



Management's Discussion and Analysis

Three months ended
March 31, 2011

May 31, 2011

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1. INTRODUCTION

Chorus Aviation Inc. (“Chorus” or the “Company”) was incorporated on September 27, 2010 under the laws of Canada. The Company entered into an arrangement agreement dated October 4, 2010 with, among other parties, Jazz Air Income Fund (the “Fund”), pursuant to which the parties proposed to implement an arrangement (the “Arrangement”) under the Canada Business Corporations Act (“CBCA”). The Arrangement, the effective date of which was December 31, 2010, involved the exchange, on a one-for-one basis of Units of the Fund for common Shares of Chorus. As a result of the Arrangement, Unitholders of the Fund became Shareholders of Chorus, which became the sole owner of all outstanding Fund Units. The Fund was subsequently wound up into Chorus. The Arrangement has been accounted for as a continuity of interest of the Fund because Chorus continues to substantially operate the business of the Fund and there have been no ownership changes. On November 18, 2010 Chorus incorporated Aviation General Partner Inc., to act as general partner for a newly formed partnership Jazz Aviation LP (“Jazz” or the “Partnership”). On January 5, 2011, substantially all of the assets of Jazz Air LP were transferred to Jazz Aviation LP. The airline business previously carried on by Jazz Air LP is now carried on by the Partnership. As a result of this reorganization, Jazz Air LP was liquidated, and the Fund and Jazz Air Trust were wound up. On February 28, 2011, Chorus incorporated three wholly-owned subsidiaries under the CBCA, Chorus Leasing I Inc., Chorus Leasing II Inc., and Chorus Leasing III Inc., (collectively, the “LeaseCos”). The LeaseCos were established for the sole purpose of acquiring 15 Q400 NextGen turboprop aircraft (“Q400 aircraft”).

References to Chorus or the Company in this MD&A refer to, as the context may require, Chorus and its current and former subsidiaries (the Partnership, Jazz Air LP, Jazz Air Holding GP Inc., Aviation General Partner Inc., 7503695 Canada Inc. and the LeaseCos) collectively, Chorus and one or more of its current and former subsidiaries, one or more of Chorus' current and former subsidiaries or Chorus itself.

Chorus prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the CICA Handbook. In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011, and to provide comparative figures for 2010. Accordingly, Chorus commenced reporting on this basis in its unaudited interim consolidated financial statements for the first quarter of 2011. In this MD&A, the term “Canadian GAAP” (“CGAAP”) refers to generally accepted accounting principles in Canada before the adoption of IFRS, and the term “GAAP” or “IFRS” refers to generally accepted accounting principles in Canada after the adoption of IFRS.

As a result of the adoption of IFRS, certain trends in operating results presented under Canadian GAAP may no longer be applicable under IFRS. In particular, the accounting for pension and other employee benefits, depreciation and amortization, aircraft maintenance expense, business combinations and deferred income taxes are significantly impacted by the changeover to IFRS - refer to Section 14 “Accounting Policies, Including Transition to IFRS” of this MD&A for additional information.

The following MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited consolidated financial statements of Chorus and the notes therein for the three months ended March 31, 2011, the audited consolidated financial statements of Chorus for the year ended December 31, 2010, the annual MD&A dated February 7, 2011, and Chorus' Annual Information Form dated March 30, 2011. This MD&A is prepared as of May 31, 2011.

The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 17 - Risk Factors.

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

Caution regarding forward-looking information

Forward-looking statements are included in this MD&A. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking statements, by their nature, are based on assumptions, including those described below, and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, risks relating to the Partnership’s relationship with Air Canada or Thomas Cook Canada Inc., risks relating to the airline industry, energy prices, general industry, market, credit, and economic conditions, competition, insurance issues and costs, supply issues, war, terrorist attacks, epidemic diseases, acts of God, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, secure financing, employee relations, labour negotiations or disputes, restructuring, pension issues, currency exchange and interest rates, leverage and restructure covenants in future indebtedness, dilution of Chorus Shareholders, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings, pending and future litigation and actions by third parties, as well as the factors identified throughout this MD&A. The forward-looking statements contained in this discussion represent Chorus’ expectations as of May 31, 2011, and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

2. OVERVIEW

Chorus has been established to acquire and hold, directly or indirectly, investments in the Partnership and its general partner Aviation General Partner Inc., 7503695 Canada Inc., the LeaseCos and other investments that it may acquire from time to time. Chorus operates the largest regional airline and the second largest airline in Canada after Air Canada, based on fleet size and number of routes operated. Chorus forms an integral part of Air Canada’s domestic and transborder market presence. Chorus and Air Canada are parties to the Capacity Purchase Agreement (“CPA”), under which Air Canada currently purchases the greater part of Chorus’ fleet capacity at predetermined rates. Under the CPA, Chorus provides service to and from lower density markets as well as higher density markets at off-peak times throughout Canada, and to and from certain destinations in the United States. Chorus operates scheduled passenger service on behalf of Air Canada with approximately 807 departures per weekday to 57 destinations in Canada and 28 destinations in the United States, using 123 Covered Aircraft. Chorus and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and to provide valuable traffic feed to Air Canada’s mainline routes.

Under the CPA, Chorus operates flights on behalf of Air Canada. Air Canada is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising, and customer service at certain airports staffed or administered directly by Air Canada. Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft. Chorus is paid fees based on certain variables, including Block Hours flown, flight hours, cycles (number of take-offs and landings) and passengers carried, in addition to certain variable and fixed aircraft ownership rates. Chorus is also entitled to repayment of certain pass-through costs, including fuel, navigation, landing and terminal fees and certain other costs. Chorus is also eligible to receive incentive payments each quarter for successfully achieving certain performance levels related to on-time performance, controllable flight completion, baggage handling performance and overall customer satisfaction. Chorus is economically and commercially dependent upon Air Canada and certain of its subsidiaries as, in addition to being Chorus’ primary source of revenue, these entities currently provide significant services to Chorus. Chorus is directly affected by the financial and operational strength of Air Canada, its competitive position, and its ability to maintain sufficient liquidity (refer to Section 17 - Risk Factors).

Chorus also operates Boeing 757-200 aircraft during peak months on behalf of Thomas Cook to various sun destinations from Canadian gateways during the winter season (November through April), pursuant to a Flight Services Agreement.

2010 - 2011 represented the inaugural season of the Flight Services Agreement, which will remain in place for four additional winter seasons, subject to any future extension.

Chorus has historically experienced greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. However, with the addition of flights operated on behalf of Thomas Cook, the first and third quarters of the calendar year is now expected to exceed demand during the second and fourth quarters. This new demand pattern is principally a result of the high number of leisure travelers and their preference for travel during the summer months under the Air Canada CPA and the high number of leisure travelers that prefer to travel to southern destinations during the winter months under the Thomas Cook Flight Services Agreement. Chorus has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Chorus' revenues do not fluctuate significantly with Passenger Load Factors.

In 2010, Chorus signed a purchase agreement with Bombardier Inc. for a firm order for 15 Q400 aircraft and options for 15 additional aircraft. On March 8, 2011, Chorus and Air Canada agreed to an amendment to the CPA (the "Second Amending Agreement") to facilitate acquisition and leasing of the Q400 aircraft. Under the Second Amending Agreement, Air Canada agreed that the Q400 aircraft may be acquired by one or more of Chorus' subsidiary leasing companies, which will then lease such aircraft to Jazz Aviation LP, as Covered Aircraft. The parties also agreed to the timing of scheduling of the Q400 aircraft into commercial service, based upon the anticipated delivery date of such aircraft.

On March 10, 2011, Chorus signed loan agreements with Export Development Canada ("EDC"), which in total provided committed financing for the 15 firm Q400 aircraft orders. The financing is for 85% of the delivery price of each aircraft and the term to maturity is 12 years. Chorus will be required to make equal installments of principal and interest over the term to maturity.

On May 26, 2011, Chorus took delivery of the first Q400 aircraft. It will enter into service in June 2011 and will increase the covered aircraft fleet to 124 aircraft (refer to Section 9 - Liquidity and Capital Resources).

3. FIRST QUARTER 2011 SUMMARY

- Billable Block Hours up 14,561 hours or 16.2%, and departures up 4,017 or 6.3%.
- Operating income of \$21.6 million, up \$5.7 million or 36.2%.
- EBITDA of \$31.3 million, up \$4.4 million or 16.2%.
- Free Cash Flow of \$25.4 million, up \$6.6 million or 35.1%.
- Net income of \$14.7 million, down \$1.7 million or 10.6%.
- Successfully completed the first Thomas Cook season on April 27, 2011.
- Executed a second amending agreement with Air Canada under the CPA to facilitate the acquisition and leasing of Q400 aircraft.

Key statistical information

Statistical information for the three months ended March 31, 2011 and 2010 is as follows:

(unaudited)	Three months ended March 31, 2011	Three months ended March 31, 2010	Variance (%)
Departures	67,578	63,561	6.3
Block Hours	100,652	87,750	14.7
Billable Block Hours	104,306	89,745	16.2
Available Seat Miles (ASMs) (000's)	1,878,044	1,233,156	52.3
Operating Expenses (\$000's)	421,446	339,530	24.1
Cost per Available Seat Mile (CASM) (¢)	22.44	27.53	(18.5)
CASM Excluding Aircraft Fuel (¢)	16.54	22.20	(25.5)
Number of Operating Aircraft (end of period) ⁽¹⁾	132	129	2.3
Full-time Equivalents (FTEs) (end of period)	4,679	4,483	4.4

(1) Refer to Section 4 - Fleet

4. FLEET

As at March 31, 2011, Chorus' operating fleet was made up of 132 operating aircraft, of which 64 were regional jets, 64 turboprop, and four Boeing 757 aircraft.

The following table lists Chorus' operating fleet, at March 31, 2011:

(unaudited)	Number of Operating Aircraft March 31, 2011	Average Age of Operating Aircraft	Owned	Finance Lease	Operating Lease	Number of Operating Aircraft March 31, 2010
Canadair Regional Jet CRJ100	22	15.6	-	-	22	22
Canadair Regional Jet CRJ200	26	8.8	-	-	26	27
Canadair Regional Jet CRJ705	16	5.7	-	-	16	16
De Havilland DHC-8-300	28	20.6	19	7	2	28
De Havilland DHC-8-100	36	23.0	29	-	7	36
Boeing 757-200	4	12.5	-	-	4	-
Total Operating Aircraft	132	14.4	48	7	77	129

All regional jet and turboprop aircraft in Chorus' operating fleet as of March 31, 2011 are Covered Aircraft, except for two Dash 8-100, two Dash 8-300 and one CRJ-200 aircraft allocated for charter purposes. Four 757-200 aircraft were allocated to the operation of flights on behalf of Thomas Cook. The Thomas Cook winter season operation began to wind down in March and the remaining four aircraft (six operated during the peak season) were returned to the lessors by the end of April 2011.

Air Canada's commitment to Chorus' minimum fleet of Covered Aircraft under the CPA, has been temporarily reduced from 133 to 123 aircraft pursuant to the CPA Amending Agreement. During the first quarter of 2011, there were two less

Covered Aircraft in the fleet than in same period of 2010. Chorus flew 7.4% more Block Hours in the first quarter of 2011 as compared to the first quarter of 2010, under the CPA and increased the average aircraft utilization in the period by approximately 9.2%.

As a result of the purchase agreement with Bombardier, the initial Q400 aircraft was delivered on May 26, 2011, and will enter into service in June 2011. Following the delivery of the second new turboprop aircraft in June 2011, the number of aircraft comprising the Covered Aircraft will return to the Guaranteed Minimum Number of Covered Aircraft. (Upon the arrival of each remaining turboprop aircraft, one CRJ-100 will be removed from the fleet of Covered Aircraft and replaced with one arriving turboprop aircraft, such that the number of aircraft shall remain at the Guaranteed Minimum Number of Covered Aircraft.)

5. SUMMARY OF CONSOLIDATED STATEMENT OF INCOME

Certain of the following financial information of Chorus has been derived from, and should be read in conjunction with, the consolidated financial statements for the three months ended March 31, 2011 and the related notes.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31,		Variance %
	2011 \$	2010 \$	
Operating revenue	443,019	355,372	24.7
Operating expenses	421,446	339,530	24.1
Operating income	21,573	15,842	36.2
Non-operating income (expenses)	(2,190)	393	(657.3)
Income before deferred income taxes	19,383	16,235	19.4
Deferred income tax (expense) recovery	(4,727)	164	(2,982.3)
Net income for the periods	14,656	16,399	(10.6)

6. FIRST QUARTER ANALYSIS

The following discussion compares the results of operations of Chorus for the three months ended March 31, 2011 to the three months ended March 31, 2010.

Operating Revenue

Operating revenue increased from \$355.4 million to \$443.0 million in the first quarter of 2011, representing an increase of \$87.6 million or 24.7%. The increase in revenue was primarily attributable to a \$63.5 million or 50.1% increase in pass-through costs from \$126.8 million to \$190.3 million, which included \$45.1 million related to fuel. Passenger revenue, excluding pass-through costs, increased by \$23.7 million or 10.5% mostly due to an increase in Billable Block Hours, an increase in departures and new revenue earned under the Thomas Cook arrangement which became effective in November 2010; offset by a lower US dollar exchange rate and a \$2.4 million reduction in incentives earned under the CPA with Air Canada.

Operating Expenses

Operating expenses increased from \$339.5 million to \$421.4 million, an increase of \$81.9 million or 24.1%. Controllable Costs increased by \$18.4 million or 8.6% and is primarily attributable to new costs associated with the operation of flights on behalf of Thomas Cook.

- Salaries, wages and benefits increased by \$12.3 million due to wage and scale increases under new collective agreements, increased pension expense resulting from a revised actuarial valuation, and increased FTE's to facilitate capacity growth; offset by decreased incentive compensation expense.
- Aircraft fuel costs increased by \$45.1 million due to an increase in the cost of fuel of \$17.7 million, and an increase in fuel usage of \$27.4 million, attributable to the 7.4% increase in CPA Block Hours and additional Block Hours associated with the operation of flights on behalf of Thomas Cook.
- Depreciation and amortization expense decreased by \$1.4 million due to certain assets reaching full amortization, and decreased capital expenditures on aircraft rotatable parts and other equipment.
- Aircraft maintenance expense increased by \$4.6 million as a result of the introduction of Thomas Cook flying and increased CPA Block Hours for \$7.8 million, offset by the effect of the decrease in the US dollar exchange rate on certain material purchases associated with the CPA for \$1.4 million, and a reduction in other maintenance costs under the CPA of \$1.8 million.
- Airport and navigational fees increased by \$5.2 million as a result of the Thomas Cook departures, and increased CPA related costs due to increased Block Hours and departures, which were offset by changes in aircraft deployment and a general rate decrease resulting from a change in the airport user fee structure.
- Aircraft rent decreased by \$0.4 million primarily as a result of a lower US dollar exchange rate, new lease arrangements with respect to certain aircraft and the return of CRJ aircraft; offset by the addition of six Boeing aircraft for the operation of flights on behalf of Thomas Cook.
- Terminal handling costs increased by \$9.3 million due to the Thomas Cook departures and increased CPA related costs due to an increase in the number of departures, changes in aircraft deployment, an increase in de-icing costs, and a change in terminal handling fee structure.
- Other expenses increased by \$4.6 million primarily due to increased crew related costs (such as crew positioning and per diems), professional fees and general overhead expenses.

Non-Operating Expenses

Non-operating expenses amounted to \$2.2 million, an increase of \$2.6 million. This change was primarily attributable to the absence in this quarter of any gain on derivative liabilities (refer to Section 14 - Accounting Policies, Including Transition to IFRS); offset by lower net interest expense.

7. PERFORMANCE INDICATORS

Chorus uses certain non-GAAP financial measures, described below, to evaluate operating performance and in making decisions relating to dividends to Shareholders. These measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

EBITDA

EBITDA (earnings before interest, taxes, depreciation, amortization and obsolescence) is a non-GAAP financial measure commonly used throughout all industries to view operating results before interest expense, interest income, depreciation and amortization, gains and losses on property and equipment and other non-operating income and expenses. Management believes EBITDA assists investors in comparing Chorus' performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and non-operating factors such as historical cost. EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, which form part of the financial statements.

Free Cash Flow

Pre-conversion distributable cash was a key performance indicator as it represented the funds available to Unitholders of the Fund and was used by management to evaluate the ongoing performance of the Fund. Distributable cash is not a measure which is commonly utilized in respect of a public corporation. Management believes, however, that it is a term with which its equity holders are familiar and has provided Free Cash Flow as a proxy for previously reported distributable income.

The following table provides a reconciliation of Free Cash Flow to EBITDA:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31,	
	2011 \$	2010 ⁽³⁾ \$
Operating income	21,573	15,842
Depreciation and amortization	9,714	11,080
EBITDA	31,287	26,922
EBITDA margin (%) ⁽¹⁾	7.1	7.6
EBITDA	31,287	26,922
Non-operating expenses	(2,190)	(2,914) ⁽²⁾
Maintenance Capital Expenditures	(3,656)	(5,174)
Free Cash Flow	25,441	18,834
Dividends declared	18,602	18,429
Payout ratio - dividends declared / Free Cash Flow (%)	73.1	97.8

- (1) EBITDA margin is calculated as EBITDA divided by operating revenues.
(2) \$3.3 million gain on derivative liabilities was removed from the IFRS adjustments as it is a non-cash item, which is transitory under an income fund structure and eliminated upon conversion to a corporation on December 31, 2010.
(3) For a reconciliation of 2010 calculation under CGAAP versus IFRS, refer to Section 14.

Reconciliation of cash flows from operating activities to Free Cash Flow is as follows:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31,	
	2011 \$	2010 \$
Cash flows from operating activities	29,400	20,865
Maintenance Capital Expenditures, net of gain on disposal	(3,517)	(4,839)
Change in non-cash operating working capital	103	4,233
Amortization of prepaid aircraft rent and related fees	(478)	(469)
Stock based compensation	(585)	(764)
Accretion of debt component of convertible debentures	(383)	(387)
Foreign exchange gain	332	533
Other	569	(338)
Free Cash Flow	25,441	18,834

8. QUARTERLY FINANCIAL DATA

The following table summarizes quarterly financial results and major operating statistics of Chorus for the previous eight quarters. The information for the last three quarters of 2009 is reported on a CGAAP basis (prior to the adoption of IFRS) while the information for the four quarters of 2010 and the first quarter of 2011 is reported on an IFRS basis. Accordingly, the financial information for the three quarters of 2009 may not be comparable to subsequent periods.

(unaudited)	Q1 2011 IFRS	Q4 2010 IFRS	Q3 2010 IFRS	Q2 2010 IFRS	Q1 2010 IFRS	Q4 2009 CGAAP	Q3 2009 CGAAP	Q2 2009 CGAAP
Operating revenue (\$000)	443,019	392,675	379,109	359,010	355,372	351,238	379,659	373,569
Operating expenses (\$000)	421,446	375,161	351,953	332,737	339,530	325,932	344,893	336,855
Amortization of CPA Asset (\$000)	-	-	-	-	-	8,048	10,525	10,525
Operating income (\$000)	21,573	17,514	27,156	26,273	15,842	17,258	24,241	26,189
Total non-operating expense (\$000)	2,190	10,174	(3,191)	10,612	(393)	2,111	1,520	811
Net income (loss) (\$000)	14,656	(12,401)	30,305	21,585	16,399	20,816	25,321	25,378
Billable Block Hours	104,306	98,817	99,390	93,585	89,745	91,783	100,486	98,410
Available Seat Miles (000's)	1,878,044	1,497,201	1,425,130	1,345,703	1,233,156	1,265,084	1,449,292	1,408,433
Cost per Available Seat Mile (CASM) (¢)	22.44	25.06	24.70	24.73	27.53	25.76	23.80	23.92
CASM, excluding fuel (¢)	16.54	19.41	19.25	19.42	22.20	20.65	18.85	19.51
EBITDA ⁽¹⁾ (\$000)	31,287	27,786	37,541	36,425	26,922	33,261	42,476	44,278
Free Cash Flow ⁽²⁾ (\$000)	25,441	20,419	30,490	29,118	18,834	26,743	37,915	40,619
Free Cash Flow ⁽²⁾ per Share (Unit) (\$)	0.21	0.17	0.25	0.24	0.15	0.22	0.31	0.33
Dividends / distributions declared per Share (Unit) (\$)	0.15	0.15	0.15	0.15	0.15	0.15	0.19	0.25
Net income (loss) per Share (Unit), basic (\$)	0.12	(0.10)	0.25	0.18	0.13	0.17	0.21	0.21
Net income (loss) per Share (Unit), diluted (\$)	0.12	(0.10)	0.20	0.18	0.11	0.17	0.21	0.21

1) This is a non-GAAP measurement.

2) Previously reported as Distributable Income. This is a non-GAAP measurement.

9. LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations. At March 31, 2011, Chorus had \$88.4 million in cash and cash equivalents on hand, representing a decrease of \$16.9 million from March 31, 2010, such decrease resulting primarily from deposits made on Q400 aircraft; offset by the change from a monthly to a quarterly dividend payment frequency. Chorus expects to generate sufficient cash flow to fund dividends (which are declared at the discretion of the Board), planned Maintenance Capital Expenditures and interest costs under its convertible debentures (refer to Section 1 - Introduction, "Caution regarding forward-looking information"). Management has evaluated aspects of Chorus' business and financial condition and, as at the date of this report, no material adverse changes with respect to its liquidity have occurred (refer to Section 17 - Risk Factors, and Section 1 - Introduction, "Caution regarding forward-looking information").

Summary of Cash Flows

The following table provides an overview of Chorus' cash flows for the periods indicated:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31,	
	2011 \$	2010 \$
Cash provided by operating activities	29,400	20,865
Cash used in financing activities	(671)	(134,216)
Cash used in investing activities	(6,178)	(4,839)
Net change in cash and cash equivalents during the periods	22,551	(118,190)
Cash and cash equivalents - Beginning of periods	65,896	223,559
Cash and cash equivalents - End of periods	88,447	105,369

Operating activities

Chorus continued to generate positive cash flows from operations of \$29.4 million for the three months ended March 31, 2011, compared to \$20.9 million for the same period in 2010. The respective increase was attributable to a higher net income and an increase in accounts payable, offset by an increase in accounts receivable.

Financing activities

Cash used in financing activities for the three months ended March 31, 2011 included a repayment of obligations under finance leases of \$0.7 million.

Cash used in financing activities for the three months ended March 31, 2010 included distributions to Unitholders of \$18.4 million, a repayment of obligations under finance leases of \$0.6 million, and a repayment of long-term debt of \$115.0 million.

Investing activities

Investing activities for the three months ended March 31, 2011 included capital expenditures of \$3.7 million (compared to \$5.2 million for the same period of 2010), \$3.3 million in purchase deposits on aircraft relating to the order of Q400 aircraft, and a \$0.7 million decrease to restricted cash related to letters of credit. Capital expenditures consisted of investments made to major maintenance overhauls, replenish aircraft rotatable parts, and other purchases necessary to support the ongoing operations.

Contractual obligations and other commitments

Please refer to Chorus' annual MD&A dated February 7, 2011 for information regarding Jazz's contractual obligations and other commitments.

There have been no material changes to debt and lease obligations during the three months ended March 31, 2011, except as outlined below.

On May 26, 2011, Chorus took delivery of the first Q400 aircraft. It will enter into service in June 2011 and increase Chorus' Covered Aircraft fleet to 124 aircraft.

On March 10, 2011, Chorus signed loan agreements with EDC, which in total provide committed financing for the 15 firm Q400 aircraft orders. The financing represents 85% of the aggregate purchase price of each aircraft delivery price and the term to maturity is 12 years. The remaining 15% will be funded by applying aircraft deposits previously made by Chorus to the manufacturer and from working capital.

As required by the purchase agreement, Chorus made a lump sum predelivery payment during the second quarter of 2010. The purchase agreement with Bombardier requires on-going monthly predelivery payments in the aggregate amount of \$34.7 million until July 2011. As at March 31, 2011, Chorus has recorded a total \$29.4 million in property and equipment for these predelivery payments.

This initial term loan is repayable by Chorus to EDC in semi-annual installments of US\$1.0 million, matures in May 2023, and is secured by one Q400 aircraft and the two PW150A engines. Chorus has secured a similar financing arrangement with EDC for each of the remaining 14 firm Q400 aircraft to be delivered by the manufacturer.

Under its financing agreement with EDC, beginning in the second quarter ending June 30, 2011, the "Jazz Group" (currently comprised of Jazz and the LeaseCos) is required to meet an adjusted leverage ratio of 2.25:1 and an adjusted interest coverage ratio of 1.66:1. Failure by the Jazz Group to satisfy either such ratio at an applicable time would constitute an event of default under the financing agreement, which could have an adverse material impact on Chorus.

In 2007 and 2010, Chorus entered into common terms agreements ("CTAs") with aircraft lessors which govern three of Chorus' aircraft leases and which will also apply to any future aircraft leases with the same lessors. As at March 31, 2011, Chorus was in compliance with the tangible asset disposal covenants contained in these CTAs.

Capital expenditures

Maintenance Capital Expenditures represent expenditures incurred to sustain operations or Chorus' productive capacity. Chorus separates its capital expenditures into three categories: leasehold improvements (includes improvements made to leased aircraft), aircraft-related (includes aircraft related communication, equipment and tooling, aircraft rotatable parts and engines, and major maintenance overhaul expenditures), and facilities and owned buildings.

For the three months ended March 31, 2011, Maintenance Capital Expenditures were \$3.7 million (2010 - \$5.2 million), which consisted of major maintenance overhaul expenditures of \$2.5 million (2010 - \$1.8 million) and expenditures for aircraft rotatable parts and other purchases of \$1.2 million (2010 - \$3.4 million). Management anticipates Maintenance Capital Expenditures for the year ended December 31, 2011 to total \$34.0 million which includes approximately \$15.0 million for capitalization of major maintenance overhauls (refer to Section 1 - Introduction, "Caution regarding forward-looking information").

Shares

At May 27, 2011, the issued and outstanding common Shares of Chorus, along with common Shares potentially issuable, pursuant to convertible debentures, were as follows:

Number of Shares

(unaudited)	May 27, 2011	December 31, 2010
Issued and outstanding common Shares		
Class A variable voting Shares	17,205,779	43,698,611
Class B voting Shares	106,809,692	80,316,860
Total issued and outstanding common Shares	124,015,471	124,015,471
Common Shares potentially issuable		
Convertible debentures ⁽¹⁾	15,278,095	15,278,095
Total outstanding and potentially issuable common Shares	139,293,566	139,293,566

1) Assumes all outstanding convertible debentures are exercised

10. OFF-BALANCE SHEET ARRANGEMENTS

Information on Chorus' off-balance sheet arrangements is disclosed in Section 10 of Chorus' annual MD&A dated February 7, 2011. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

11. RELATED PARTY TRANSACTIONS

At March 31, 2011, Chorus had no transactions with related parties as defined in the CICA Handbook (IFRS), except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Chorus' financial instruments consist of cash and cash equivalents, accounts receivable, ABCP, accounts payable and accrued liabilities, obligations under finance leases, long-term debt, convertible debentures and its investment in LARAH.

Chorus has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary. Please refer to Chorus' annual MD&A dated February 7, 2011 for further discussion on interest rate risk, credit risk, liquidity risk and currency risk.

13. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to Section 1 - Introduction, "Caution regarding forward-looking information"). Information on Chorus' critical accounting estimates is disclosed in Section 14 of Chorus' annual MD&A dated February 7, 2011. The following updates are provided for those areas that contain critical accounting estimates utilized in the preparation of Chorus' consolidated financial statements, that have changed as a result of Chorus adopting IFRS on January 1, 2011.

Employee benefits

- The cost and related liabilities of Chorus' post-employment benefit programs are determined using actuarial valuations. The actuarial valuations involve assumptions including in relation to discount rates, expected rates of return on assets, 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.

Income taxes

- Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustments to Chorus' deferred and current tax assets and liabilities.

Amortization period for long-lived assets

- Chorus makes estimates about the expected useful lives of long-lived assets and the expected residual values 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 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. Generally, these adjustments are accounted for on a prospective basis, through depreciation and amortization expense.

Impairment considerations on long-lived assets

- An impairment test is performed by comparing the carrying amount of the asset or cash generating unit to their recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates.

Fair value of long-term investment (LARAH)

- Management uses judgement to value the fair value of the long-term investment in Latin American Regional Aviation Holding Corp. ("LARAH").

14. ACCOUNTING POLICIES, INCLUDING TRANSITION TO IFRS

The significant accounting policies of Chorus are described in note 3 of the March 31, 2011 unaudited consolidated financial statements of Chorus Aviation Inc.

Future accounting standards

IFRS 9 - Financial Instruments

The IASB has issued IFRS 9 effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 9 introduces new classification and measurement requirements for financial instruments. Chorus continues to assess the impact of IFRS 9 on its consolidated statement of operations and financial position.

Transition to International Financial Reporting Standards

Effective January 1, 2011 and as further described in Chorus' interim unaudited consolidated financial statements and notes for the first quarter of 2011, Chorus began reporting its financial results in accordance with IFRS.

The following table summarizes Chorus' key metrics for the year ended December 31, 2010 under IFRS, versus those previously reported under Canadian GAAP.

(unaudited) (expressed in thousands of Canadian dollars)	Full Year 2010		
	CGAAP \$	Adj \$	IFRS \$
Operating revenue	1,486,166	-	1,486,166
Operating expenses, before amortization of CPA Asset	1,395,313	4,068	1,399,381
Operating income, before amortization of CPA Asset	90,853	(4,068)	86,785
Amortization of CPA Asset	32,192	(32,192)	-
Operating income	58,661	28,124	86,785
Non-operating expenses	(8,113)	(9,089)	(17,202)
Deferred income tax recovery (expense)	75,270	(88,965)	(13,695)
Net income	125,818	(69,930)	55,888
Performance Indicators			
EBITDA	120,724	7,950	128,674
Free Cash Flow	100,712	(1,851)	98,861
CASM	25.36	0.08	25.44
CASM, excluding fuel	19.92	0.08	20.00

IFRS impacts on key metrics:

- No change to operating revenue.
- Operating expenses before amortization of the CPA Asset increased by \$4.1 million as a result of capitalization of major maintenance overhaul expenditures, which increased depreciation and amortization by \$12.0 million and decreased salaries, wages and benefits and maintenance expense by \$9.7 million; recognition of actuarial losses on other long-term benefits of \$2.1 million, and reduction of other charges of \$0.3 million.
- Decrease of \$32.2 million for amortization of CPA Asset expense under IFRS. During 2007, under CGAAP, Chorus accounted for its acquisition of Jazz Air LP using the trading value of the Fund Units at that time as a proxy for the fair value for the transaction. The difference between this amount and the net book value of Jazz Air LP's assets was allocated to the fair value of identifiable assets, including the CPA intangible asset, and the balance allocated to goodwill. IFRS allows for recording this business combination as a common control transaction using the LP's book value at that time. This policy choice results in no accounting recognition of the CPA intangible asset (of \$676.0 million at January 1, 2010 under CGAAP) and therefore, no related on-going annual amortization of the CPA (which was \$32.2 million annually under CGAAP). This accounting policy choice gives a clearer picture of the underlying operating entities of Chorus, namely Jazz Aviation LP, and promotes less volatility in reported earnings going forward. In prior MD&A, Chorus computed and disclosed adjusted net income, which essentially eliminated the impact of the CPA amortization on earnings and was therefore focused on the operating results of the business. This accounting treatment under IFRS provides the same result.
- Non-operating expenses increased by \$9.1 million as result of derivative fair value fluctuations under IFRS. These derivatives were held as equity under Canadian GAAP and were not revalued.
- EBITDA increased by \$8.0 million, primarily as a result of capitalization of major maintenance overhaul expenditures, which resulted in an increase to depreciation and amortization expense.
- No significant impact to Free Cash Flow.

The following table reconciles EBITDA and Free Cash Flow reported under IFRS, to those metrics previously reported under Canadian GAAP.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended March 31, 2011	Three months ended March 31, 2010		
	IFRS \$	IFRS \$	Adj \$	CGAAP \$
Operating income	21,573	15,842	(7,063)	8,779
Add:				
Depreciation and amortization	6,922	7,977	-	7,977
Major maintenance overhauls	2,792	3,103	(3,103)	-
CPA amortization	-	-	8,048	8,048
Total depreciation and amortization	9,714	11,080	4,945	16,025
EBITDA	31,287	26,922	(2,118)	24,804
EBITDA margin (%) ⁽¹⁾	7.1	7.6	-	7.0
EBITDA	31,287	26,922	(2,118)	24,804
Deduct:				
Non-operating expenses	(2,190)	393	(3,293)	(2,900)
Derivative liabilities ⁽²⁾	-	(3,307)	3,307	-
Total Non-operating expenses	(2,190)	(2,914)	14	(2,900)
Deduct:				
Capital expenditures	(1,175)	(3,388)	-	(3,388)
Capitalized major maintenance overhauls	(2,481)	(1,786)	1,786	-
Total Maintenance Capital Expenditures	(3,656)	(5,174)	1,786	(3,388)
Free Cash flow	25,441	18,834	(318)	18,516
Dividends declared	18,602	18,429	-	18,429
Payout ratio	73.1%	97.9%	-	99.5%

1. EBITDA margin is calculated as EBITDA divided by operating revenues.
2. Gain on derivative liabilities was removed from the IFRS adjustments as it is a non-cash item, which is transitory under an income fund structure and eliminated upon conversion to a corporation on December 31, 2010.

The following table provides the Canadian GAAP consolidated statement of financial position as at January 1, 2010 and the IFRS transitional adjustments

(unaudited) (expressed in thousands of Canadian dollars)	January 1, 2010		
	Canadian GAAP \$	Adj \$	IFRS \$
Assets			
Current assets			
Cash and cash equivalents	223,559	-	223,559
Restricted cash	-	-	-
Accounts receivable - trade and other	59,044	-	59,044
Spare parts, materials and supplies	40,755	-	40,755
Prepaid expenses	19,909	-	19,909
Total current assets	343,267	-	343,267
Property and equipment	202,994	13,829	216,823
Intangible assets	682,479	(675,786)	6,693
Long-term investments	-	-	-
Deferred income tax	-	45,115	45,115
Other assets	37,731	(8,507)	29,224
	1,266,471	(625,349)	641,122
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	179,216	-	179,216
Dividends payable	6,143	-	6,143
Current portion of obligations under finance leases	2,681	-	2,681
Long-term debt	114,706	-	114,706
Total current liabilities	302,746	-	302,746
Obligations under finance leases	15,097	-	15,097
Convertible debentures	78,180	(573)	77,607
Deferred income tax	13,294	(13,294)	-
Other long-term liabilities	52,699	32,747	85,446
	462,016	18,880	480,896
Equity	804,455	(644,229)	160,226
	1,266,471	(625,349)	641,122

IFRS Impacts on the statement of financial position:

- No change on current assets or current liabilities
- Property and equipment increased \$13.8 million as a result of capitalizing major maintenance overhaul costs on owned and finance leased aircraft.

- A decrease of \$675.8 million to intangible assets due to the following reasons:
 - As a result of Chorus' decision to account for the acquisition of Jazz Air LP as a common control transaction under IFRS. There is no accounting recognition of the CPA intangible asset which had been recorded previously under CGAAP. See above for further discussion included in "IFRS impacts on key metrics".
 - Under Canadian GAAP, Chorus applied fresh start reporting on September 30, 2004. There is no equivalent standard under IFRS; as a result, goodwill of \$6.7 million that was written off on the adoption of fresh start accounting, is restored to the balance sheet under IFRS. The tradename and operating license intangible assets of \$6.3 million that were established as a result of fresh start accounting are not recognized on transition to IFRS. The increase of \$0.4 million to intangible assets / goodwill is recognized through retained earnings.
- An increase to deferred income tax asset due to:
 - Changes to the accounting values from Canadian GAAP to IFRS of \$3.0 million on transition.
 - Chorus' tax rate under an income fund structure in IFRS assumes the highest marginal personal tax rate in the province of operation, Nova Scotia, to calculate the deferred tax balance, resulting in an increase to the tax asset of \$23.6 million on transition. On conversion to a corporation in the fourth quarter of 2010 Chorus calculated deferred tax using substantively enacted corporate tax rates as prescribed in the income tax act.
 - Under IFRS, deferred tax assets or liabilities are not recognized if they arise from the initial recognition of goodwill; or if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The initial recognition exemption resulted in an increase to the tax asset of \$31.9 million on transition.
- Other assets decreased as the defined pension benefit plan changed from an asset position under Canadian GAAP to a liability position under IFRS due to recognition of an additional minimum funding liability under IFRIC 14.
- Other long-term liabilities increased as a result of the following items:
 - Defined pension benefit plan and other future employee benefit liabilities increased as a result of the recognition of \$10.2 million unamortized actuarial losses on transition to IFRS. As well, there was a \$22.2 million increase related to the minimum funding requirement for the defined pension benefit plan.
 - As a result of the attributes of the Fund Units under an income fund structure during 2010, \$7.4 million of the equity components of the convertible debentures and LTIP under Canadian GAAP were reclassified to long-term liabilities under IFRS, and revalued at each reporting period. On transition to a corporation on December 31, 2010, the liabilities became fixed and were reclassified to equity.

As a result of the adjustments listed above, Chorus' opening equity decreased by \$644.2 million.

The table below provides the 2010 quarterly and full year consolidated statement of income under IFRS:

(unaudited) (expressed in thousands of Canadian dollars)	Q1 2010 \$	Q2 2010 \$	Q3 2010 \$	Q4 2010 \$	Full Year 2010 \$
Operating revenue					
Passenger	353,808	357,615	377,541	390,620	1,479,584
Other	1,564	1,395	1,568	2,055	6,582
	355,372	359,010	379,109	392,675	1,486,166
Operating expenses					
Salaries, wages and benefits	89,081	83,816	90,843	93,256	356,996
Aircraft fuel	65,822	71,373	77,632	84,514	299,341
Depreciation and amortization	11,080	10,152	10,385	10,272	41,889
Food, beverage and supplies	3,026	3,190	3,478	4,196	13,890
Aircraft maintenance materials, supplies and services	39,120	37,362	40,190	37,480	154,152
Airport and navigation fees	44,984	47,588	49,628	51,033	193,233
Aircraft rent	29,330	29,129	28,422	28,721	115,602
Terminal handling services	30,147	22,472	23,366	31,539	107,524
Other	26,940	27,655	28,009	34,150	116,754
	339,530	332,737	351,953	375,161	1,399,381
Operating income	15,842	26,273	27,156	17,514	86,785
Non-operating income (expenses)					
Interest revenue	127	67	160	269	623
Interest expense	(3,026)	(2,184)	(1,946)	(1,991)	(9,147)
Gain on disposal of property and equipment	335	149	104	159	747
Foreign exchange gain (loss)	(350)	(1,311)	963	281	(417)
Gain (loss) on derivative liabilities	3,307	(7,333)	3,910	(8,892)	(9,008)
	393	(10,612)	3,191	(10,174)	(17,202)
Income before deferred income taxes	16,235	15,661	30,347	7,340	69,583
Deferred income tax recovery (expense)	164	5,924	(42)	(19,741)	(13,695)
Net income (loss) for the periods	16,399	21,585	30,305	(12,401)	55,888

The table below provides the 2010 quarterly and full year consolidated statement of cash flow under IFRS:

(unaudited) (expressed in thousands of Canadian dollars)	Q1 2010 \$	Q2 2010 \$	Q3 2010 \$	Q4 2010 \$	Full Year 2010 \$
Cash provided by (used in)					
Operating activities					
Net income (loss) for the periods	16,399	21,585	30,305	(12,401)	55,888
Charges (credits) to operations not involving cash					
Depreciation and amortization	11,080	10,152	10,385	10,272	41,889
Amortization of prepaid aircraft rent and related fees	469	465	483	478	1,895
Gain on disposal of property and equipment	(335)	(149)	(104)	(159)	(747)
Foreign exchange loss (gain)	(533)	734	(528)	(478)	(805)
Deferred income tax expense (recovery)	(164)	(5,924)	42	19,741	13,695
Accretion of debt component of convertible debentures	387	396	401	405	1,589
Other	338	689	(1,061)	(663)	(697)
Loss (gain) on derivative liabilities	(3,307)	7,333	(3,910)	8,892	9,008
Stock based compensation plan	764	-	-	-	764
	25,098	35,281	36,013	26,087	122,479
Net changes in non-cash working capital balances related to operations	(4,233)	(5,150)	1,843	(2,806)	(10,346)
	20,865	30,131	37,856	23,281	112,133
Financing activities					
Repayment of obligations under finance leases	(647)	(650)	(669)	(673)	(2,639)
Repayment of long-term debt	(115,000)	-	-	-	(115,000)
Convertible debentures, net of deferred financing costs	(140)	-	-	-	(140)
Dividends / distributions	(18,429)	(18,429)	(18,429)	(24,632)	(79,919)
Issuance of Shares	-	-	-	4	4
	(134,216)	(19,079)	(19,098)	(25,301)	(197,694)
Investing activities					
Additions to property and equipment	(5,174)	(4,028)	(6,332)	(6,085)	(21,619)
Purchase deposits on aircraft	-	(19,644)	(3,022)	(3,401)	(26,067)
Long-term investment	-	(16,351)	-	-	(16,351)
Proceeds on disposal of property and equipment	335	149	104	159	747
Increase in restricted cash	-	-	-	(8,812)	(8,812)
	(4,839)	(39,874)	(9,250)	(18,139)	(72,102)
Net change in cash and cash equivalents during the periods	(118,190)	(28,822)	9,508	(20,159)	(157,663)
Cash and cash equivalents - Beginning of periods	223,559	105,369	76,547	86,055	223,559
Cash and cash equivalents - End of periods	105,369	76,547	86,055	65,896	65,896

15. CONTROLS AND PROCEDURES

Disclosure controls and procedures and internal control over financial reporting

Chorus' disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information is identified to the disclosure committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of Chorus' financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Chorus' annual 2010 MD&A dated February 7, 2011, contains a statement that the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that Chorus' disclosure controls and procedures, and internal control over financial reporting, are effective based upon an evaluation of these controls and procedures conducted at December 31, 2010.

Jazz filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators upon filing of Chorus' 2010 annual filings. In those filings, the CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of Chorus' disclosure controls and procedures and the design and effectiveness of internal control over financial reporting. The CEO and CFO also certified the appropriateness of the financial disclosures in Chorus' interim filings with the Canadian Securities Administrators. In those interim filings, the CEO and CFO also certified the design of Chorus' disclosure controls and procedures and the design of internal control over financial reporting.

Internal control over financial reporting has been designed, based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of Chorus' financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There has been no change in Chorus' internal control over financial reporting that occurred during the first quarter of fiscal 2011 that has materially affected, or is reasonably likely to materially affect, Chorus' or the Partnership's internal control over financial reporting.

The Audit, Finance and Risk Committee of the board of directors of Chorus reviewed this MD&A, and the unaudited interim consolidated financial statements of Chorus for March 31, 2011, and Chorus' board of directors approved these documents prior to their release.

16. OUTLOOK

The discussion that follows represents forward-looking information (refer to Section 1 - Introduction, "Caution regarding forward-looking information").

In 2010, Chorus completed the first phase of its re-fleeting plan with Air Canada, as prescribed under the amended CPA, by removing and returning ten of the CRJ-100/200 aircraft to the lessors from the Covered Aircraft. In 2011, Chorus will begin the second phase of this re-fleeting plan with the introduction of 15 Q400 aircraft; deliveries commenced in May 2011. In 2011, Chorus will take delivery of eight aircraft and place seven into service. The balance of the fleet will be introduced into service in 2012. The Covered Aircraft will increase to 125 as of July 2011 and at that time, one CRJ-100 aircraft will be removed from the fleet for each subsequent Q400 aircraft delivery. This re-fleeting program will better position Chorus to operate more efficiently in the current high fuel cost environment and bring down the average age of the Covered Aircraft operated for Air Canada under the CPA.

Chorus completed its first winter season flying for Thomas Cook in April 2011 and will re-activate this flying for the 2011-2012 winter season in November 2011.

Based upon the 2011 winter schedule and planning assumptions received from Air Canada and the initial planned flying for Thomas Cook for the 2011/12 winter season, Chorus anticipates billing between 385,000 and 395,000 Block Hours for the year ending December 31, 2011.

17. RISK FACTORS

For a detailed description of the possible risk factors associated with Air Canada, Chorus, the industry, the structure of Chorus, current legal proceedings, and convertible debentures, refer to the Section entitled “Risk Factors” in the Chorus Aviation Inc., 2010 annual MD&A dated February 7, 2011 and Chorus’ Annual Information Form dated March 30, 2011.

18. ADDITIONAL INFORMATION

Additional information relating to Chorus, including Chorus’ Annual Information Form is available on SEDAR at www.sedar.com or on Chorus’ website at www.chorusaviation.ca, under Investors.

19. GLOSSARY OF TERMS

“**2009-2011 Rate Period**” means the rate period commencing January 1, 2009 and ending on December 31, 2011;

“**7503695**” means 7503695 Canada Inc., a corporation incorporated under the Canada Business Corporations Act on April 14, 2010;

“**ABCP**” means asset backed commercial paper;

“**Arrangement**” means the arrangement under the CBCA implemented pursuant to an arrangement agreement dated October 4, 2010 among Chorus, the Fund and others;

“**Available Seat Mile (ASMs)**” means a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the number of miles flown;

“**Aviation GP**” means Aviation General Partner Inc., or corporation incorporated under the CBCA on November 18, 2010 to act as the general partner of Jazz Aviation LP;

“**Billable Block Hours**” mean actual Block Hours flown, Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights;

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

“**Canadian GAAP**” means generally accepted accounting principles in Canada before the adoption of IFRS;

“**CBCA**” means the Canada Business Corporations Act, as amended;

“**Chorus**” references herein to Chorus or the Company in this MD&A refer to, as the context may require, Chorus Aviation Inc. and its current and former subsidiaries (the Partnership, Jazz Air LP, Jazz Air Holding GP Inc., Aviation General Partner Inc., 7503695 Canada Inc. and the LeaseCos) collectively, Chorus and one or more of its current and former subsidiaries, one or more of Chorus' current and former subsidiaries or Chorus itself;

“**CICA Handbook**” means the handbook of the Canadian Institute of Chartered Accountants;

“**Controllable Costs**” mean for any period, all costs and expenses incurred and paid by Chorus other than Pass-through costs;

“**Controllable Mark-Up**” has the meaning given in the CPA;

“**Cost per Available Seat Mile (CASM)**” means the operating expense per Available Seat Mile;

“**Covered Aircraft**” means Chorus’ aircraft subject to the CPA;

“**CPA**” means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and the Partnership, as amended by the Rate Amending Agreement and the CPA Amending Agreement, and as may be further amended;

“**CPA Amending Agreement**” means the agreement to amend the CPA between the Partnership and Air Canada dated September 22, 2009;

“**CPA Asset**” means the intangible asset consisting of Chorus’ rights under the CPA;

“**Credit Facilities**” mean the senior secured syndicated facilities in the aggregate amount of \$150 million established pursuant to a credit agreement dated February 2, 2006, between Chorus, as borrower, the financial institutions identified therein, as Lenders and Royal Bank of Canada, as administrative agent;

“**Debentures**” mean the \$86.25 million principal amount of 9.50% convertible unsecured subordinated debentures of Chorus due December 31, 2014;

“**EDC**” means Export Development Canada;

“**Flight Hours**” has the meaning given in the CPA;

“**Flight Services Agreement**” means the contractual flying agreement between Thomas Cook Canada and Chorus;

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

“**Fund**” means Jazz Air Income Fund;

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

“**Guaranteed Minimum Number of Covered Aircraft**” has the meaning given in the CPA;

“**IASB**” means the International Accounting Standards Board;

“**IFRIC 14**” means International Financial Reporting Interpretations Committee 14;

“**IFRS**” means International Financial Reporting Standards;

“**IPO**” means initial public offering;

“**Jazz**” means Jazz Aviation LP, together with its general partner, Aviation GP, and their respective subsidiaries and predecessors; and, in particular, reference to Jazz in respect of a time period prior to October 1, 2004 are references to the business of Jazz as carried on by Jazz Air Inc., which was liquidated on September 30, 2004, and references to Jazz in respect of the time period from October 1, 2004 until February 2, 2006 are references to the business of Jazz as carried on by the Successor Partnership, unless the context requires otherwise;

“**Jazz GP**” means Jazz Air Holding GP Inc., a corporation incorporated under the CBCA on August 23, 2005 to act as the general partner of Jazz Air LP;

“**Jazz Air LP**” means Jazz Air LP, a limited partnership established under the laws of the Province of Québec on September 12, 2005, which carried on the regional airline business from February 2, 2006 until January 5, 2011;

“**Jazz Aviation LP Partnership Agreement**” means the limited partnership agreement dated November 18, 2010 pursuant to which the Partnership was formed;

“**LARAH**” means Latin American Regional Aviation Holding Corporation;

“**LeaseCos**” means Chorus Leasing I Inc., Chorus Leasing II Inc., and Chorus Leasing III Inc., collectively;

“**LTIP**” means long-term incentive plan;

“**Maintenance Capital Expenditures**” represent expenditures incurred to sustain operations or Chorus’ productive capacity;

“**Management**” means management personnel of Chorus;

“**MD&A**” means Chorus’ management’s discussion and analysis of financial condition and results of operations;

“**Operating Aircraft**” means Covered Aircraft under the CPA plus charter aircraft, plus Thomas Cook aircraft, less new aircraft deliveries which have not yet entered commercial service;

“**Partnership Agreements**” mean those contracts signed by Jazz for contract flying;

“**Pass-through costs**” mean those costs that are reimbursed under Partnership Agreements;

“**Pass-through revenue**” means operating revenue derived from costs that are reimbursed under Partnership Agreements;

“**Q400 Aircraft**” means Q400 NextGen turboprop aircraft;

“**Rate Amending Agreement**” means the agreement to amend and re-set the rates between the Partnership and Air Canada dated July 28, 2009;

“**Scheduled Flights**” mean the flights operated by the Covered Aircraft whose routes, schedules and fares are determined by Air Canada in accordance with the CPA;

“**Scheduled Flights Revenue**” means, for any period, all revenues generated by Chorus under the CPA from aircraft services and Scheduled Flights excluding revenues resulting from the reimbursement by Air Canada of Chorus’ pass-through costs and from the payment by Air Canada of performance incentives;

“**Second Amending Agreement**” means the second amendment to the CPA, signed March 8, 2011 by Air Canada and the Partnership to facilitate acquisition and leasing of the Q400 aircraft;

“**Shareholders**” mean holders of Shares;

“**Shares**” mean common shares of Chorus Aviation Inc.;

“**The Partnership**” means Jazz Aviation LP;

“**Thomas Cook**” means Thomas Cook Canada Inc.;

“**Trust**” means Jazz Air Trust;

“**Unit Costs**” has the meaning given in the CPA;

“**Unitholders**” mean holders of the Units;

“**Units or Fund Units**” mean units of the Fund;

“**Variable Voting Shares**” mean Class A common Variable Voting Shares of Chorus; and

“**Voting Shares**” mean Class B Common Voting Shares of Chorus.