



chorus

Consolidated Financial Statements

December 31, 2025 and 2024

Chorus Aviation Inc.



February 12, 2026

Management's Report

The accompanying consolidated financial statements of **Chorus Aviation Inc. ("Chorus")** (the "financial statements") are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1 (the "Handbook") which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgement.

Management is responsible for establishing and maintaining adequate internal control over financial reporting which includes those policies and procedures that provide reasonable assurance over the safeguarding of assets and over the completeness, fairness and accuracy of the consolidated financial statements and other financial information.

The Audit, Finance and Risk Committee, which is comprised entirely of independent directors, reviews Chorus' financial reporting and recommends approval to the Board of Directors; oversees management's responsibilities as to the adequacy of the supporting systems of internal controls; provides oversight of the independence, qualifications and appointment of the external auditor; and, pre-approves audit and audit-related fees and expenses. The Board of Directors approves Chorus' consolidated financial statements, management's discussion and analysis and annual report disclosures prior to their release. The Audit, Finance and Risk Committee meets with management, the internal auditors and external auditors at least four times each year to review and discuss financial reporting issues and disclosures, auditing and other matters.

The external auditors, PricewaterhouseCoopers LLP, conduct an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and express their opinion thereon. Those standards require that the audit is planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The external auditors have unlimited access to the Audit, Finance and Risk Committee and meet with the Committee on a regular basis.

(signed) "Colin Copp"
President and Chief Executive Officer

(signed) "Gary Osborne"
Chief Financial Officer



Independent auditor's report

To the Shareholders of Chorus Aviation Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Chorus Aviation Inc. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Controllable cost revenue recognized under the Capacity Purchase Agreement	
Refer to note 4 – Material accounting policies, judgements and estimation uncertainty and note 20 – Economic dependence to the consolidated financial statements.	Our approach to addressing the matter included the following procedures, among others:
The Company’s operating revenue generated under the Capacity Purchase Agreement (CPA) with Air Canada for the year ended December 31, 2025 amounted to \$1.2 billion, of which controllable cost revenue is a significant portion of this balance.	<ul style="list-style-type: none">Tested the operating effectiveness of internal controls related to, and tested on a sample basis the reconciliation of, the Company’s and Air Canada’s monthly block hours, flight hours and cycles.Tested the controllable cost revenue rates by agreeing the controllable cost revenue rates invoiced to approved rates with Air Canada, on a sample basis.

Key audit matter	How our audit addressed the key audit matter
<p>The Company recognizes revenue upon the transfer of control of promised goods or services to a customer, in an amount that reflects the consideration expected to be received for those goods or services. The Company generates revenue through the provision of flight services under the CPA with Air Canada. Under the CPA, the Company is required to provide Air Canada with the capacity of covered aircraft, all crews and applicable personnel, aircraft maintenance, and some airport, flight operations and general overhead support for such flights. Air Canada bears all of the commercial risk, retains all revenue derived from the sale of seats to passengers and cargo services, and pays the Company for the capacity provided. As the Company derives a majority of its revenue from the CPA, it is substantially dependent on Air Canada.</p> <p>Under the CPA, the Company is paid controllable cost revenue rates, based on controllable costs, using variables such as block hours, flight hours and cycles. The Company and Air Canada negotiate controllable cost revenue rates for the controllable costs the Company expects to incur, which are estimated based on certain variables to operate Air Canada Express services under the CPA. The Company's exposure to variances between the controllable cost revenue it receives from Air Canada to cover annually negotiated controllable costs and its actual controllable costs incurred in performing its services for Air Canada is limited to \$2.0 million annually.</p> <p>We considered controllable cost revenue earned under the CPA to be a key audit matter due to the significance of the amount and the significant audit effort involved in testing this balance.</p>	<ul style="list-style-type: none"> Recalculated revenue billed when applying the approved controllable cost revenue rates to block hours, flight hours and cycles, on a sample basis. Vouched transactions to supporting invoices and cash receipts, on a sample basis.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis of Results of Operations and Financial Condition.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Ashe.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia

February 12, 2026

Chorus Aviation Inc.

Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

	As at December 31,	
	2025	2024
	\$	\$
Assets		
Current assets		
Cash	28,656	222,216
Accounts receivable – trade and other	114,355	136,491
Inventories (note 8 and note 22)	159,204	148,688
Prepaid expenses and deposits (note 22)	24,723	24,257
Current portion of finance lease receivables	1,041	—
Income tax receivable	8,772	8,839
	336,751	540,491
Finance lease receivables	5,329	—
Property and equipment (note 8)	920,113	1,011,209
Intangibles (note 9)	1,681	1,681
Goodwill (note 9)	10,371	7,150
Other long-term assets (note 22)	36,201	46,568
	1,310,446	1,607,099
Liabilities		
Current liabilities		
Accounts payable, accrued liabilities and other liabilities (note 22)	191,929	334,923
Current portion of lease liabilities (note 11)	2,553	2,220
Current portion of long-term debt (note 12)	64,336	231,528
Income tax payable	—	2,526
	258,818	571,197
Lease liabilities (note 11)	11,122	6,332
Long-term debt (note 12)	296,145	276,299
Deferred income tax liability (note 13)	187,623	194,717
Other long-term liabilities (note 22)	48,901	46,606
	802,609	1,095,151
Equity	507,837	511,948
	1,310,446	1,607,099

Economic dependence (note 20)

Subsequent events (note 23)

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

Approved by the Board of Directors

By: (signed) “Amos Kazzaz”
Director

By: (signed) “Paul Rivett”
Director

Chorus Aviation Inc.

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 \$		
Balance - December 31, 2023	781,698	(649,382)	325	1,034,194	24,366	2,683	86,585	1,280,469
Net (loss) income for the year	—	(158,500)	—	—	—	—	2,051	(156,449)
Other comprehensive (loss) income for the year (net of tax)	—	(11,287)	1,230	—	—	—	5,383	(4,674)
Comprehensive (loss) income for the year	—	(169,787)	1,230	—	—	—	7,434	(161,123)
Preferred share dividends declared	—	(17,827)	—	—	—	—	—	(17,827)
Issuance of shares	67	—	—	—	—	—	—	67
Repurchase of shares under normal course issuer bid	(6,793)	—	—	(857)	—	—	—	(7,650)
Share repurchase commitment under the automatic share purchase plan	(4,981)	—	—	(2,367)	—	—	—	(7,348)
Preferred share conversion to liability	(375,217)	—	—	(106,722)	—	—	—	(481,939)
Expense related to stock-based compensation plans	—	—	—	1,318	—	—	—	1,318
Non-controlling interest:								
Distributions	—	—	—	—	—	—	(527)	(527)
Business disposition	—	—	—	—	—	—	(93,492)	(93,492)
Balance - December 31, 2024	394,774	(836,996)	1,555	925,566	24,366	2,683	—	511,948
Net income for the year	—	78,739	—	—	—	—	—	78,739
Other comprehensive income for the year (net of tax)	—	1,186	975	—	—	—	—	2,161
Comprehensive income for the year	—	79,925	975	—	—	—	—	80,900
Dividends declared	—	(3,931)	—	—	—	—	—	(3,931)
Repurchase of shares under normal course issuer bid	(18,046)	—	—	(7,720)	—	—	—	(25,766)
Share repurchase commitment under the automatic share purchase plan	4,981	—	—	2,367	—	—	—	7,348
Repurchase of shares under substantial issuer bid	(37,666)	—	—	(24,070)	—	—	—	(61,736)
Redemption of convertible debentures	—	—	—	2,683	—	(2,683)	—	—
Expense related to stock-based compensation plans	—	—	—	(926)	—	—	—	(926)
Balance - December 31, 2025	344,043	(761,002)	2,530	897,900	24,366	—	—	507,837

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

Chorus Aviation Inc.**Consolidated Statements of Income (Loss)
For the years ended December 31, 2025 and 2024****chorus**

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

	2025 \$	2024 \$
Operating revenue (notes 7 and 20)	1,316,498	1,404,954
Operating expenses (note 20)		
Salaries, wages and benefits	493,665	500,918
Depreciation, amortization and impairment	107,278	116,391
Aircraft maintenance materials, supplies and services	290,690	357,291
Airport and navigation fees	142,662	139,899
Terminal handling services	17,340	19,562
Other (note 22)	165,258	178,247
	1,216,893	1,312,308
Operating income	99,605	92,646
Non-operating (expenses) income		
Interest revenue	3,818	4,371
Interest expense	(17,616)	(51,756)
Gain on disposal of property and equipment	19	96
Foreign exchange gain (loss)	12,814	(47,968)
	(965)	(95,257)
Income (loss) before income taxes	98,640	(2,611)
Income tax (expense) recovery (note 13)		
Current income tax	(27,439)	(21,646)
Deferred income tax	7,538	8,494
	(19,901)	(13,152)
Net income (loss) from continuing operations	78,739	(15,763)
Net loss from discontinued operations, net of taxes (note 2)	—	(140,686)
Net income (loss)	78,739	(156,449)
Net income attributable to non-controlling interest	—	2,051
Net income (loss) attributable to shareholders	78,739	(158,500)
Earnings (loss) attributable to common shareholders, per common share, basic - continuing operations (note 16)	3.05	(4.49)
Loss attributable to common shareholders, per common share, basic - discontinued operations (note 16)	—	(5.21)
Earnings (loss) attributable to common shareholders, per common share, basic	3.05	(9.70)
Earnings (loss) attributable to common shareholders, per common share, diluted - continuing operations (note 16)	3.01	(4.49)
Loss attributable to common shareholders, per common share, diluted - discontinued operations (note 16)	—	(5.21)
Earnings (loss) attributable to common shareholders, per common share, diluted (note 16)	3.01	(9.70)

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

Chorus Aviation Inc.**Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2025 and 2024****chorus**

(expressed in thousands of Canadian dollars)

	2025 \$	2024 \$
Net income (loss) from continuing operations	78,739	(15,763)
Other comprehensive income (loss)		
<i>Items that will not be subsequently reclassified to the statements of income</i>		
Actuarial gain (loss) on employee benefit liabilities, net of tax expense of \$444 (tax recovery 2024 - \$3,873)	1,186	(10,373)
<i>Items that will be subsequently reclassified to the statements of income</i>		
Exchange differences on translation of foreign operations	975	(1,898)
Comprehensive income (loss) from continuing operations	80,900	(28,034)
Net loss from discontinued operations	—	(140,686)
<i>Items that may be reclassified to the statements of income</i>		
Change in fair value of financial assets and liabilities, net of tax expense of \$nil (2024 - \$131)	—	(914)
Exchange differences on translation of foreign operations	—	8,511
Comprehensive loss from discontinued operations	—	(133,089)
Comprehensive income (loss)	80,900	(161,123)
Comprehensive income attributable to non-controlling interest	—	7,434
Comprehensive income (loss) attributable to shareholders	80,900	(168,557)

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

Chorus Aviation Inc.**Consolidated Statements of Cash Flows
For the years ended December 31, 2025 and 2024****chorus**

(expressed in thousands of Canadian dollars)

	2025 \$	2024 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) from continuing operations	78,739	(15,763)
Charges (credits) to operations not involving cash		
Depreciation, amortization and impairment	107,278	116,391
Amortization of accrued transaction and financing fees	374	469
Gain on disposal of property and equipment	(18)	(96)
Unrealized foreign exchange (gain) loss	(20,104)	23,625
Realized foreign exchange loss	4,947	39,306
Effect of foreign exchange rate changes on cash	2,748	(16,470)
Deferred income tax recovery	(7,538)	(8,494)
Interest accretion on preferred shares	—	10,445
Other	(856)	2,373
	165,570	151,786
Net changes in non-cash balances related to operations (note 21)	(102,823)	21,020
Cash provided by continuing operations	62,747	172,806
Cash provided by discontinued operations	—	92,210
	62,747	265,016
Financing activities		
Repayment of lease liabilities	(3,404)	(2,915)
Repayment of long-term borrowings	(72,055)	(119,120)
Repayment of Series B Debentures and Series C Debentures	(110,297)	—
Proceeds from (repayment of) operating credit facility	50,000	(87,000)
Repayment of Series A Debentures	—	(86,250)
Repurchase of shares under normal course issuer bid	(25,262)	(7,650)
Repurchase of shares under substantial issuer bid	(60,538)	—
Preferred dividends	—	(26,777)
Common share dividends	(3,931)	—
Repayment of preferred shares	—	(523,691)
Cash used in continuing operations	(225,487)	(853,403)
Cash used in discontinued operations	—	(209,804)
	(225,487)	(1,063,207)
Investing activities		
Business acquisition, net of cash acquired	(2,043)	—
Proceeds from business disposition, net of cash sold (note 2)	—	692,721
Additions to property and equipment	(34,892)	(52,891)
Payments received on finance lease receivables	998	1,045
Proceeds on disposal of property and equipment	7,896	96
Cash used in continuing operations	(28,041)	640,971
Cash provided by discontinued operations	—	177,700
	(28,041)	818,671
Effect of foreign exchange rate changes on cash from continuing operations	(2,779)	16,470
Effect of foreign exchange rate changes on cash from discontinued operations	—	8,849
Effect of foreign exchange rate changes on cash	(2,779)	25,319
Net change in cash and restricted cash during the years	(193,560)	45,799
Cash and restricted cash – Beginning of years from continuing and discontinued operations	222,216	176,417
Cash from continuing operations (note 21) – End of years	28,656	222,216

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

(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 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, 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 20 - 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 through an arrangement with CAE Inc., enables cadets to achieve their Integrated Airline Transport Pilot License and acquire an airline specific type rating.

On August 28, 2025, Chorus acquired all of the outstanding shares of Elisen & Associates Inc. (“Elisen”). Elisen provides aerospace engineering and certification services.

Through its previous subsidiaries in the Regional Aircraft Leasing (“RAL”) segment, Chorus provided aircraft leasing to third-party air operators and asset management services such that it earned lease revenue, asset management fees and incentives for outperforming performance targets. In addition, Chorus made equity investments in aircraft investment funds managed by Falko and its affiliates, from which it earned co-investment returns. The RAL segment included Falko, Falko (Ireland) Limited (formerly Chorus Aviation Capital (Ireland) Limited), and their respective affiliates. Chorus had rebranded its leasing business from “Chorus Aviation Capital” to “Falko Regional Aircraft” (note 2).

2 Discontinued operations

On July 30, 2024, Chorus and its wholly-owned subsidiary, Chorus Aviation Capital Corp., announced that it had entered into a sales and purchase agreement to sell Chorus’ RAL business, comprised of (i) all of the limited partnership interests in Chorus Aviation Investment Holdings LP held by Chorus, (ii) all of the shares in Chorus Aviation Leasing Inc. held by Chorus’ subsidiary, Chorus Aviation Capital Corp., and (iii) all of the shares in Chorus Aviation Holdings GP Inc. held by Chorus (the “Transaction”). The Transaction resulted in the disposition of Falko Regional Aircraft Limited, Falko (Ireland) Limited and their respective affiliates (the “Falko Group”) in the RAL business, together with Chorus’ ownership of the aircraft in the RAL business and the interests in the aircraft investment funds managed by the Falko Group.

On December 6, 2024, the Transaction closed and Chorus used the proceeds from the sale to repay the preferred shares, the operating credit facility and the Series A debentures. The Transaction was in US dollars and was converted to Canadian currency at 1.4038, which was the exchange rate in effect on December 6, 2024 the closing date of the Transaction.

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

2 Discontinued operations (continued)

The aggregate consideration for the Transaction was \$1,982,467, with net proceeds of \$854,089 in cash, based on an economic close date of December 31, 2023, after the effect of (i) transaction costs, (ii) aircraft-related debt in the RAL business to be assumed or prepaid by the purchasers at closing, and (iii) the value of the non-controlling interest in the RAL business. The net proceeds exclude cash sold in the RAL business of \$193,988.

In accordance with *IFRS 5, Non-current assets held for sale and discontinued operations* ("IFRS 5"), the operating results and cash flows of the RAL business have been presented as discontinued operations. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

The gain on sale was comprised of the following:

As at the disposal date (December 6, 2024)	\$
Gross cash consideration	886,709
Less: Cash sold in RAL business	(193,988)
	692,721
Carrying amount of net assets sold	969,238
Less: Non-controlling interest	(93,492)
Carrying amount of net assets sold	875,746
Less: Cash sold in RAL business	(193,988)
	681,758
Gain on sale	10,963
Reclassification of foreign currency translation	49,888
Change in fair value of financial assets and liabilities, net of tax recovery	242
Gain on sale after income tax	61,093

Chorus Aviation Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

chorus

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

2 Discontinued operations (continued)

The carrying amount of assets and liabilities as at the date of the sale were:

Assets

Cash	79,044
Restricted cash	114,944
Accounts receivable – trade and other	54,555
Inventories	131
Prepaid expenses and deposits	3,695
Income tax receivable	4,019
Finance lease receivables	42,042
Property and equipment	1,687,994
Investment	26,799
Deferred income tax asset	18,456
Other long-term assets	126,701
	2,158,380

Liabilities

Accounts payable and accrued liabilities	79,174
Lease liabilities	3,551
Long-term debt	823,617
Deferred income tax liability	13,012
Other long-term liabilities	269,788
	1,189,142

Total net assets sold	969,238
Non-controlling interest	(93,492)
Carrying amount of assets sold	875,746

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

2 Discontinued operations (continued)

The following table discloses revenues, expenses and net loss of the discontinued operations for the year ended December 31, 2024:

	2024 \$
Operating revenue	227,871
Operating expenses	172,422
Operating income	55,449
Net interest expense	(44,135)
Foreign exchange gain	36,009
Impairment on discontinued operations	(190,913)
Gain on fair value of investments and derivatives	3,688
Gain on sale of discontinued operations	10,963
Loss before income tax	(128,939)
Income tax expense	(11,747)
Net loss from discontinued operations, net of taxes	(140,686)
Net income attributable to non-controlling interest from discontinued operations	2,051
Net loss attributable to shareholders from discontinued operations	(142,737)

3 Basis of presentation

Chorus prepares these consolidated financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") as set out in the Handbook which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

As a result of the Transaction Chorus has one reportable operating segment.

These financial statements have been authorized for issuance by Chorus' Board of Directors on February 12, 2026.

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

4 Material accounting policies, judgements and estimation uncertainty

a) Basis of measurement

These consolidated financial statements have been prepared under a historical cost basis, except for certain financial assets and financial liabilities, that are measured at fair value.

b) Use of estimates, judgements and assumptions

The preparation of consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgement, estimate and assumption items include employee future benefits, depreciation and amortization of long-lived assets and impairment. These estimates are based on historical experience and management's best knowledge of current events and actions that Chorus may undertake in the future. Actual results could differ from those estimates.

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

c) Critical accounting estimates, judgements and assumptions

Significant accounting estimates and judgements made in the preparation of these financial statements include, but are not limited to, the following areas, with further information contained in the applicable accounting policy or note:

Employee future benefits

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

Depreciation and amortization of long-lived assets

Management makes estimates about the expected useful lives of long-lived assets and the expected residual value of the assets based on the estimated current fair value of the assets, Chorus' fleet plans and the cash flows they generate. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes to maintenance programs, changes in operating costs, changes in utilization of the aircraft, and changing market prices for new and used aircraft of the same or similar types. Estimates and assumptions are evaluated at least annually. These adjustments are accounted for on a prospective basis, through depreciation, amortization and impairment expense. During the year, Chorus revised its estimates and assumptions on certain aircraft resulting in a decrease in depreciation expense of \$383 for the year ended December 31, 2025 (December 31, 2024 - increase of \$10,467). A 10% reduction to the residual values of aircraft would result in an increase of \$7,251 to annual depreciation expense.

Impairment of non-financial assets

In accordance with International Accounting Standards ("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, anticipated utilization and maintenance condition of the aircraft, and the creditworthiness of its lessees among other factors in assessing possible indicators of impairment.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)

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 year ended December 31, 2025, Chorus recorded an impairment provision of \$nil for continuing operations (December 31, 2024 - \$10,517) (refer to note 8 - Property and equipment).

In assessing recoverable amounts, Chorus makes significant estimates and assumptions about the expected useful lives and the expected residual value of aircraft, supported by estimates received from independent appraisers, for the same or similar aircraft types, and considers contractual cash flows, the creditworthiness of its lessees and Chorus' anticipated utilization and maintenance condition of the aircraft. In determining the residual value of the aircraft, Chorus also applies a future inflation rate assumption of 2.0%. The December 31, 2025 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 6.23% (December 31, 2024 - 6.67%).

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.

Impairment of financial assets

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

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

In determining the allowance for expected credit losses, Chorus takes into account recent payment history and future expectation of default events. Chorus' assessment is subjective due to the forward-looking nature of the situation. As a result, the allowance for ECL is subject to a significant degree of uncertainty and is made based on judgements regarding possible future events which may not prove to be correct.

For the year ended December 31, 2025, Chorus recorded a recovery related to the allowance for expected credit loss of trade and other receivables of \$142 (2024 expense - \$1,472), which is included in operating expense for continuing operations.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)

d) Principles of consolidation

These financial statements include the accounts of Chorus and its subsidiaries. Subsidiaries are all entities which Chorus controls. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. All inter-company balances and transactions are eliminated.

e) Revenue from contracts with customers

Chorus recognizes revenue upon the transfer of control of promised goods or services to a customer, in an amount that reflects the consideration expected to be received for those goods or services.

Chorus generates revenue through the provision of flight operations under the CPA, international and domestic specialized contract flying, charter flying, airport handling services, and maintenance, repair and overhaul ("MRO") activities. These contracts vary from very short term to multiple years in duration.

Some contracts may include promises to transfer multiple products or services to a customer. Chorus accounts for individual products or services separately if they are distinct - i.e. if a service is separately identifiable from other services in the bundle.

The following is a description of principal activities from which Chorus generates its revenue.

Services provided under the CPA

Chorus is responsible for the overall operation of scheduled passenger flights on behalf of Air Canada under the Air Canada Express brand. Flight services include the provision of all crews and applicable personnel and the performance of maintenance activities necessary to execute the scheduled flights. In addition, at certain stations, Chorus provides airport handling services that are distinct from the flight services. Chorus also provides a service of maintaining an available pool of qualified pilots that Air Canada is able to leverage for its hiring needs.

During the term of the CPA, Chorus is entitled to the following forms of consideration from Air Canada, which are billed and paid for on a monthly basis:

- A variable amount of controllable cost revenue based on rates that are reset annually and variables such as block hours, flight hours, cycles, passengers carried, and number of training events, as well as certain aircraft related costs with Jazz's respective exposures limited to \$2,000 annually for variances between the revenue Jazz receives from Air Canada to cover controllable costs and Jazz's actual controllable costs;
- A fixed margin for the operation of the Covered Aircraft;
- Performance incentives available for achieving established performance targets;
- Payments for aircraft and spare engines that are leased to Air Canada; and
- Reimbursement for the actual amount of costs incurred by Chorus in performing its services under the CPA which are designated as pass-through costs.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)

Chorus has concluded that a component of the consideration it is entitled to under the CPA is lease income since the CPA identifies the “right of use” of a specific type and number of aircraft over a stated period of time otherwise known as the Covered Aircraft.

To the extent it is variable, the remaining consideration is allocated to the distinct services or service periods to which it specifically relates and is recognized as the related services are provided. Given that the flight services and airport handling services are provided on an ongoing basis and are substantially the same, Chorus has determined a time-based measure of progress depicts the transfer of services to the customer. As a result, fixed consideration related to the flight services and airport handling services is recognized on a straight-line basis over the contract term. In relation to the service of maintaining an available pool of qualified pilots, a measure of progress using training hours depicts the transfer of services to the customer.

Under the CPA, Chorus incurs certain costs which subsequently are reimbursed by Air Canada. Consideration for pass-through costs that relate to goods or services that are used by Chorus to fulfill performance obligations to Air Canada are recognized gross as revenue. In contrast, consideration that relates to pass-through costs that are incurred by Chorus on behalf of Air Canada, for which Chorus is deemed to be acting as an agent, are recognized net of the costs incurred.

Charter and other contract flying services

Charter services are provided to a variety of customers for routes that are determined by the customer. Consideration for these services typically is equivalent to a fixed rate for each flight, which is billed and paid for upon completion of the flight. Revenue is recognized as each flight is completed. Other contract flying services are provided to Canadian and international customers in the Voyageur operation. Consideration typically comprises a flat rate for each period of service - for example, a monthly or annual period - along with a variable rate based on cycles or flight hours. Variable consideration is allocated to distinct flights to which it specifically relates and recognized as the flight is provided. Given that the flying services are provided on an ongoing basis and are substantially the same, Chorus has determined a time-based measure of progress depicts the transfer of services to the customer. As a result, fixed consideration is recognized on a straight-line basis over the contract term. The amount of revenue recognized is adjusted for estimates related to performance penalties incurred in the reporting period. These services are billed and paid for on a monthly basis.

Other services

Airport handling services provided outside of the CPA are recognized as the services are provided.

Maintenance, repair and overhaul service revenue is recognized over time based on costs incurred.

Revenue generated from the sale of aircraft parts is recognized at the point in time control of the part is transferred to the customer, generally at the point of shipping. For inventory consignment arrangements, control is transferred when the inventory is received by the end purchaser.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)**f) Aircraft leasing revenue**

Aircraft leasing revenue is earned from third-party lessees under lease agreements. Certain leases have rental payments that change over their term due to changes in rates. Chorus records the aircraft lease revenue from leases on a straight-line basis over the term of the lease. Accordingly, an accrued lease receivable is recorded for the difference between the straight-line rent recorded as lease revenue and the rent that is contractually due from the lessees.

g) Lease modifications

Lease amendments are accounted for as a new lease from the effective date of the amendments with revenue recognized on a straight-line basis over the remaining term in accordance with IFRS 16 - Leases.

h) Employee future benefits

Chorus' significant policies related to the defined benefit pension plan for its pilots, the supplemental executive retirement plan for certain Chorus executives, which is also a defined benefit pension plan (collectively referred to as "Pension Benefits"), and all other employee benefits (the "Other Employee Benefits") are as follows:

- The cost of Pension Benefits earned by employees is actuarially determined using the projected benefit method prorated on service, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees. Obligations are attributed to the period beginning on the date the employee joins the plan and ending on the earlier of the date of termination, death or retirement. Actuarial gains and losses on the pension benefits are recognized in full in the period in which they occur in other comprehensive income and retained earnings without recycling to the statement of income in subsequent periods. Current service cost, the recognized element of any past service cost, the interest income on plan assets and the interest arising on the pension liability are included in salaries, wages and benefits in the statement of income.
- Other Employee Benefits consist of two categories of benefits:
 - Medical and dental benefits provided to employees while on long-term disability, and Worker's Compensation and Workers Safety Insurance Board benefits in respect of Ontario employees, are collectively referred to as other long-term benefits. The actuarial gains and losses for this component of Other Employee Benefits are charged to operating expense in the year they occur.
 - Sick leave benefits are paid to certain employees upon or just prior to retirement. The actuarial gains and losses on this component of other employee benefits are charged to other comprehensive income in the year they occur.
- The cost of the Other Employee Benefits is actuarially determined using the projected benefit method prorated on service (where applicable), market interest rates, and management's best estimate of retirement ages of employees, health care cost inflation, salary escalation and general inflation, as applicable to each of the categories of benefits.
- Past service costs arising from plan amendments of the defined benefit pension plan and the supplemental executive retirement plan and other employee benefit plans are recognized immediately in income.
- The registered pension plan is subject to certain minimum funding requirements. The liability, where applicable, in respect of the minimum funding requirement is determined using the projected minimum funding requirements based on actuarial forecasts. The liability in respect of the minimum funding requirement and any subsequent re-measurement of that liability is recognized in other comprehensive income without subsequent reclassification to income.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)

- The measurement date of each of the plans' assets and obligations is December 31. Pension obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement. The obligations relating to other employee benefits plans are attributed to the period beginning on the employee's date of joining the plan or disablement (whichever applicable) and ending on the earlier of retirement or end of disablement or age 65 (whichever applicable).
- Chorus also maintains several defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions become payable.

i) Stock-based compensation

Long-term incentive plan

The long-term incentive plan (the "LTIP") provides for the annual issuance of restricted share units ("RSU") that vest over a three year period if certain performance goals and/or service conditions, established at the time of grant by the Board of Directors, are achieved. RSUs entitle the participant to receive shares of Chorus (as defined below) on a one-for-one basis or an equivalent cash payout at the participant's election. Additional RSUs representing the value of dividends paid on corresponding shares of Chorus accrue for the benefit of participants. Unvested RSUs held by participants are forfeited if performance goals or service conditions (as applicable) are not met. On vesting, Chorus will typically purchase the shares on the secondary market or settle the RSUs in cash (at the election of the participant in accordance with the LTIP).

Participants have the option, prior to the vesting of their RSUs, to choose cash or shares. As a result, the RSU obligation is typically treated as a cash settled obligation and recognized in the appropriate short and long-term liability accounts in the Statement of Financial Position. The RSU liability is adjusted quarterly to reflect the number of RSUs expected to vest and the fair market value of the RSUs at the end of the reporting period. Changes to the outstanding RSU liability are accounted for in salaries, wages and benefits expense in the Statement of Income.

Stock options

The LTIP also provides for the issuance of options to acquire shares at a pre-determined exercise price. The fair value of stock options are determined at the time of the grant using a Black-Scholes option pricing model. The fair value of the options are recognized as expense over the vesting period, based on the number of options expected to vest, with a corresponding entry to equity. The number of options expected to vest is reviewed at least annually with any related impact on previously recognized expense being unrecognized immediately.

Deferred share units

Non-executive directors receive a portion of their remuneration in deferred share units ("DSU") under a DSU plan (the "DSU Plan") designed to promote the alignment of interests between individual non-executive directors and the shareholders of Chorus. Each DSU has a value equivalent to the value of a share. DSUs vest immediately, may only be redeemed for cash and will only be paid out subsequent to the time a director ceases to be a director, or in the case of a U.S. taxpayer, subsequent to the date such person incurs a "separation from service" under applicable U.S. law. Participating directors will receive, in respect of their DSUs, an amount equivalent to the amount of any dividends paid on shares in the form of additional DSUs. Under the DSU Plan, participating directors may receive annual grants of DSUs. In addition, a participating director may elect to have his or her annual cash retainer and/or any additional retainer payable in the form of DSUs or a combination of DSUs and cash. DSUs are cash-settled stock-based payments that are measured at fair value and recognized as a liability. The liability is remeasured at fair value each period and at the settlement date with changes in fair value recognized in the Statement of Income.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)*Employee share ownership program*

Chorus' employee share ownership plan (the "ESOP") permits employees to buy shares through payroll deduction. Under the ESOP, contributions made by employees are matched to a specific percentage by Chorus. These contributions are expensed to salaries, wages and benefits expense over the one year vesting period. The amount expected to vest is reviewed at least annually, with any change in estimate recognized immediately in salaries, wages and benefits.

j) Financial instruments

The fair value of marketable financial instruments is the estimated amount for which an instrument could be exchanged, or a liability settled, by Chorus and a knowledgeable, willing party in an arm's length transaction at the measurement date. The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Financial assets are classified into two measurement categories: amortized cost and fair value.

Financial instruments are classified as follows:

- Investments and total return swaps are classified as "Fair Value through Profit and Loss". These financial assets are measured at fair value, with changes in fair value recognized in the statement of income each reporting period.
- Cash, restricted cash, accounts receivable, finance lease receivables and long term receivables that are included in other assets are classified as "Financial Assets Measured at Amortized Cost". After their initial fair value measurement, accounts receivable and finance lease receivables are measured at amortized cost using the effective interest method, less an allowance for ECL, established on an account-by-account basis, based on, among other factors, prior experience and knowledge of the specific debtor and its assessment of the current economic environment.
- Accounts payable, dividends payable, long-term debt and lease liabilities are classified as "Other Financial Liabilities". Other Financial Liabilities are initially recognized at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method.
- Interest rate swaps are classified as "Fair value through other comprehensive income". These financial instruments are measured at fair value, with changes in fair value recognized in the statement of other comprehensive income each reporting period. Any ineffective portion of the cash flow hedge is recognized in non-operating income.

Hedging

Chorus may use cash flow hedges to hedge the variability of future interest rates and related interest payments on its respective loans as well as variability of its share price affecting settlement under its various stock-based compensation programs. Cash flow hedges qualifying for hedge accounting are recognized on the balance sheet at fair value with the effective portion of the hedging relationship recognized in other comprehensive income (loss). Any ineffective portion of the cash flow hedge is recognized in non-operating income. Amounts recognized in accumulated other comprehensive income (loss) are reclassified to non-operating income in the same periods in which the hedged item is recognized in operating income. Cash flow hedges not qualifying for hedge accounting are recognized on the balance sheet at fair value with changes in fair value recognized in operating income.

Chorus assesses on an ongoing basis whether any existing derivative financial instrument continues to be effective in offsetting changes in interest rates on the hedged items.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)**k) Property and equipment**

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

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

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

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

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

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

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

l) Transaction costs

Transaction costs that are incremental and directly attributable to the acquisition or issue of a financial asset or financial liability are recorded as follows:

- Financial assets or financial liabilities at fair value through profit and loss - expensed to net income as incurred;
- Financial assets or financial liabilities recorded at amortized cost - included in the carrying value of the financial asset or financial liability and amortized over the expected life of the financial instrument using the effective interest method; and
- Equity instruments recorded at fair value through other comprehensive income - included in the initial cost of the underlying asset.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)

m) Intangible assets

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

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

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

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

n) Leases

At inception of a contract, Chorus assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This includes the identification of embedded leases in service contracts. Chorus' lease arrangements relate to aircraft, engines and facilities. Chorus typically is the lessee in facility leases and is either the lessor or intermediate lessor in aircraft and engine leases.

Management makes assumptions and estimations in the determination of the incremental borrowing rates used to calculate the present value of lease payments. Chorus exercises judgement when assessing whether renewal options are reasonably certain to be exercised and when assessing whether an arrangement contains a lease.

Aircraft leased from Air Canada and subleased to Air Canada under the CPA

Chorus leases aircraft and spare engines from Air Canada that constitute Covered Aircraft used to fulfill its obligations under the CPA. These lease agreements with Air Canada and the CPA meet the contract combination requirements in IFRS 16 and therefore are accounted for as a single contract. When viewing the agreements as one contract, Chorus does not have the right to direct the use of the aircraft and therefore, no leases have been identified. This results in revenue and operating expenses being reduced by equal amounts, corresponding to the amount of lease payments.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)*Aircraft and engines – As a lessee and intermediate lessor*

Chorus leases aircraft and engines from third parties to provide charter and contract flying services to Air Canada and third parties. Under the CPA, Chorus has determined that it is subleasing aircraft to Air Canada.

When Chorus is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. Upon subleasing a right-of-use asset that is classified as a finance sublease, a lease receivable is recognized and the underlying asset that is leased from the head lessor is derecognized. Interest income is recognized on the lease receivable balance.

Aircraft and engines – As a lessor

Chorus leases owned aircraft and engines to Air Canada and third parties. As a lessor, Chorus determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, Chorus makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, Chorus considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, Chorus applies IFRS 15 to allocate the consideration in the contract. Chorus recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of operating revenue.

Facilities

A majority of Chorus' leased facilities are designated spaces at airports, for which it makes fixed monthly payments. Shared spaces for which Chorus' capacity portion does not represent substantially all of the capacity of the asset are not identified assets under IFRS 16 and therefore no lease exists.

Chorus recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and adjusted for certain remeasurements of the lease liability. Chorus presents right-of-use assets in property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments included in the measurement of the lease liability comprise of fixed payments, variable lease payments that depend on an index or a rate, lease payments in a renewal period if Chorus is reasonably certain to renew, and penalties for early termination unless Chorus is reasonably certain not to terminate early. Chorus' leases do not provide an implicit rate, Chorus uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments and if there is a change in Chorus' assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)

Chorus has elected not to recognize right-of-use assets and lease liabilities for facility leases that have a lease term of 12 months or less and for leases of low-value assets. Leases with reciprocal termination rights with no more than an insignificant penalty, subject to a notice period of less than 12 months, are considered short-term leases. Chorus recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

o) Contract assets

Chorus has contract assets for services previously provided to Air Canada related to leasehold improvements on contract combination aircraft.

Contract assets are also recognized when costs are incurred to obtain a contract with a customer that would otherwise not have been incurred.

p) Foreign currency translation

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of Chorus and its subsidiaries is the Canadian dollar with the exception of Chorus Aviation Capital Corp. (“CAC”) and its wholly-owned subsidiaries whose functional currency was the US dollar (with the exception of certain subsidiaries whose functional currency is the Euro and Jazz Leasing Inc. (“JLI”) whose functional currency is the Canadian dollar).

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the statement of financial position. Non-monetary assets, liabilities and other items recorded in income are translated at rates of exchange in effect at the date of the transaction.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than the Canadian dollar are recognized in the statement of income.

The assets and liabilities of foreign operations which have a functional currency different from Chorus’ presentation currency, are translated into Canadian dollars at the rates of exchange in effect at the date of the statement of financial position. Income statement items are translated using the exchange rates prevailing at the dates of the transactions. Foreign currency differences resulting from this translation are recognized in other comprehensive income and accumulated in cumulative translation adjustment in equity.

q) Maintenance reserves

In certain of Chorus’ third party aircraft lease contracts, the lessee has the obligation to make periodic cash payments which are calculated with reference to the utilization of airframes, engines and other major life-limited components during the lease (supplemental amounts). In such contracts, upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, Chorus reimburses the lessee for the work, up to a maximum of the supplemental amounts received with respect to such work. Chorus records supplemental amounts as maintenance reserves. Amounts not expected to be reimbursed to the lessee during the lease are recorded as lease revenue when Chorus has reliable information that the lessee will not require reimbursement.

r) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis, and net realizable value is the estimated selling price to a third party in the ordinary course of business, less estimated selling costs. Inventories consist of aircraft expendables and supplies, de-icing fluid, used aircraft expendables and rotables that are being held for sale in the ordinary course of business.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)

s) Income taxes

Chorus uses the asset and liability method for accounting for income taxes.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be paid or recovered, using tax rates and tax laws that have been enacted or substantively enacted by the end of the period.

Deferred tax assets and liabilities are recognized for all future tax consequences attributable to the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, except for the initial recognition of goodwill and the initial recognition of an asset or liability, which at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax assets are also recognized for unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws expected to apply when the carrying amount of the assets or liabilities are recovered or settled or the unused losses are expected to be utilized.

Current and deferred income tax expense is recognized in the statement of income for the period, except to the extent that the income taxes related to a transaction or event which is recognized, in the same or different period, either in other comprehensive income or directly in equity.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Accounting standards issued but not yet applied*IFRS 9, Classification and Measurement of Financial Instruments*

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments which amends IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (the "Amendments"). These Amendments provide clarity on the timing of recognition and derecognition of financial assets and liabilities, the assessment of contractual cash flow characteristics, and the resulting classification and disclosure of financial assets with environmental, social, and governance linked or other contingent features. Additionally, the Amendments clarify that a financial liability is derecognized on the settlement date, with the accounting policy choice to derecognize financial liability settled using an electronic payment system before the settlement date, provided specific conditions are met. Additional disclosures are required for financial instruments with contingent features and investments in equity instruments designated at fair value through other comprehensive income with these Amendments.

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

4 Material accounting policies, judgements and estimation uncertainty (continued)

The Amendments will be effective for annual reporting periods beginning on or after January 1, 2026, with earlier adoption permitted. Chorus has determined that the changes have no material impact on its consolidated financial statements.

IFRS 18 - Presentation and Disclosure in Financial Statements

The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1 - Presentation of Financial Statements; many of the other existing principles in IAS 1 are retained, with limited changes and will be accompanied by narrow scope amendments to IAS 7 – Statement of Cash Flows. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. Chorus is currently evaluating the new standard for any potential impact on the consolidated financial statements.

5 Capital management

Chorus' capital structure consists primarily of common shares and debt consisting of the Series B Debentures, Series C Debentures, senior secured amortizing facilities, operating credit facility, bi-lateral credit facility and lease liabilities. During 2025, Chorus redeemed the Series B Debentures and partially redeemed the Series C Debentures.

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

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

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

5 Capital management (continued)

Chorus' capital structure was as follows as at December 31, 2025 and December 31, 2024.

	2025 \$	2024 \$
Equity		
Capital	344,043	394,774
Contributed surplus	897,900	925,566
Deficit	(761,002)	(836,996)
Exchange differences on foreign operations	2,530	1,555
Equity component of convertible units/debentures	—	2,683
Warrants	24,366	24,366
	507,837	511,948
Long-term debt	360,481	507,827
Lease liabilities	13,675	8,552
Total capital	881,993	1,028,327

6 Business acquisition

On August 28, 2025, Chorus acquired all of the outstanding shares of Elisen & Associates Inc. ("Elisen"). Elisen provides aerospace engineering and certification services based in Montreal.

The total consideration was \$3,369, consisting of cash in the amount of \$2,100 paid at closing and consideration payable of \$1,269 payable over two years. The consideration payable has been recorded at the fair value on the date of acquisition. The gross consideration payable is non-interest bearing.

The purchase included assets acquired of \$768, liabilities assumed of \$620 and goodwill of \$3,221. Goodwill is attributable to the assembled workforce of Elisen at the time of acquisition and the present value of the expected future economic benefits that are not tied to individually identifiable assets.

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

7 Revenue from contracts with customers

a) Revenue

Chorus earns revenue from contracts with customers in addition to aircraft leasing.

	Year ended December 31,	
	2025	2024
	\$	\$
Revenue from contracts with customers		
Controllable cost revenue	774,987	861,297
Fixed margin and incentive revenue ⁽¹⁾	62,043	63,548
CPA pass-through revenue	220,318	217,735
Parts sales, contract flying, MRO and other revenue	114,411	108,907
	1,171,759	1,251,487
Lease revenue ⁽²⁾	144,739	153,467
	1,316,498	1,404,954

(1) 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.

(2) 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).

b) Transaction price allocated to the remaining performance obligations

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, excluding variable consideration allocated entirely to distinct services or performance obligations that will be satisfied in the future. Chorus has elected to apply the practical expedient to exclude amounts related to contracts that have an original expected duration of one year or less.

As of December 31, 2025, the aggregate amount of remaining performance obligations was approximately \$471,420 of which on average \$48,174 is expected to be recognized from 2026 to 2030 and then on average \$46,110 per year recognized until the end of 2035.

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

7 Revenue from contracts with customers (continued)
c) Segmented information

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

	Year ended December 31,		2024	
	2025		2024	
	\$	%	\$	%
Canada	1,316,498	100.0%	1,408,785	86.3%
Other ⁽¹⁾	—	—%	224,040	13.7%
Revenue from continuing and discontinued operations	1,316,498	100.0%	1,632,825	100.0%
Less: discontinued operations	—		(227,871)	
Revenue from continuing operations ⁽²⁾	1,316,498		1,404,954	

(1) For the year ended December 31, 2024, there were no countries included in other that represent more than 10% of total revenue from continuing and discontinued operations.

(2) All revenue from continuing operations is earned in Canada.

A significant customer is one that represents 10% or more of each segment revenue earned during the period. For the years ended December 31, 2025 and December 31, 2024, Chorus reported revenue from continuing operations from one significant customer. See note 20 "Economic dependence" for a discussion of transactions between Chorus and Air Canada. For the year ended December 31, 2024, there were two customers that represented 10% or more of the revenue from discontinued operations.

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

8 Property and equipment

	Flight equipment \$	Facilities \$	Equipment \$	Leaseholds \$	Right-of-use assets \$	Total \$
Year ended December 31, 2024						
Opening net book value	2,917,512	26,915	9,995	2,263	9,878	2,966,563
Additions continuing operations	44,503	524	5,874	1,990	—	52,891
Additions discontinued operations	131	—	—	—	—	131
Right-of-use assets	—	—	—	—	4,966	4,966
Disposals	(59,955)	—	—	—	—	(59,955)
Impairment continuing operations	(10,517)	—	—	—	—	(10,517)
Impairment discontinued operations	(145,035)	—	—	—	—	(145,035)
Disposition of RAL business	(1,683,290)	—	(682)	—	(4,022)	(1,687,994)
Foreign currency adjustment	93,526	—	44	—	252	93,822
Depreciation continuing operations	(96,356)	(1,727)	(3,334)	(546)	(2,512)	(104,475)
Depreciation discontinued operations	(98,119)	—	(194)	—	(875)	(99,188)
Closing net book value	962,400	25,712	11,703	3,707	7,687	1,011,209

Year ended December 31, 2025						
Opening net book value	962,400	25,712	11,703	3,707	7,687	1,011,209
Additions	28,664	1,132	4,881	215	—	34,892
Business Acquisition	—	—	23	—	—	23
Right-of-use assets	—	—	—	—	1,175	1,175
Disposals	(21,246)	—	(75)	—	—	(21,321)
Depreciation	(96,892)	(1,684)	(3,860)	(1,086)	(2,343)	(105,865)
Closing net book value	872,926	25,160	12,672	2,836	6,519	920,113

	Flight equipment \$	Facilities \$	Equipment \$	Leaseholds \$	Right-of-use assets \$	Total \$
At December 31, 2024						
Cost	1,598,611	48,476	95,639	16,366	13,319	1,772,411
Accumulated depreciation and impairment	(636,211)	(22,764)	(83,936)	(12,659)	(5,632)	(761,202)
Net book value	962,400	25,712	11,703	3,707	7,687	1,011,209
At December 31, 2025						
Cost	1,558,444	49,607	100,018	12,076	12,980	1,733,125
Accumulated depreciation and impairment	(685,518)	(24,447)	(87,346)	(9,240)	(6,461)	(813,012)
Net book value	872,926	25,160	12,672	2,836	6,519	920,113

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

8 Property and equipment (continued)

During the year ended December 31, 2025, Chorus reclassified flight equipment with a net book value of \$12,690 (2024 - \$15,801) from property and equipment to inventory on the statement of financial position.

During the year ended December 31, 2025, Chorus sold one aircraft to a third party for gross proceeds of \$7,903. The net book value of the aircraft removed from property and equipment was \$7,903 plus costs to sell.

During the year ended December 31, 2024, Chorus sold one aircraft and five engines to a third party for gross proceeds of \$10,818. The net book value of the aircraft removed from property and equipment was \$9,909 less costs to sell generating a gain on disposal of \$909 which was recorded in revenue from discontinued operations.

All property and equipment, based on where the customer carries on business, is located in Canada.

9 Goodwill and intangibles**Intangibles**

In relation to the acquisition of Voyageur on May 1, 2015, Chorus recorded \$1,681 with respect to the trade name which is an indefinite life asset.

Goodwill

Goodwill is allocated to the following cash-generating units ("CGUs"):

	December 31, 2025 \$	December 31, 2024 \$
Jazz	6,693	6,693
Elisen ⁽¹⁾	3,221	—
Voyageur	457	457
	10,371	7,150

(1) As a result of the purchase price allocation related to the Elisen acquisition on August 28, 2025, Chorus recorded goodwill of \$3,221 (note 6).

The recoverable amount of the CGUs are determined using fair value less costs of disposal. In assessing the goodwill for impairment, Chorus uses a combination of discounted cash flow analysis and market approaches to determine the fair value of each of the CGUs. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. For the year ended December 31, 2025, Chorus recorded an impairment on goodwill of \$nil (December 31, 2024 - \$1,881 - included in discontinued operations, as a result of the divestiture of the RAL business) (note 2).

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

10 Credit facilities

Operating credit facility

Chorus has a \$150,000 operating credit facility with a maturity date to January 27, 2028.

The operating credit facility provides Chorus and certain designated subsidiaries with a committed limit of up to \$150,000, subject to a borrowing base calculation. As at December 31, 2025, the borrowing base calculation supported a limit of \$150,000. Letters of credit issued by Chorus under this facility further reduce the amount available under the facility.

As at December 31, 2025, Chorus had drawn \$50,000 on the facility and had also provided letters of credit totaling \$9,591 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 Overnight Repo Rate Average ("CORRA") plus a credit spread adjustment 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%.

The operating credit facility is secured by all present and after-acquired personal property of Chorus and certain designated subsidiaries, excluding certain specified assets such as aircraft and engines and the equity securities of certain specified entities. 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 December 31, 2025, Chorus was in compliance with all covenants under this facility.

Bi-lateral credit facility

Chorus has a bi-lateral credit facility which provides 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 with a maturity date to January 27, 2028. As at December 31, 2025, Chorus had drawn \$nil on the facility.

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. As at December 31, 2025, Chorus was in compliance with all covenants under this facility.

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

11 Lease liabilities

Chorus has the following lease liabilities related to aircraft and facilities:

	2025 \$	2024 \$
No later than one year	3,199	2,564
Later than one year and no later than five years	9,829	4,447
Later than five years	2,750	2,781
Total minimum lease payments	15,778	9,792
Less: Amount representing interest (at weighted average rate of 5.63% (2024 - 4.77%))	2,103	1,240
Present value of net minimum lease liability payments	13,675	8,552
Less: Current portion	2,553	2,220
Lease liabilities	11,122	6,332

The present value of net minimum lease liabilities is as follows:

	2025 \$	2024 \$
No later than one year	2,553	2,220
Later than one year and no later than five years	8,508	3,760
Later than five years	2,614	2,572
	13,675	8,552

A significant portion of the minimum lease payments for aircraft are payable in US dollars and have been converted to Canadian dollars at the December 31, 2025 exchange rate of 1.3706 (2024 - 1.4389).

Chorus has elected not to recognize a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liabilities is as follows:

	2025 \$	2024 \$
Short-term leases ⁽¹⁾	4,249	11,046
Leases of low-value	1,212	1,266

(1) Included in the short-term lease expense are amounts for short-term engine leases which have both a fixed and a variable payment component.

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

12 Long-term debt

Long-term debt consists of the following:

	As at December 31,	
	2025	2024
	\$	\$
Secured long-term debt and credit facilities		
Amortizing term loans		
Secured by aircraft ^(1a)	260,425	345,475
Secured by engines ^(1b)	853	1,852
Nova Scotia Jobs Fund loan - secured by office building ⁽²⁾	2,000	3,000
Operating credit facility ⁽³⁾ (note 10)	50,000	—
	313,278	350,327
Unsecured long-term debt		
Series B Debentures ⁽⁴⁾	—	72,500
Series C Debentures ⁽⁵⁾	47,203	85,000
	360,481	507,827
Less: Current portion	64,336	231,528
	296,145	276,299

The current portion of long-term debt at December 31, 2024 included Series B Debentures and Series C Debentures. The majority of long-term debt is payable in US dollars and has been converted to Canadian dollars at the December 31, 2025 exchange rate of 1.3706 (2024 - 1.4389).

(1) Amortizing term loans

- Secured by aircraft - Individual term loans, repayable in instalments, bearing fixed interest at a weighted average rate of 3.29%, maturing between September 2027 and February 2033, each secured primarily by its respective aircraft and engines. The net book value of property and equipment pledged as collateral under these term loans was \$523,819 (December 31, 2024 - \$632,199).
- Secured by engines - Individual term loan, repayable in instalments, bearing fixed interest at a rate of 3.31%, maturing May 2028, secured primarily by one PW150A engine. As at December 31, 2025, the net book value of property and equipment pledged as collateral under Dash 8-400 engine financing was \$2,543 (December 31, 2024 - \$5,236).

Financial covenants under amortizing term loans

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

The principal financial covenants are as follows:

Amortizing term loans have covenants which apply separately to the "Jazz Group" (comprising Jazz and Jazz Leasing Inc. ("JLI") and any entity controlled directly or indirectly by either of them). The Jazz Group is required to maintain a maximum adjusted leverage and a minimum adjusted interest debt coverage ratio. The financing agreements with the lender also contain a covenant respecting the continuation of business under the CPA which is specific to Jazz as the operator of the financed Dash 8-400s, Dash 8-400 spare engines, and CRJ900s.

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

12 Long-term debt (continued)

As at December 31, 2025, Chorus (or as applicable, certain subsidiaries) was in compliance with all of these financial covenants.

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

(2) Nova Scotia Jobs Fund loan

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

For the year ended December 31, 2025, the total interest expense from continuing operations on amortizing term loans and the Nova Scotia Jobs Fund loan was \$10,133 (December 31, 2024 - \$12,553).

For the year ended December 31, 2025, the total interest expense from discontinued operations was \$nil (December 31, 2024 - \$48,001) which included interest accretion of \$nil (December 31, 2024 - \$3,348).

(3) Operating credit facility

As at December 31, 2025, Chorus had drawn \$50,000 on the facility and had also provided letters of credit totaling \$9,591 that reduce the amount available under this facility. For the year ended December 31, 2025, the total interest expense from continuing operations on the operating credit facility was \$2,059 (December 31, 2024 - \$6,051).

(4) Series B Debentures

On April 6, 2021, Chorus issued \$72,500 aggregate principal amount of 6.00% unsecured convertible debentures ("Series B Debentures") which bore interest at a rate of 6.00% per annum, and were scheduled to mature on June 30, 2026 and could be redeemed any time after June 30, 2025 at the principal amount plus accrued and unpaid interest.

Subject to adjustment in certain circumstances, the Series B Debentures were convertible at the holder's option into 22.4972 common shares per \$1.0 principal amount of such debentures, initially representing a conversion price of \$44.45 per share (subject to certain adjustments) (note 16).

On February 3, 2025, the Corporation purchased for cancellation \$43,773 aggregate principal amount of Series B Debentures. As a result of the redemption, \$1,620 of the equity component of the Series B Debentures has been reclassified to contributed surplus in the statement of changes in equity.

On September 30, 2025, Chorus redeemed all of its outstanding Series B Debentures at the principal amount of \$28,727 plus accrued and unpaid interest. As a result of the redemption, \$1,063 of the equity component of the Series B Debentures has been reclassified to contributed surplus in the statement of changes in equity.

For the year ended December 31, 2025, the total interest expense from continuing operations on the Series B Debentures was \$1,541 (December 31, 2024 - \$7,349) which included interest accretion of \$nil (December 31, 2024 - \$3,000).

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

12 Long-term debt (continued)

The following table illustrates the allocation of the Series B Debentures between debt and equity as at December 31, 2025. Significant judgement was exercised by management in determining this allocation.

	Cost of borrowing %	Debt \$	Equity component of convertible debentures \$	Total \$
Balance - December 31, 2024	6.0	72,500	2,683	75,183
Purchased for cancellation February 2025		(43,773)	(1,620)	(45,393)
Redemption September 2025		(28,727)	(1,063)	(29,790)
Balance - December 31, 2025		—	—	—

(5) Series C Debentures

On September 27 2021, Chorus issued \$85,000 aggregate principal amount 5.75% unsecured debentures ("Series C Debentures") which bear interest at a rate of 5.75% per annum, are unsecured, and mature on June 30, 2027 and can be redeemed any time after March 31, 2026 at the principal amount plus accrued and unpaid interest. The Series C Debentures are not convertible by the holders thereof into common shares at any time. Chorus received proceeds of \$81,249, net of \$3,751 in transaction costs associated with the offering. Transaction costs are capitalized and offset against the Series C Debentures and amortized over the life of the debentures using the effective interest rate.

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

On December 9, 2024 Chorus issued a notice of change of control under the indentures governing the Series C Debentures and commenced offers to purchase all of the outstanding aggregate principal amount of Series C Debentures at a price equal to 101% of the principal amount thereof repurchased plus accrued and unpaid interest, if any, up to but excluding the date of purchase. On February 3, 2025, the Corporation purchased for cancellation \$37,797 aggregate principal amount of Series C Debentures.

The Series C Debentures are listed for trading on the TSX under the symbol CHR.DB.C.

For the year ended December 31, 2025, the total interest expense from continuing operations on the Series C Debentures was \$3,224 (December 31, 2024 - \$7,331) which included interest accretion of \$nil (December 31, 2024 - \$2,443).

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

13 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:

	Year ended December 31,	
	2025	2024
	\$	\$
Income (loss) before income tax from continuing operations	98,640	(2,611)
Income tax expense (recovery) at the Canadian statutory tax rate ⁽¹⁾	26,140	(692)
Recognition of previously unrecognized cumulative eligible capital	(4,359)	(4,690)
Non-taxable portion of capital (gains) losses ⁽²⁾	(2,025)	7,369
Unrecognized tax losses (recognition of previously unrecognized tax losses) ⁽²⁾	(2,025)	7,369
Impact of the Canadian statutory tax rate on entities with other tax rates	235	(174)
Non-deductible expenses	2,590	4,590
Other	(655)	(620)
Income tax expense from continuing operations	19,901	13,152
Effective tax rate	20.2%	(503.7)%

(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 a weighted average rate for each of the individual entities based on the jurisdiction in which the entity is taxable. The impact of rate differentials from provincial 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 aircraft. The impact of the non-deductible portion of any unrealized (gain) loss is recognized in the calculation of income tax expense at the end of each period. To the extent that a loss is recorded for accounting purposes, the benefit of the deductible portion of the capital loss, which does not expire, 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 currently have a plan in place to utilize the gross capital loss balance of \$329,275 related mainly to foreign exchange losses. Accordingly, no deferred tax asset has been recognized related to these capital losses.

Chorus has tax deductible amounts of approximately \$213,170 as at December 31, 2025, 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 years ended December 31, 2025 and December 31, 2024, Chorus utilized a total of \$16,045 (\$4,359 tax effected) and \$17,253 (\$4,690 tax effected), respectively, of these previously unrecognized tax deductions to reduce its taxable income.

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

13 Income taxes (continued)

Deferred tax

Components of the net deferred income tax liabilities are as follows:

	December 31, 2024	Recognized in Net Income	Recognized in Other Comprehensive Income	December 31, 2025
	\$	\$	\$	\$
Deferred income tax liability				
Property and equipment	(216,915)	13,806	—	(203,109)
Deferred income tax asset				
Pension and Other Employee Benefits	2,976	1,567	(444)	4,099
Loss carryforwards	14,545	(7,163)	—	7,382
Other long-term liabilities	4,677	(672)	—	4,005
Net deferred income tax liability	(194,717)	7,538	(444)	(187,623)

	As at December 31,	
	2025	2024
Balance sheet presentation	\$	\$
Deferred income tax liability	(187,623)	(194,717)
Net deferred income tax liability	(187,623)	(194,717)

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

14 Pension and Other Future Employee Benefits

Chorus maintains several registered defined contribution pension plans for eligible employees and a registered defined benefit plan for eligible pilots. The registered defined benefit plan was closed to new entrants as at January 1, 2015. Chorus is the plan sponsor for these plans under the Pension Benefits Standard Act, 1985 (Canada). In addition, Chorus maintains an unregistered supplemental executive retirement plan ("SERP") which is partially funded for certain employees. Contributions to the supplemental pension plan started in December 2007. On February 19, 2014, the SERP was closed to new entrants. The registered and supplemental defined benefit pension plans provide benefits upon retirement, termination or death based on the member's years of service and the final average earnings for a specified period. Chorus also maintains an unfunded and unregistered defined contribution supplemental executive retirement plan ("DC SERP") for eligible executives which was effective January 1, 2023. As at December 31, 2025 the unfunded liability for the DC SERP was \$127 (2024 - \$151).

On December 10, 2025, Chorus completed an annuity purchase transaction in the amount of \$27,300 and the transfer of windup liabilities of the same amount under the Jazz Defined Benefit Pension Plan for Pilots.

Chorus also maintains Other (non-pension) Future Employee Benefits. The Other Future Employee Benefits include medical and dental benefits provided to the employees on long-term disability and Workplace Safety Insurance Board ("WSIB"). These benefits cease to be provided when the employee reaches age 65. The sick leave gratuity benefits represent the payout of sick leave accruals upon or just prior to retirement for eligible employees. The self-insured WSIB benefits are in respect of self-insured benefits provided to Ontario employees.

The total expense for Chorus' defined contribution plans related to continuing operations for which Chorus was obligated to make defined contributions only, for the year ended December 31, 2025 was \$18,773 and for the year ended December 31, 2024 was \$18,267.

Expected contributions to the defined benefit pension plans for the year ending December 31, 2026 are \$12,500. Expected contributions to the defined contribution pension plans for the year ending December 31, 2026 are \$20,600. Expected benefit payments for Other Future Employee Benefits for the year ending December 31, 2026 are \$4,346.

Jazz is the legal administrator of the Canadian plans and is responsible for its overall management of these plans. Responsibility for the governance of the plans, including investment decisions lies with Chorus and the Board of Directors.

The most recent actuarial valuations of the defined benefit pension plans for funding purposes were as of January 1, 2025 and the next funding valuations will be as of January 1, 2026.

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

14 Pension and Other Future Employee Benefits (continued)

Information about Chorus' defined benefit plans and Other Future Employee Benefits in aggregate, is as follows:

	Pension Benefits		Other Future Employee Benefits	
	2025	2024	2025	2024
	\$	\$	\$	\$
Change in benefit obligation				
Benefit obligation, beginning of year	426,021	412,498	26,934	26,012
Current service cost	13,965	14,924	2,652	2,648
Past service cost	—	514	—	—
Gain on annuity settlement	(1)	—	—	—
Interest cost	19,580	18,795	1,100	1,108
Plan participants' contributions	4,122	4,458	—	—
Benefits paid	(31,762)	(24,083)	(2,917)	(2,486)
Annuity settlement	(27,345)	—	—	—
Loss (gain) from change in demographic assumptions	—	—	792	(133)
(Gain) loss from change in financial assumptions	(13,260)	7,679	—	297
Experience (gains) losses	(1,432)	(8,764)	552	(512)
Benefit obligation, end of year	389,888	426,021	29,113	26,934
Change in plan assets				
Fair market value of plan assets, beginning of year	417,629	417,341	—	—
Interest income	18,767	19,032	—	—
Employer contribution	17,109	16,744	2,917	2,486
Plan participants' contributions	4,122	4,458	—	—
Benefits paid	(31,762)	(24,083)	(2,917)	(2,486)
Annuity settlement	(27,345)	—	—	—
Administrative expenses	(600)	(600)	—	—
Loss on plan assets (excluding interest income)	(13,021)	(15,263)	—	—
Fair market value of plan assets, end of year	384,899	417,629	—	—
Net defined benefit liability	(4,989)	(8,392)	(29,113)	(26,934)

Chorus Aviation Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

chorus

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

14 Pension and Other Future Employee Benefits (continued)

The table below outlines where the defined benefit pension and Other Future Employee Benefits amounts are included in the statements of financial position.

	December 31,	
	2025	2024
	\$	\$
Assets		
Defined benefit pension	5,749	5,270
Liabilities		
Other future employee benefits	29,113	26,934
Defined benefit pension	10,738	13,662

Defined benefit pension plan assets are comprised as follows:

	December 31,	
	2025	2024
Canadian Equity	1%	1%
Long Bonds	61%	61%
International Equity	14%	14%
Short-term and Other	4%	4%
Real Estate	20%	20%
	100%	100%

The plan's assets are invested in Canadian bonds and equities, real estate and foreign equities. These assets include no significant investment in Chorus at the measurement date.

Weighted average assumptions used to determine the accrued benefit liability:

	Pension Benefits		Other Future Employee Benefits	
	2025	2024	2025	2024
Discount rate to determine accrued benefit obligations	4.8%	4.6%	4.4%	4.4%
Discount rate to determine the pension and benefit cost	4.6%	4.7%	4.4%	4.6%
Rate of compensation increase	4.5%	4.5%	2.0%	2.0%
Health care inflation - Select to determine accrued benefit obligation	n/a	n/a	5.0%	5.1%
Health care inflation - Select to determine pension and benefit cost	n/a	n/a	5.1%	5.2%

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

14 Pension and Other Future Employee Benefits (continued)

The health care inflation assumption remained at 4.0% per annum in and after 2040.

Assumptions regarding future mortality are set based on actuarial advice with statistics published by the Canadian Institute of Actuaries. The assumptions translate into an average life expectancy in years for a pensioner retiring at age 65 as follows:

	2025	2024
Retiring at the end of the reporting period		
Male	23.4	23.4
Female	24.9	24.9
Retiring 20 years after the end of the reporting period		
Male	24.4	24.3
Female	25.8	25.8

The defined benefit pension plans and Other Future Employee Benefits produce exposure to a number of risks, the most significant of which are detailed below:

Asset volatility

For a defined benefit pension plan, fluctuations in the value of plan assets are assessed in the context of fluctuations in the plan liabilities. The plan liabilities are calculated using a discount rate set with reference to high quality corporate bond yields. As discount rates change, the value of the plan liabilities will fluctuate. If the growth of plan liabilities exceeds that of plan assets a deficit will result. The plan currently holds approximately 15% of assets in equities and 20% in Canadian Real Estate, which are expected to outperform corporate bonds in the long-term but which provide volatility and risk in the short-term. The plan's investment time horizon is a key input in deciding on the proportion of equities held.

Interest rate risk

The discount rate used to determine benefit obligations was determined by reference to the market interest rates on corporate bonds rated "AA" or higher, with cash flows that approximate the timing and amount of the expected benefit payments. Also, the discount rate used to determine the portion of the benefit obligations assumed to be settled by lump sum payments was determined by reference to the market interest rates on government bonds. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the pension plans' bond holdings.

Salary risk

The present value of the benefit obligations is calculated by reference to the future salaries of plan participants, so salary increases of the plan participants greater than assumed will increase plan liabilities.

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

14 Pension and Other Future Employee Benefits (continued)
Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statement of financial position.

The sensitivity of the defined benefit obligation to changes in assumptions on the pension plans is as follows:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.3%	Increase by 2.2%
Compensation increase rate	0.25%	Increase by 0.6%	Decrease by 0.6%
Life expectancy	1 year	Decrease by 0.6%	Increase by 0.7%

The sensitivity of the defined benefit obligation to changes in assumptions on Other Future Employee Benefits is as follows:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 1.4%	Increase by 1.4%
Compensation increase rate	0.25%	Increase by 0.6%	Decrease by 0.6%
Health care cost trend rate	0.25%	Increase by 0.7%	Decrease by 0.7%

The weighted average duration of the pension plans and Other Future Employee Benefits is 10 and 6 years, respectively.

Expected maturity analysis of undiscounted defined benefit pension and Other Future Employee Benefit payments are as follows:

	Year 1 \$	Year 2 \$	3 - 5 years \$	Next 5 years \$	Total \$
Defined benefit pension	32,555	33,509	101,276	151,652	318,992
Other Future Employee Benefits	4,346	3,603	8,807	10,097	26,853
	36,901	37,112	110,083	161,749	345,845

Chorus Aviation Inc.**Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024****chorus**

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

14 Pension and Other Future Employee Benefits (continued)

Chorus' net defined benefits pension plan and Other Future Employee Benefits expense recognized in the consolidated statements of income and consolidated statements of comprehensive income is as follows:

	Pension		Other Future Employee Benefits	
	2025	2024	2025	2024
	\$	\$	\$	\$
Components of cost under IAS 19				
Amounts recognized in profit or loss:				
Current service cost	13,965	14,924	2,652	2,648
Past service cost	—	514	—	—
Gain on annuity settlement	(1)	—	—	—
Interest cost on benefit obligation	19,580	18,795	1,100	1,108
Administrative expenses	600	600	—	—
Interest income on plan assets	(18,767)	(19,032)	—	—
Costs arising in the period	15,377	15,801	3,752	3,756
Remeasurements recognized in the consolidated statements of income	—	—	1,331	(416)
Defined benefit cost included in the statement of income (loss)	15,377	15,801	5,083	3,340
Remeasurements recognized in other comprehensive income				
(Gain) loss from financial assumptions	(13,260)	7,679	—	68
Experience (gains) losses	(1,432)	(8,764)	13	—
Loss on plan assets (excluding interest income)	13,021	15,263	—	—
(Gain) loss recognized in the statement of other comprehensive income for the period	(1,671)	14,178	13	68
Tax expense (recovery)	454	(3,855)	(3)	(18)
Net (gain) loss recognized in the statement of other comprehensive income for the period ⁽¹⁾	(1,217)	10,323	10	50

(1) Total net gain of \$1,207 for the year ended December 31, 2025 (2024 - net loss of \$10,373) was recognized in the statement of other comprehensive income (loss).

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

14 Pension and Other Future Employee Benefits (continued)

The funding of employee benefits as compared to the expense recorded in the consolidated statements of income is summarized in the table below:

	Year ended December 31,	
	2025	2024
	\$	\$
Net defined benefit pension and Other Future Employee Benefits expense recorded in the consolidated statements of income		
Wages, salaries and benefits	20,460	19,141
Employee benefit funding by Chorus		
Defined benefit pension	17,109	16,744
Other Future Employee Benefits	2,917	2,486
	20,026	19,230
Employee benefit funding (lower) higher than expense	(434)	89

15 Dividends

On June 25, 2025, Chorus announced the declaration of a quarterly cash dividend of \$0.08 per common share. Chorus' Board of Directors reserves the right to determine whether to pay dividends in the future and the amount, timing and frequency of any such dividends having regard to the Corporation's results of operations and financial condition and other factors as the directors of the Corporation consider appropriate from time to time, including compliance with the covenants contained in Chorus' debt agreements.

For the year ended December 31, 2025, Chorus declared and paid \$3,931 in common share dividends (\$nil declared and paid for the year ended December 31, 2024).

For the year ended December 31, 2025, Chorus declared and paid \$nil in preferred share dividends (\$17,827 declared and \$26,777 paid for the year ended December 31, 2024).

The preferred shares were redeemed on December 31, 2024, Chorus was required to pay the holders thereof the liquidation preference plus a 1.4x MOIC (less the aggregate of all dividends paid on the preferred shares in cash) of \$91,211 (US \$63,270) (refer to note 16 (c)).

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

16 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 ⁽¹⁾	\$
Shares issued and outstanding December 31, 2023	27,632,505	406,481
Shares issued through long-term incentive plan	4,560	67
Shares repurchased and cancelled under normal course issuer bid	(461,755)	(6,793)
Share repurchase commitment under the automatic share purchase plan	—	(4,981)
Shares issued and outstanding December 31, 2024	27,175,310	394,774
Shares repurchased and cancelled under normal course issuer bid	(1,226,755)	(18,046)
Share repurchase commitment under the automatic share purchase plan	—	4,981
Shares repurchased and cancelled under substantial issuer bid	(2,533,174)	(37,666)
Shares issued and outstanding December 31, 2025	23,415,381	344,043

(1) The total issued and outstanding shares have been revised to reflect the share consolidation.

Share consolidation

On February 5, 2025, Chorus consolidated its shares on the basis of seven pre-consolidation common shares for one post-consolidation common share (the "Share Consolidation"). On and after February 5, 2025, the Series B Debentures were convertible into common shares at a conversion price of \$44.45 per common share, being a conversion rate of approximately 22.4972 common shares for each \$1 principal amount of Series B Debentures. The exercise or conversion price and/or the number of common shares issuable upon the exercise or deemed exercise of Chorus' currently outstanding share purchase warrants, stock options and restricted share units issued pursuant to Chorus' long-term incentive plan ("LTIP"), and deferred share units ("DSUs"), and any other securities exercisable for or convertible into common shares have been proportionately adjusted to reflect the Share Consolidation in accordance with the respective terms thereof. In addition, the number of common shares reserved for issuance under the LTIP have been reduced proportionately to reflect the Share Consolidation.

Substantial issuer bid

On November 10, 2025, Chorus completed a substantial issuer bid (the "Offer"), pursuant to which it repurchased 2,061,855 common shares at a price of \$24.25 per common share for consideration of \$50,000, excluding fees and expenses relating to the Offer. Chorus also incurred transaction costs of \$271 related to the Offer which were recorded in equity. The total consideration for the Offer including transaction costs was \$50,271. Common share capital was reduced by a net amount of \$30,474 and the remaining \$19,797 was accounted for as a reduction of contributed surplus. Chorus recognized share buyback tax of \$1,000 as a charge to contributed surplus for the repurchase of common shares.

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

16 Capital stock (continued)

On May 20, 2025, Chorus completed a substantial issuer bid (the "Prior Offer"), pursuant to which it repurchased 471,319 common shares at a price of \$21.00 per common share, for consideration of \$9,898, excluding fees and expenses. Chorus also incurred transaction costs of \$369 which were recorded in equity. The total consideration for the Prior Offer including transaction costs was \$10,267. Common share capital was reduced by a net amount of \$7,192 and the remaining \$3,075 was accounted for as a reduction of contributed surplus. Chorus recognized share buyback tax of \$198 as a charge to contributed surplus for the repurchase of common shares.

For the duration of the Prior Offer Chorus suspended share repurchases pursuant to its NCIB, but resumed share purchases after the expiration of the Prior Offer.

Normal course issuer bid

On November 6, 2024, Chorus received approval from the Toronto Stock Exchange ("TSX") to renew the NCIB. Under the NCIB, Chorus may acquire up to a maximum of 14,826,478 of its shares (pre-Share Consolidation), or approximately 10% of the public float of common shares as of November 4, 2024. On February 10, 2025, the common shares began trading on the TSX on a post-share consolidation basis, at which time the maximum number of common shares Chorus was authorized to purchase for cancellation for the remainder of the NCIB was adjusted to 1,685,150 common shares. The NCIB expired on November 13, 2025.

During the year ended December 31, 2025 Chorus purchased 1,226,755 common shares (post-Share Consolidation) under the NCIB for total consideration of \$25,262. The net reduction to equity, after applying the accounts payable accrual at December 31, 2024 of \$7,348, was \$17,914. Common share capital was reduced by a net amount of \$13,065 and the remaining \$4,849 was accounted for as a reduction of contributed surplus. Chorus recognized share buyback tax of \$504 as a charge to contributed surplus for the repurchase of common shares. During the year ended December 31, 2024 Chorus purchased 461,755 common shares (post-Share Consolidation) under the NCIB for total consideration of \$7,650. Common share capital was reduced by a net amount of \$6,793 and the remaining \$857 was accounted for as a reduction of contributed surplus.

In connection with the NCIB, Chorus had 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. As at December 31, 2025, an obligation for the repurchase of shares of \$nil (as at December 31, 2024 – \$7,348) was recognized under the Plan, of which \$nil (2024 – \$4,981) represents a reduction in share capital and the remaining \$nil (2024 – \$2,367) was accounted for as a reduction of contributed surplus.

The shares issuable by Chorus consist of an unlimited number of Variable Voting Shares and an unlimited number of Voting Shares (collectively, the "shares"). Holders of Variable Voting Shares are entitled to one vote per share unless (i) the number of Variable Voting Shares outstanding, as a percentage of the total number of voting shares of Chorus exceeds 25% or, (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that, (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of Chorus, and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% of the votes that may be cast at such meeting.

Variable Voting Shares are to be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians within the meaning of the Canada Transportation Act. Each issued and outstanding Variable Voting Share is converted into one Voting Share automatically and without any further act of Chorus or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, as defined in the Canada Transportation Act.

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16 Capital stock (continued)

Voting Shares are held, beneficially owned and controlled, directly or indirectly, by Canadians. Each issued and outstanding Voting Share is converted into one Variable Voting Share automatically and without any further act of Chorus or the holder, if such Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Canadian.

b) Warrants

	Number of warrants	\$
Outstanding, December 31, 2023	18,642,772	24,366
Outstanding, December 31, 2024	18,642,772	24,366
Outstanding, December 31, 2025	18,642,772	24,366

As at December 31, 2025, each warrant outstanding is exercisable to purchase one-seventh of a common share at an exercise price of \$32.04 per common share and an expiry date of May 3, 2029. The exercise price is subject to adjustment in accordance with the terms of relevant warrant indenture.

c) Preferred shares

Authorized:

Chorus is authorized to issue 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 had 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 was non-convertible and paid a dividend of 8.75% in cash. The net proceeds received for the Preferred Shares was \$375,217, net of transaction costs and income tax.

The Corporation had a one-time option to redeem 50% of the Series 1 Preferred Shares at any time and an option to redeem all of the Series 1 Preferred Shares, subject in each case to the payment of multiples on the subscriber's invested capital ("MOIC") (a) any time prior to the third anniversary of the issuance, 1.4x, (b) starting on the third anniversary of the issuance, 1.6x, and (c) on or after the sixth anniversary of the issuance, 0x. The Transaction constituted a fundamental change in the nature of the business of Chorus which gave the holders of the Series 1 Preferred Shares a put right when the Transaction closed (note 2).

During the year ended December 31, 2024, the Preferred Shares were reclassified from an equity instrument to a financial liability on the statement of financial position. On reclassification, Chorus recorded a \$106,722 charge to equity which represented the difference between the carrying value and the fair value of the instrument.

On December 31, 2024, Chorus redeemed all of its outstanding Preferred Shares. The Preferred Shares were redeemed for an aggregate redemption price of \$523,691 (US \$363,270), which included the MOIC of \$91,211 (US \$63,270).

For the year ended December 31, 2024, Chorus recorded interest accretion of \$10,445 on the Preferred Shares, which included interest accretion of \$1,819 related to the MOIC.

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

16 Capital stock (continued)

Issued and outstanding:

	Number of Shares	\$
Shares issued and outstanding December 31, 2023	300,000	375,217
Preferred shares redeemed	(300,000)	(375,217)
Shares issued and outstanding December 31, 2024	—	—
Shares issued and outstanding December 31, 2025	—	—

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.

	Year ended December 31,	
	2025	2024
	\$	\$
Numerator		
Net income (loss) from continuing operations	78,739	(15,763)
Less:		
MOIC ⁽¹⁾	—	(89,392)
Preferred share dividends declared	—	(17,827)
Earnings (loss) attributable to common shareholders from continuing operations	78,739	(122,982)
Net loss from discontinued operations, net of taxes	—	(140,686)
Less:		
Net income attributable to non-controlling interest	—	(2,051)
Loss attributable to common shareholders from discontinued operations (note 2)	—	(142,737)
Earnings (loss) attributable to common shareholders	78,739	(265,719)
Denominator post-share consolidation		
Weighted average number of common shares	25,790,838	27,395,860
Weighted average dilutive common shares in respect of stock-based compensation plans	397,907	—
Weighted average number of diluted common shares	26,188,745	27,395,860

(1) Chorus paid a MOIC of \$91,211 on the preferred shares and recorded a charge to equity and interest expense in the amounts of \$89,392 and \$1,819, respectively (note 16 (c)).

For the year ended December 31, 2024, the calculation of the diluted earnings per share excluded 82,970 common shares related to stock-based compensation as they were anti-dilutive.

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

16 Capital stock (continued)
e) RSUs

Chorus awards RSUs to certain key employees under the long-term incentive plan.

The table below shows the movement of RSUs throughout the year.

Long-term incentive plan	2025 Number of units	2024 Number of units⁽¹⁾
RSUs outstanding beginning of the year	332,288	973,983
Total RSUs granted during the year	247,800	567,678
Dividend-equivalent units granted	3,511	—
RSUs redeemed during the year	(62,920)	(1,192,524)
RSUs forfeited during the year	(47,874)	(16,849)
RSUs outstanding	472,805	332,288
RSUs vested	389,015	229,428

(1) The total issued and outstanding shares have been revised to reflect the Share Consolidation.

The value of total RSUs granted during the year ended December 31, 2025 was \$4,903 (2024 - \$8,308).

f) Deferred share units

Deferred share unit plan	2025 Number of units	2024 Number of units⁽¹⁾
DSUs outstanding beginning of the year	166,832	128,975
Total DSUs granted during the year	15,055	37,857
Dividend-equivalent units granted	724	—
DSUs redeemed during the year	(82,972)	—
DSUs outstanding	99,639	166,832

(1) The total issued and outstanding shares have been revised to reflect the Share Consolidation.

Fair value of total DSUs granted during the year ended December 31, 2025 was \$318 (2024 - \$652).

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16 Capital stock (continued)

g) Employee Share Ownership Plan

The ESOP employer match was suspended for contributions made after May 31, 2020; except where governed by collective agreement provisions. Eligible employees can participate in the ESOP under which certain employees can invest between 2% and 6% of their base salary for the purchase of shares on the secondary market.

h) Stock-based compensation expense (recovery)⁽¹⁾

	2025 \$	2024 \$
Stock Options	(926)	1,318
RSUs	4,805	6,358
DSUs	422	731
ESOP	700	649
	5,001	9,056

(1) For the year ended December 31, 2025, the total stock-based compensation expense from discontinued operations was \$nil (December 31, 2024 - \$4,704).

17 Future lease receivables under operating leases

Chorus has the following future minimum lease receivables under operating leases.

	December 31, 2025 \$
2026	106,304
2027	99,074
2028	70,448
2029	44,259
2030	44,259
2031 and onward	47,703

The minimum lease payments for aircraft are receivable from the lessee in US dollars and have been converted to Canadian dollars at the December 31, 2025 exchange rate of 1.3706.

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

18 Financial instruments and fair values

Chorus' financial instruments consist of cash, accounts receivable, long-term defined benefit pension receivable, finance lease receivables, foreign currency contracts, total return swap, accounts payable and accrued liabilities, long-term incentive plan liability, long-term debt and lease liabilities.

Fair value of financial instruments

As explained in note 4(j), financial assets and liabilities have been classified into categories that determine their basis for 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.

The carrying amounts reported in the statement of financial position for cash, accounts receivable 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 December 31, 2025		As at December 31, 2024	
	Fair value \$	Carrying value \$	Fair value \$	Carrying value \$
Accounts receivable				
Foreign currency contracts ⁽¹⁾	1,211	1,211	—	—
Total return swap ⁽¹⁾	—	—	3,220	3,220
Finance lease receivables⁽²⁾	6,467	6,370	—	—
Other long-term assets				
Defined benefit pension receivable ⁽²⁾	12,540	12,540	18,610	18,610
Accounts payable and accrued liabilities				
Total return swap ⁽¹⁾	636	636	—	—
Long-term debt				
Amortizing term loans ⁽³⁾	247,736	263,278	324,185	350,327
Series B Debentures ⁽⁴⁾	—	—	73,145	72,500
Series C Debentures ⁽⁴⁾	47,444	47,203	85,808	85,000
Operating credit facility ⁽³⁾	50,000	50,000	—	—

(1) Fair value is estimated using valuation models that utilize market based observable inputs and is classified as level 2.

(2) Fair value is calculated by discounting the future cash flow at the relevant market interest rate and is classified as level 2.

(3) 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 and is classified as level 2.

(4) Fair value is calculated based on quoted prices observed in active markets and is classified as level 1.

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

18 Financial instruments and fair values (continued)**Fair value hierarchy**

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the consolidated balance sheet, classified using the fair value hierarchy described above:

	2025 \$	2024 \$
Level 2		
Foreign currency contracts asset	1,211	—
Total return swap (liability) asset	(636)	3,220

The following table presents the changes in level 3 instruments by class of asset for the years ended December 31, 2025 and 2024:

	2025 \$	2024 \$
Start of year	—	24,823
Investment in funds	—	1,051
Payments received	—	(2,171)
Foreign currency adjustments	—	1,564
Gain recognized in statement of income	—	1,532
Business disposition	—	(26,799)
	—	—

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

18 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. Excluding revolving debt facilities, as at December 31, 2025, 100.0% of Chorus' term debt was fixed rate debt.

Prior to the disposition of the RAL business pursuant to the Transaction, Chorus had entered into interest rate swaps on certain of its amortizing term loans and its aircraft warehouse credit facility under the RAL business, which converted a portion of the floating interest rate debt to fixed rates for the average duration of each loan and facility.

Changes in the fair value of effective interest rate swaps were recorded in other comprehensive (loss) income from discontinued operations and ineffective interest rate swaps were recorded in (loss) income from discontinued operations.

Chorus recorded the following losses on the interest rate swaps:

	Year ended December 31,	
	2025	2024
	\$	\$
Other comprehensive loss from discontinued operations		
Change in fair value of financial assets and liabilities, net of tax expense of \$nil (2024 - \$131)	—	(914)
Income statement - discontinued operations		
Loss on ineffective interest rate swap ⁽¹⁾	—	(990)

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.

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

18 Financial instruments and fair values (continued)*Credit risk*

Credit risk arises from 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, deposits, trade and other receivables approximate the amount recorded on the statement of financial position, with the exception of lease receivables related to operating leases.

Chorus has no financial assets past due, except for trade receivables. At December 31, 2025, the total amount of net trade receivables was \$108,563 (December 31, 2024 - \$128,401), inclusive of allowance for ECL of \$315 (December 31, 2024 - \$1,707) 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.

At December 31, 2025, the breakdown of past-due trade receivables were as follows:

	December 31, 2025 \$	December 31, 2024 \$
Past due ⁽¹⁾		
60 - 90 days	1,563	1,542
Over 90 days	9,566	5,206
	11,129	6,748

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 708,571 common shares priced at \$22.35 per common share, maturing in March 2026. 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 4(i) and 4(j) - Material accounting policies.

Chorus recorded losses and gains on the total return swap as follows:

	Year ended December 31, 2025 \$	2024 \$
Income statement - continuing operations		
(Loss) gain on total return swap	(178)	6,618

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

18 Financial instruments and fair values (continued)
Liquidity risk

Chorus' liquidity needs are primarily related to funding ongoing operations, planned capital expenditures and principal and interest payments related to long-term borrowings, dividends, planned share buybacks and potential acquisitions.

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 December 31, 2025, Chorus had \$28,656 in cash from continuing operations and \$90,409 of available room on its operating credit facility and \$50,000 on its bi-lateral credit facility, inclusive of letters of credit totaling \$9,591 that reduce the amount available under the operating credit facility. The operating credit facility is subject to a borrowing base calculation. As at December 31, 2025, the borrowing base calculation supported a limit of \$150,000. (As of December 31, 2024 - \$222,216 from continuing operations in cash and \$116,574 of available room on its operating credit facility and \$50,000 on its bi-lateral credit facility, inclusive of letters of credit totaling \$10,000.)

The tables below analyze Chorus' non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The analysis is based on the foreign exchange rate in effect at the consolidated statement of financial position date, and contractual interest rates, and includes both principal and interest cash flows for long-term debt and lease liabilities.

	December 31, 2025			
	Less than 3 months \$	3 months to 1 year \$	2 - 5 years \$	Over 5 years \$
Principal				
Trade payables and accrued liabilities	170,404	—	—	—
Lease liabilities	711	1,842	8,508	2,614
Long-term debt ⁽¹⁾	14,456	49,880	252,923	43,222
Long-term incentive plan	—	—	8,262	—
	185,571	51,722	269,693	45,836
Interest				
Lease liabilities	174	472	1,321	136
Long-term debt ⁽¹⁾	3,499	10,107	17,679	1,374
	3,673	10,579	19,000	1,510

(1) Includes interest on the operating credit facility of \$2,975 annually and assumes payment of the operating credit facility balance at December 31, 2025 of \$50,000 at its contractual maturity date of January 2028.

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

18 Financial instruments and fair values (continued)

		December 31, 2025		
	Less than 3 months \$	3 months to 1 year \$	2 - 5 years \$	Over 5 years \$
Total principal and interest				
Trade payables and accrued liabilities ⁽¹⁾	170,404	—	—	—
Lease liabilities	885	2,314	9,829	2,750
Long-term debt	17,955	59,987	270,602	44,596
Long-term incentive plan	—	—	8,262	—
	189,244	62,301	288,693	47,346

(1) Excludes commodity taxes and deferred lease inducements as they do not meet the definition of a financial liability.

Currency risk

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

The amount of US dollar denominated financial assets was \$45,290 and US denominated financial liabilities was \$232,679 at December 31, 2025. A 1¢ change in the US exchange rate would result in a change in the unrealized gain or loss of approximately \$1,874.

Chorus entered into foreign currency contracts to hedge its exposure to foreign currency exchange rate risk related to the expected net proceeds from the sale of eight Dash 8-400s denominated in US dollars. The contracts mature between February and July 2026. Chorus does not apply hedge accounting to the foreign currency contracts and as such, gains and losses arising from changes in its fair value are recognized in non-operating income in the period in which they arise.

For the year ended December 31, 2024 Chorus recognized \$49,888 in foreign exchange gains in discontinued operations, recycled from other comprehensive income, as a result of the divestiture of the RAL business (note 2).

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

18 Financial instruments and fair values (continued)

Prior to the disposition of the RAL business, Chorus had entered into foreign currency contracts to hedge its exposure to foreign currency exchange rate risk related to the net proceeds, after the redemption of the preferred shares, from the Transaction denominated in US dollars. The contracts were designated as cash flow hedges and settled in December 2024.

	Year ended December 31,	
	2025	2024
	\$	\$
Income statement - continuing operations		
Gain on foreign currency contracts	1,329	—
Income statement - discontinued operations		
Loss on foreign currency contracts	—	(11,236)

19 Related parties**Compensation of key management**

Key management includes Chorus' Directors, President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Legal Officer and Corporate Secretary, President of Jazz and President of Voyageur. Compensation awarded to key management is summarized as follows:

	Year ended December 31,	
	2025	2024
	\$	\$
Salaries and other benefits	5,871	9,344
Other post-employment benefits	439	3,164
Stock-based compensation	3,044	4,167
	9,354	16,675

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

20 Economic dependence

The transactions between Air Canada and Chorus are summarized in the table below:

	Year ended December 31,	
	2025	2024
	\$	\$
Operating revenue	1,182,758	1,276,646
Operating expenses	763	1,841

The following current balances with Air Canada are included in the financial statements:

	December 31, 2025	December 31, 2024
	\$	\$
Accounts receivable	79,830	108,490
Finance lease receivables	6,370	—
Contract asset ⁽¹⁾	14,173	15,563
Accrued Air Canada receivable - Deferred lease inducements, prepaid aircraft rent and related fees	1,410	2,351
Other long-term receivables ⁽²⁾	12,540	19,639
Accounts payable and accrued liabilities	2,371	1,757
Unearned revenue ⁽³⁾	—	58,870

(1) In March 2021, Chorus recorded a contract asset of \$20,000 in connection with the transfer and integration of the Embraer 175 aircraft into the covered aircraft fleet. Chorus is amortizing the balance over the remaining life of the CPA contract and has recorded amortization expense of \$1,333 for the year ended December 31, 2025 (2024 - \$1,333).

(2) Includes \$12,540 (December 31, 2024 - \$18,610) of defined benefit pension receivable, including interest accretion, 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 accounts receivable are being repaid in 60 equal monthly payments with the final payment due on November 1, 2028.

(3) Related to a prepayment in December 2024 for January's 2025 controllable cost revenue.

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

20 Economic dependence (continued)**Capacity Purchase Agreement with Air Canada**

Chorus provides capacity for a significant portion of Air Canada's domestic and transborder regional network. As Chorus derives a majority of its revenue from the CPA, it is substantially dependent on Air Canada.

Chorus is party to the CPA with Air Canada, under which Air Canada purchases the capacity of covered aircraft operated by Jazz under the Air Canada Express brand on routes determined by Air Canada. Under the CPA, Chorus is required to provide Air Canada with the capacity of covered aircraft, all crews and applicable personnel, aircraft maintenance, and some airport, flight operations and general overhead support for such flights. Air Canada determines routes and controls scheduling, sets ticket prices, determines seat inventories, and performs marketing and advertising for these flights. Air Canada bears all of the commercial risk, retains all revenue derived from the sale of seats to passengers and cargo services, and pays Chorus for the capacity provided.

The CPA between Chorus and Air Canada was most recently amended on March 1, 2021 (the "2021 CPA Amendments"). The 2021 CPA Amendments included (i) the addition of 25 Embraer 175 aircraft to the covered aircraft fleet, which increased the fixed fee margin, (ii) Jazz as the exclusive Air Canada Express operator of 70-78 seat regional capacity until 2025, (iii) Dash 8-300 aircraft exited the covered aircraft fleet and (iv) controllable cost guardrail receivable capped at \$20,000 for the first three quarters with the exception of the controllable cost guardrail of \$2,000. The annual reconciliation is completed subsequent to the fourth quarter at which time the controllable cost guardrail receivable is paid in full. All other material components of the CPA are unchanged. The 2021 CPA Amendments became effective on a retroactive basis to January 1, 2021.

On February 4, 2019, the CPA between Chorus and Air Canada was amended and extended for an additional 10 years ending December 31, 2035 (the "2019 CPA Amendments"). The 2019 CPA Amendments include changes to the aircraft fleet operated by Chorus under the CPA (the "Covered Aircraft") for a total fleet of 105 Covered Aircraft for the period from January 1, 2019 to December 31, 2025. Following 2025, Air Canada will determine the composition of the Covered Aircraft fleet on the condition that the fleet must have a minimum of 80 aircraft with 75 to 78 seats for the remainder of the extended term of the CPA. The 2019 CPA Amendments also include changes to Chorus' compensation under the CPA which include (i) removal of the infrastructure fee, (ii) reductions in the fixed margin fee and the available performance incentive payments, (iii) changes to the flight crew and cabin crew block hour rates, (iv) reclassification of certain overhead costs into newly-established rate categories, (v) treatment of capital expenditures relating to certain airports or hangar facilities as pass-through costs, (vi) provisions setting out Air Canada's commitment to reimburse Chorus for certain wage costs, and (vii) provisions which limit Chorus' respective exposures to \$2,000 annually for variances between the revenue Chorus receives from Air Canada to cover controllable costs and Chorus' actual controllable costs.

Under the CPA, Chorus is paid controllable cost revenue rates, based on controllable costs, using variables such as block hours, flight hours, cycles and passengers carried, as well as certain variable and fixed aircraft ownership rates and fixed rates.

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

20 Economic dependence (continued)

Chorus and Air Canada negotiate rates (controllable cost revenue) for the controllable costs Chorus expects to incur which are estimated based on certain variables to operate Air Canada Express services under the CPA. Chorus' exposure to variances between the controllable cost revenue Chorus receives from Air Canada to cover annually negotiated controllable costs and Chorus' actual controllable costs incurred in performing its services for Air Canada is limited to \$2,000 annually (referred to as the "Controllable Cost Guardrail"). If Chorus' controllable costs exceed the revenue received from Air Canada by more than \$2,000, Air Canada will pay to Chorus an amount equal to the excess over \$2,000. Conversely, if the controllable cost revenue paid by Air Canada to Chorus exceeds Chorus' actual controllable costs by more than \$2,000, Chorus will pay to Air Canada an amount equal to the excess over \$2,000.

Controllable cost revenue rates are set annually, and Chorus and Air Canada complete a quarterly reconciliation and payment is made once the variance, if any, between the controllable cost revenue paid by Air Canada and Chorus' actual controllable costs is greater than \$20,000 for the first three quarters with the exception of the \$2,000 Controllable Cost Guardrail. The annual reconciliation is completed subsequent to the fourth quarter at which time the Controllable Cost Guardrail receivable is paid in full.

Controllable costs include such costs as wages and benefits, certain depreciation and amortization, certain aircraft maintenance, materials and supplies, third-party operating leases, and other general overhead expenses, such as crew variable expense, professional fees, travel, and training. Substantially all the controllable costs are subject to the Controllable Cost Guardrail and related reconciliation.

Chorus earns a fixed margin based on the number of covered aircraft under the CPA and does not vary based on flight activity.

Performance incentives are available for achieving established performance targets under the CPA.

Chorus incurs two types of costs under the CPA:

- 1) Controllable Costs
- 2) Pass-Through Costs

Pass-through costs are passed through to Air Canada and are fully reimbursed. These include costs such as airport and navigation fees and terminal handling fees, third-party ground handling, certain wages and benefits, certain aircraft maintenance, materials and supplies, aircraft parking, interrupted trips and baggage delivery, station supplies for processing passengers, certain third-party facilities, certain voluntary employee separation program costs and capital expenditures incurred by Jazz at certain airports and hangar facilities. Services provided by Air Canada are provided at no cost to Chorus. These include aircraft fuel, food and beverage, Air Canada ground handling and facilities leased from Air Canada.

The balances in accounts receivable and accounts payable and accrued liabilities are payable on normal trade terms and have arisen from the services provided by the applicable party.

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

21 Statement of cash flows - supplementary information

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

	Year ended December 31,	
	2025	2024
	\$	\$
Decrease in accounts receivable – trade and other	23,472	37,275
Decrease (increase) in inventories	5,246	(12,717)
Increase in prepaid expenses	(3,510)	(9,804)
Increase in income tax receivable	(1,636)	(6,424)
Decrease in other long-term assets	9,062	4,137
(Decrease) increase in accounts payable and accrued liabilities	(135,665)	24,557
Decrease in current portion long-term incentive plan	—	(2,877)
Decrease in income tax payable	(2,610)	(4,666)
Increase (decrease) in other long-term liabilities	2,818	(8,461)
	(102,823)	21,020

The above table excludes non-cash foreign currency adjustments.

b) Other

	Year ended December 31,	
	2025	2024
	\$	\$
Cash payments of interest from continuing operations	18,074	36,458
Cash payments of interest from discontinued operations	—	42,393
Cash payments of interest	18,074	78,851
Cash receipts of interest from continuing operations	4,529	4,304
Cash payments of tax from continuing operations	31,691	36,870
Cash payments of tax from discontinued operations	—	5,941
Cash payments of tax	31,691	42,811

Chorus Aviation Inc.



Notes to the Consolidated Financial Statements For the years ended December 31, 2025 and 2024

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

21 Statement of cash flows - supplementary information (continued)

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

	Amortizing term loans ⁽¹⁾ \$	Debentures ⁽²⁾ \$	Credit facilities ⁽³⁾ \$	Total long-term debt \$	Preferred shares \$	Lease liabilities \$
Balance - December 31, 2023	1,387,506	237,433	120,065	1,745,004	—	10,576
Repayment of long-term borrowings from continuing operations	(85,224)	(86,250)	(120,896)	(292,370)	—	—
Repayment of long-term borrowings from discontinued operations	(208,480)	—	—	(208,480)	—	—
Repayment of preferred shares from continuing operations	—	—	—	—	(523,691)	—
Repayment of lease liabilities from continuing operations	—	—	—	—	—	(2,915)
Repayment lease liabilities from discontinued operations	—	—	—	—	—	(797)
Total financing cash flow activities	(293,704)	(86,250)	(120,896)	(500,850)	(523,691)	(3,712)
Business disposition	(823,617)	—	—	(823,617)	—	(3,551)
New preferred shares from continuing operations	—	—	—	—	481,939	—
New lease liabilities from continuing operations	—	—	—	—	—	4,801
Interest expense from continuing operations	—	6,317	—	6,317	10,445	—
Interest expense from discontinued operations	3,348	—	—	3,348	—	—
Deferred financing fee amortization from discontinued operations	1,724	—	—	1,724	—	—
Unrealized foreign exchange loss from continuing operations	23,065	—	695	23,760	—	83
Realized foreign exchange loss from continuing operations	7,854	—	136	7,990	31,307	—
Foreign currency adjustments from discontinued operations	44,151	—	—	44,151	—	355
Total financing non-cash activities	(743,475)	6,317	831	(736,327)	523,691	1,688
Balance - December 31, 2024	350,327	157,500	—	507,827	—	8,552

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

(2) Includes Series A Debentures, Series B Debentures and Series C Debentures.

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

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

21 Statement of cash flows - supplementary information (continued)

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

	Amortizing term loans ⁽¹⁾ \$	Debentures ⁽²⁾ \$	Credit facilities ⁽³⁾ \$	Total long-term debt \$	Lease liabilities \$
Balance - December 31, 2024	350,327	157,500	—	507,827	8,552
Long-term borrowings, net of financing costs from continuing operations	—	—	50,000	50,000	—
Repayment of long-term borrowings from continuing operations	(72,055)	(110,297)	—	(182,352)	—
Repayment of lease liabilities from continuing operations	—	—	—	—	(3,404)
Total financing cash flow activities	(72,055)	(110,297)	50,000	(132,352)	(3,404)
New lease liabilities from continuing operations	—	—	—	—	8,875
Unrealized foreign exchange loss from continuing operations	(20,059)	—	—	(20,059)	(348)
Realized foreign exchange loss from continuing operations	5,065	—	—	5,065	—
Total financing non-cash activities	(14,994)	—	—	(14,994)	8,527
Balance - December 31, 2025	263,278	47,203	50,000	360,481	13,675

(1) Includes amortizing term loans.

(2) Includes Series B Debentures and Series C Debentures.

(3) Includes the operating credit facility.

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

22 Additional information
a) Assets

	As at December 31,	
	2025	2024
	\$	\$
Accounts receivable		
Trade receivables	29,048	21,618
Allowance for ECL	(315)	(1,707)
Total return swap	—	3,220
Foreign currency contracts	1,211	—
Commodity taxes	1,748	2,548
Other receivables	2,833	2,322
	34,525	28,001
Trade amounts due from Air Canada (note 20)	79,830	108,490
	114,355	136,491
Inventories⁽¹⁾		
Aircraft expendables	52,863	48,004
Used aircraft and rotables for resale	102,031	96,577
Supplies	4,178	4,008
De-icing fluid	132	99
	159,204	148,688

(1) For the year ended December 31, 2025, the cost of aircraft expendables and supplies and cost of goods sold recognized as a maintenance expense was \$79,538 (December 31, 2024 - \$76,261). For the year ended December 31, 2025 inventory write-downs to net realizable value of \$5,264 were recognized as a maintenance expense (December 31, 2024 - \$5,217).

Chorus Aviation Inc.**Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024**

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

22 Additional information (continued)

	As at December 31,	
	2025	2024
	\$	\$
Prepaid expenses and deposits		
Airport, navigation, insurance and software fees	11,960	13,318
Inventory	9,081	6,483
Other	3,682	4,456
	24,723	24,257
Other long-term assets		
Accrued Air Canada receivable (note 20)	1,410	2,351
Accrued defined pension benefit asset (note 14)	5,749	5,270
Accrued transaction fees, net of accumulated amortization	2,196	3,504
Contract asset ⁽¹⁾	14,173	15,563
Long-term receivables ⁽²⁾	12,540	19,639
Other	133	241
	36,201	46,568

(1) Includes the contract asset recorded in connection with the transfer and integration of the Embraer 175 aircraft into the covered aircraft fleet related to the 2021 CPA Amendments.

(2) Includes \$12,540 (December 31, 2024 \$18,610) defined benefit pension receivable, including interest accretion, 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 accounts receivable is repaid in 60 equal monthly payments with an end date of November 1, 2028.

Chorus Aviation Inc.**Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024****chorus**

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

22 Additional information (continued)**b) Liabilities**

	As at December 31,	
	2025	2024
	\$	\$
Accounts payable, accrued liabilities and other liabilities		
Trade payables and accrued liabilities	168,033	252,410
DSU liability	2,137	3,632
Total return swap	636	—
Consideration payable	645	—
Commodity taxes	18,107	18,254
	189,558	274,296
Trade payables and accrued liabilities due to Air Canada (note 20)	2,371	1,757
Unearned revenue from Air Canada (note 20)	—	58,870
	191,929	334,923

	As at December 31,	
	2025	2024
	\$	\$
Other long-term liabilities		
Accrued other future employee benefits liability (note 14)	29,113	26,934
Accrued defined pension benefit liability (note 14)	10,738	13,662
Long-term incentive plan	8,262	4,945
Consideration payable	624	—
Other	164	1,065
	48,901	46,606

c) Other expenses

	Year ended December 31,	
	2025	2024
	\$	\$
Other expenses from continuing operations		
Travel, training and uniforms	84,471	90,127
Software and hardware costs	17,493	16,542
ECL	(142)	1,472
Other	63,436	70,106
	165,258	178,247

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

23 Subsequent events

Business Acquisition

On February 12, 2026, Chorus entered into an agreement to acquire Kadex Aero Supply Limited ("Kadex"), a distributor of aircraft parts and supplies primarily serving the turboprop market, for a purchase price of approximately \$50,000, subject to customary adjustments inclusive of contingent consideration. Of this total, \$43,000 will be funded on closing through the use of the operating credit facility and cash on hand. The remainder of the purchase price will be payable over the next two years subject to meeting certain performance targets. The transaction is expected to close in the second quarter of 2026 and is subject to the satisfaction of customary conditions to closing.

Dividends

On February 12, 2026, Chorus announced an increase to its quarterly cash dividend from \$0.08 to \$0.11 per common share, basic payable on March 31, 2026 to common shareholders of record on March 13, 2026.

NCIB Renewal

On February 12, 2026, Chorus announced that it had received approval from the Toronto Stock Exchange to implement a NCIB to purchase up to 1,963,003 common shares during the period February 18, 2026 to no later than February 17, 2027.