related to operations	59,842	48,480	11,362
Less:			
Capital expenditures, excluding aircraft acquisitions and ESP	(5,856)	(5,360)	(496)
Capitalized major maintenance overhauls	(4,358)	(3,644)	(714)
	(10,214)	(9,004)	(1,210)
Adjusted Cash Provided by Operating Activities	**49,628**	**39,476**	**10,152**

Return on Invested Capital

Return on Invested Capital is a non-GAAP 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, finance costs and implied interest on off-balance sheet aircraft leases for aircraft for which Chorus holds the head lease. Invested capital includes average long-term debt, average finance lease obligations, average Shareholders' equity and off-balance sheet aircraft operating leases for aircraft for which Chorus holds the head lease. During the first quarter of 2017, Chorus revised its definition of Adjusted net income to exclude the realized foreign exchange gain on Convertible Units. This item was excluded as it relates to a foreign exchange gain on proceeds from the Convertible Units which will be used to invest in long-term assets, whose related income will be earned over time.

(unaudited) (expressed in thousands of Canadian dollars)	Trailing twelve months ended March 31, 2018 $	 December 31, 2017 $	Change $
Income before income taxes	160,798	182,630	(21,832)
Unrealized foreign exchange gain	(32,479)	(60,868)	28,389
Foreign exchange loss (gain) on cash held for deposit	3,066	(1,646)	4,712
Income before income taxes (and unrealized foreign exchange)	131,385	120,116	11,269
Add:			
Finance costs	51,744	45,757	5,987
Implicit interest in operating leases(1)	3,085	2,821	264
	186,214	168,694	17,520
Invested capital:			
Average long-term debt(2)	1,014,287	1,001,653	12,634
Average obligations under finance leases(3)	9,835	10,807	(972)
Average Convertible Units	193,364	96,770	96,594
Average consideration payable(4)	11,604	11,460	144
Average Shareholders' equity	279,369	208,549	70,820
Off-balance sheet aircraft leases(5)	44,074	40,295	3,779
	1,552,533	1,369,534	182,999
Return on invested capital	12.0%	12.3%	(0.3)%

(1) Interest implicit in operating leases is equal to 7.0 percent of 7.5 times the trailing 12 months of aircraft lease expense. 7.0 percent is a proxy and does not necessarily represent actual for any given period.
(2) Average long-term debt includes the current portion and long-term portion.
(3) Average obligations under finance leases include the current portion and long-term portion.
(4) Average obligations under consideration payable include the current portion and long-term portion.
(5) Off-balance sheet aircraft leases are calculated by multiplying the annual aircraft leasing expense by 7.5. For the trailing twelve months ended March 31, 2018 and December 31, 2017, these aircraft lease expenses totalled $5.9 million and $5.4 million respectively.
(6) Aircraft rent was $98.9 million and $99.4 million for the trailing twelve months ended March 31, 2018 and December 31, 2017 respectively. The majority of Chorus' aircraft under operating leases are leased or subleased from Air Canada, or its subsidiary. Aircraft rent related to these aircraft of $92.8 million and $94.0 million for the trailing twelve months ended March 31, 2018 and December 31, 2017 respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included, return on invested capital would be 10.4% and 10.5% respectively.

During the first quarter of 2018, the average return on invested capital decreased from 12.3% to 12.0%. This was partially due to the timing of investments which sees all capital raised with aircraft investments included in capital, whereas the returns from those aircraft will come over time. In addition, the regional aircraft leasing business is both capital intensive and more reliant on debt than equity financing. This may lead to Chorus changing its measure of return to return on equity in the future as its regional aircraft leasing business expands.

17 SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following table summarizes quarterly financial results and major operating statistics of Chorus for the previous eight quarters. The information in the last three quarters of 2016 is reported on an *IAS 18* basis (prior to the adoption of *IFRS 15)* while the information for the four quarters of 2017 and the first quarter of 2018 is reported on an *IFRS 15* basis. Accordingly, the financial information for the three quarters of 2016 may not be comparable to subsequent periods.

(unaudited)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Chorus								
Total revenue ($000)	347,550	356,032	343,685	332,721	319,761	315,103	331,097	310,104
Net income ($000)	5,052	20,001	79,306	41,053	26,963	12,656	20,555	23,657
Adjusted net income(1) ($000)	26,485	23,616	48,801	26,915	16,099	31,187	28,748	21,804
Adjusted EBITDA(1) ($000)	78,029	82,913	83,744	65,847	54,407	69,348	69,965	57,815
Net income per Share, basic ($)	0.04	0.16	0.64	0.34	0.22	0.10	0.16	0.19
Net income per Share, diluted ($)	0.04	0.15	0.63	0.33	0.21	0.10	0.16	0.19
Adjusted net income,(1) per Share - basic ($)	0.21	0.19	0.39	0.22	0.13	0.26	0.24	0.18
FTE employees (end of period)	4,921	4,882	4,870	4,737	4,527	4,442	4,440	4,504
Number of aircraft (end of period)	169	168	167	163	157	152	146	145
Jazz								
Departures	55,376	58,347	63,087	59,278	55,291	56,743	62,161	57,344
Block Hours	83,522	87,347	94,741	87,055	80,705	82,577	90,672	81,472
Billable Block Hours	88,153	89,353	96,674	88,795	84,515	84,362	91,067	82,964
Number of Covered Aircraft (end of period)	116	117	117	120	115	113	113	109

(1) This is a non-GAAP measure. Refer to Section 16 – Non-GAAP Financial Measures.

Under the CPA, Jazz has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year, principally as a result of the high number of leisure travelers and their preference for travel during the summer months. Seasonality has little effect on the operations of Voyageur, CAC, and the other lines of business carried on by Chorus. Chorus has substantial fixed costs that do not meaningfully fluctuate with demand in the short-term.

18 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.ca, under "Reports".

19 GLOSSARY OF TERMS

"**ACMI**" means aircraft, crew, maintenance and insurance;

"**AMO**" means a Transport Canada approved maintenance organization;

"**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;

"**Bombardier**" means Bombardier Inc.;

"**Chorus**" means, as the context may require, one or more of Chorus Aviation Inc. (a corporation incorporated under the Canada Business Corporations Act on September 27, 2010) and its current and former subsidiaries;

"**Chorus Aviation Capital**" or "**CAC**" means Chorus Aviation Capital Corp. (formerly Chorus Aviation Holdings Inc.), a corporation incorporated under the *Canada Business Corporations Act* on November 28, 2013 and renamed on January 4, 2017. CAC is a subsidiary of Chorus Aviation Inc.;

"**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 Chorus Aviation Inc.;

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

"**Controllable Revenue**" means revenue earned by Jazz under the CPA for rates established in respect of Controllable Costs;

"**Convertible Units**" means the convertible debt units issued by Chorus to Fairfax comprising $200.0 million principal amount of 6.00% secured debentures maturing on December 31, 2024 and warrants exercisable to acquire up to 24,242,424 Shares of Chorus at a price of $8.25 per Share;

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

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

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

"**CRJ200**", "**CRJ705**", "**CRJ900**" and "**CRJ1000**" means, respectively, Bombardier CRJ 200, CRJ 705, CRJ 900, and CRJ 1000 regional jet aircraft;

"**Dash 8-100**", "**Dash 8-300**" and "**Dash 7-100**" means, respectively, de Havilland Dash 8-100, Dash 8-300 and Dash 7-100 turboprop aircraft;

"**Debentures**" mean Convertible Units comprised of a $1,000 secured debenture;

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

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

"**EBITDAR**" means earnings before interest, lease rental payments, taxes, depreciation, amortization, other rent and restructuring costs. Trailing 12 months EBITDAR is a measure commonly used in the airline industry to evaluate results by excluding differences in the method by which an airline finances its aircraft;

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

"**ESP**" means the Bombardier Extended Service Program for extending the service life of Dash-8-300s;

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

"**Fixed Fees**" means the Fixed Margin per Covered Aircraft and the Infrastructure Fee per Covered Aircraft;

"**Fixed Margin and Infrastructure Fee per Covered Aircraft**" means the fixed fee paid to Jazz by Air Canada for each Covered Aircraft provided by Jazz under the CPA;

"**Flight Hours**" has the meaning given in 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;

"**Infrastructure Fee per Covered Aircraft**" means the fixed fee paid to Jazz by Air Canada per Covered Aircraft for the additional services Chorus provides in support of Air Canada's regional flying network under the CPA;

"**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 Chorus Aviation Inc.;

"**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 Chorus Aviation Inc.;

"**JTS**" means Jazz Technical Services, a division of Jazz;

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

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

"**MRO**" means maintenance, repair and overhaul;

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

"**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 without luggage and customer service;

"**Q400s**" means Bombardier Q400 turboprop aircraft;

"**Shareholders**" mean holders of Shares;

"**Shares**" mean the Class B Voting Shares and Class A Variable Voting Shares in the capital of Chorus Aviation Inc.;

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

"**Voyageur**" means Voyageur Aviation and its current and former subsidiaries including Voyageur Airways, Voyageur Aerotech and Voyageur Avparts. Voyageur is a subsidiary of Chorus Aviation Inc.;

"**Voyageur Aerotech**" means Voyageur Aerotech Inc., a corporation incorporated under the *Business Corporations Act (Ontario)* on July 30, 2015. Voyageur Aerotech is a subsidiary of Chorus Aviation Inc.;

"**Voyageur Airways**" mean Voyageur Airways Limited, a corporation incorporated under the *Business Corporations Act (Ontario)* on January 4, 1968. Voyageur Airways is a subsidiary of Chorus Aviation Inc.; and

"**Voyageur Avparts**" mean Voyageur Avparts Inc., a corporation incorporated under the *Business Corporations Act (Ontario)* on February 2, 2016. Voyageur Avparts is a subsidiary of Chorus Aviation Inc.

20 CAUTION REGARDING FORWARD-LOOKING INFORMATION

Forward-looking information is included in this MD&A. Forward-looking information is identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such information may involve but is not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information relates 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, by its nature, is based on assumptions, including those described below, and is 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 statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those expressed in the forward-looking information. Results indicated in forward-looking information may differ materially from actual results for a number of reasons, including without limitation, risks relating to Chorus’ economic dependence on and relationship with Air Canada; risks relating to the airline industry (including the international operation of aircraft in developing countries and areas of unrest); aircraft leasing (including the financial condition of lessees, availability of aircraft, access to capital, fluctuations in aircraft market values, competition and political risks); the failure of Chorus or any other party to satisfy conditions precedent to the closing of transactions that are announced prior to their completion; energy prices, general industry, market, credit, and economic conditions (including a severe and prolonged economic downturn which could result in reduced payments under the CPA); increased competition affecting Chorus and/or Air Canada; insurance issues and costs; supply issues and costs; the risk of war, terrorist attacks, aircraft incidents and accidents; fraud, cybersecurity attacks or other criminal behaviour by internal or external parties; epidemic diseases, environmental factors or acts of God; changes in demand due to the seasonal nature of Chorus' business or general economic conditions; the ability to reduce operating costs and employee counts; the ability of Chorus to secure financing or refinance existing indebtedness or assets; the ability of Chorus to attract and retain the talent required for its existing operations and future growth; the ability of Chorus to remain in good standing under and to renew and/or replace the CPA and other important contracts; employee relations, labour negotiations or disputes; pension issues and costs; currency exchange and interest rates; debt leverage and restrictive covenants contained in debt facilities; uncertainty of dividend payments; managing growth; changes in laws; adverse regulatory developments or proceedings in countries in which Chorus and its subsidiaries operate or will operate; pending and future litigation and actions by third parties; the risks referred to in Section 9 - Risk Factors of this MD&A as well as the factors identified throughout this MD&A. Examples of forward-looking information in this MD&A include the 2018 outlook discussion in Section 4 - 2018 Outlook, and in the discussion throughout this MD&A concerning Chorus' expectations for CAC's future potential. The statements containing forward-looking information in this MD&A represent Chorus’ expectations as of the date of this MD&A and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.