Management's Discussion and Analysis

Three and six months ended
June 30, 2011

August 4, 2011

chorus aviation inc.

TABLE OF CONTENTS

1. INTRODUCTION 2
2. OVERVIEW 3
3. SECOND QUARTER 2011 SUMMARY 4
4. FLEET 5
5. SUMMARY OF CONSOLIDATED STATEMENT OF INCOME 6
6. SECOND QUARTER ANALYSIS 7
7. YEAR-TO-DATE ANALYSIS 8
8. PERFORMANCE INDICATORS 9
9. QUARTERLY FINANCIAL DATA 11
10. PENSION PLANS 12
11. LIQUIDITY AND CAPITAL RESOURCES 13
12. OFF-BALANCE SHEET ARRANGEMENTS 15
13. RELATED PARTY TRANSACTIONS 16
14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT 16
15. CRITICAL ACCOUNTING ESTIMATES 16
16. ACCOUNTING POLICIES, INCLUDING TRANSITION TO IFRS 17
17. CONTROLS AND PROCEDURES 26
18. OUTLOOK 26
19. RISK FACTORS 27
20. ADDITIONAL INFORMATION 27
21. GLOSSARY OF TERMS 27

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, which was effective December 31, 2010, involved the exchange, on a one-for-one basis of Units of the Fund for Shares of Chorus. As a result of the Arrangement, Unitholders of the Fund became Shareholders of Chorus. 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 the Partnership. The airline business previously carried on by Jazz Air LP is now carried on by the Partnership. 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 predecessor, the Fund, and their current and former subsidiaries (the Partnership, the Trust, 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 terms "GAAP" or "IFRS" each refer 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 16 "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 and six months ended June 30, 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 August 4, 2011.

The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 19 – 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, 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 August 4, 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 was 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 pre-determined rates. Under the CPA, Chorus provides service to and from lower density markets, along with higher density markets at off-peak times, throughout Canada, and to and from certain destinations in the United States. Chorus operated scheduled passenger service on behalf of Air Canada with approximately 825 departures per weekday to 57 destinations in Canada and 27 destinations in the United States, using 124 Covered Aircraft, as at June 30, 2011. Chorus and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and provide valuable traffic feed to Air Canada's mainline routes.

Under the CPA, Chorus operates flights on behalf of Air Canada under the tradename of "Air Canada Express", formerly "Air Canada Jazz". 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 19 - Risk Factors).

Chorus also operates Boeing 757-200 aircraft 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 flying under 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 demand in the first and third quarters of the calendar year is now expected to exceed demand in 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 majority of the purchase price of each of the 15 firm Q400 aircraft orders, with a maturity of 12 years. Chorus will be required to make equal installments of principal and interest over the term to maturity (refer to Section 11 – Liquidity and Capital Resources).

On May 26, 2011, Chorus took delivery of the first Q400 aircraft. It entered into service on June 7, 2011. Chorus took delivery of the second Q400 aircraft on June 27, 2011, increasing the Covered Aircraft fleet to 125, effective July 1, 2011. Chorus took delivery of the third aircraft on July 21, 2011, and entered into service on August 1, 2011.

3. SECOND QUARTER 2011 SUMMARY

- Took delivery of two Q400 aircraft.
- Billable Block Hours of 97,632.
- Departures of 69,556.
- Operating income of $24.0 million.
- Net income of $16.9 million.
- EBITDA of $33.9 million.
- Free Cash Flow of $23.9 million.

chorus aviation inc.

Key statistical information

Statistical information for the three and six months ended June 30, 2011 and 2010 is as follows:

(unaudited)	Three months ended June 30, 2011	2010	Variance %	Six months ended June 30, 2011	2010	Variance %
Departures	69,556	69,249	0.4	137,134	132,810	3.3
Block Hours	96,679	93,078	3.9	197,331	180,828	9.1
Billable Block Hours	97,632	93,585	4.3	201,938	183,330	10.2
Available Seat Miles (ASMs) (000's)	1,460,612	1,345,703	8.5	3,338,656	2,578,859	29.5
Operating Expenses ($000's)	378,086	333,114	13.5	799,532	672,644	18.9
Cost per Available Seat Mile (CASM) (¢)	25.89	24.75	4.6	23.95	26.08	(8.2)
CASM Excluding Aircraft Fuel (¢)	18.83	19.45	(3.2)	17.54	20.76	(15.5)
Number of Operating Aircraft (end of period)[1]	129	128	0.8	129	128	0.8
Full-time Equivalents (FTEs) (end of period)	4,760	4,474	6.4	4,760	4,474	6.4

(1) Refer to Section 4 - Fleet

4. FLEET

As at June 30, 2011, Chorus' operating fleet was made up of 129 operating aircraft, of which 64 were regional jets and 65 were turboprop aircraft.

The following table lists Chorus' operating fleet as at June 30, 2011:

(unaudited)	Number of Operating Aircraft June 30, 2011	Average Age of Operating Aircraft	Owned	Finance Lease	Operating Lease	Number of Operating Aircraft June 30, 2010
Canadair Regional Jet CRJ100	22	15.8	-	-	22	22
Canadair Regional Jet CRJ200	26	9.0	-	-	26	26
Canadair Regional Jet CRJ705	16	5.9	-	-	16	16
De Havilland DHC-8-300	28	20.9	19	7	2	28
De Havilland DHC-8-100	36	23.2	29	-	7	36
Bombardier Q400[1]	1	0.1	1	-	-	-
Boeing 757[2]	-	-	-	-	-	-
Total Operating Aircraft	129	12.5	49	7	73	128

(1) Excludes one Q400 aircraft received on June 27, 2011 and entered into service on July 1, 2011.
(2) All aircraft were returned to the lessor by the end of April 2011.

All regional jet and turboprop aircraft in Chorus' operating fleet as of June 30, 2011 are Covered Aircraft, except for two Dash 8-100, two Dash 8-300 and one CRJ-200 aircraft allocated for charter purposes.

The initial Q400 aircraft was delivered on May 26, 2011, and entered into service on June 7, 2011. Effective July 1, 2011, following the entry of the second Q400 aircraft into service, the number of aircraft comprising the Covered Aircraft returned to 125, being the Guaranteed Minimum Number of Covered Aircraft. Upon the delivery of each remaining Q400 aircraft, one CRJ-100 will be removed from the fleet of Covered 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 and six months ended June 30, 2011 and the related notes.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2011 $	 2010 $	 Variance %	Six months ended June 30, 2011 $	 2010 $	 Variance %
Operating revenue	402,046	359,010	12.0	845,065	714,382	18.3
Operating expenses	378,086	333,114	13.5	799,532	672,644	18.9
Operating income	23,960	25,896	(7.5)	45,533	41,738	9.1
Non-operating income (expenses)	(925)	(10,612)	91.3	(3,115)	(10,219)	69.5
Income before deferred income taxes	23,035	15,284	50.7	42,418	31,519	34.6
Deferred income tax (expense) recovery	(6,140)	5,924	(203.6)	(10,867)	6,088	(278.5)
Net income for the periods	16,895	21,208	(20.3)	31,551	37,607	(16.1)

6. SECOND QUARTER ANALYSIS

The following discussion compares the results of operations of Chorus for the three months ended June 30, 2011 to the three months ended June 30, 2010.

Operating Revenue

Operating revenue increased from $359.0 million to $402.0 million, representing an increase of $43.0 million or 12.0%. The increase in revenue was primarily attributable to a $34.6 million or 27.3% increase in pass-through costs from $126.6 million to $161.1 million, which included $31.5 million related to fuel. Passenger revenue, excluding pass-through costs, increased by $8.4 million or 3.6% primarily as a result of an increase in CPA Billable Block Hours and departures, and new revenue earned under the Thomas Cook arrangement, and a $0.4 million increase in incentives earned under the CPA with Air Canada; offset by a lower US dollar exchange rate, which also had the translational effect of decreasing the mark-up revenue by $0.4 million.

Operating Expenses

Operating expenses increased from $333.1 million to $378.1 million, an increase of $45.0 million or 13.5%. Controllable Costs increased by $10.4 million, or 5.0%, primarily as a result of costs associated with capacity growth, including $1.5 million associated with the introduction of the Q400 aircraft, consisting of crew salaries and benefits, and training costs.

- Salaries, wages and benefits increased by $13.7 million due to the increased number of FTEs required to facilitate capacity growth, wage and scale increases under new collective agreements, increased pension expense resulting from a revised actuarial valuation and increased compensation expense related to the employee share ownership purchase plan.

- Aircraft fuel costs increased by $31.7 million due to an increase in the cost of fuel of $27.0 million and an increase in fuel usage of $4.7 million attributable to the 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 $0.2 million due to certain assets reaching full amortization, and decreased capital expenditures on aircraft rotable parts and other equipment.

- Aircraft maintenance expense decreased by $0.2 million as a result of the effect of the decrease in the US dollar exchange rate on certain material purchases associated with the CPA for $1.6 million; offset by an increase in other maintenance costs under the CPA of $0.7 million and $0.7 million related to the introduction of Thomas Cook flying and increased CPA Block Hours.

- Airport and navigational fees increased by $0.8 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 $3.7 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 Boeing aircraft for the operation of flights on behalf of Thomas Cook and the introduction of Q400 aircraft.

- Terminal handling costs increased by $1.9 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 $1.8 million primarily due to the introduction of Q400 aircraft, increased professional fees and general overhead expenses.

Non-Operating Expenses

Non-operating expenses amounted to $0.9 million, a decrease of $9.7 million. This change was primarily attributable to a gain on Asset Backed Commercial Paper and a foreign exchange gain arising as a result of the change in value of the Canadian dollar relative to the US dollar, and the absence in this quarter of any loss on derivative liabilities (refer to Section 16 – Accounting Policies, Including Transition to IFRS).

7. YEAR-TO-DATE ANALYSIS

The following discussion compares the results of operations of Chorus for the six months ended June 30, 2011 to the six months ended June 30, 2010.

Operating Revenue

Operating revenue increased from $714.4 million to $845.1 million, representing an increase of $130.7 million or 18.3%. The increase in revenue was primarily attributable to a $98.0 million, or 38.7%, increase in pass-through costs from $253.4 million to $351.4 million, which included $76.6 million related to fuel. Passenger revenue, excluding pass-through costs, increased by $32.1 million, or 7.0%, primarily as a result of an increase in CPA Billable Block Hours and departures, new revenue earned under the Thomas Cook arrangement; offset by a lower US dollar exchange rate, which also had the effect of decreasing the mark-up revenue by $0.8 million and a $2.1 million reduction in incentives earned under the CPA with Air Canada.

Operating Expenses

Operating expenses increased from $672.6 million to $799.5 million, an increase of $126.9 million or 18.9%. Controllable Costs increased by $28.9 million or 6.9% and is primarily attributable to costs associated with capacity growth, including $1.7 million associated with the introduction of the Q400 aircraft, consisting of crew salaries and benefits, and training costs.

- Salaries, wages and benefits increased by $26.1 million due to wage and scale increases under new collective agreements, increased pension expense resulting from a revised actuarial valuation and the increased number of FTEs required to facilitate capacity growth; offset by decreased incentive compensation expense.

- Aircraft fuel costs increased by $76.7 million due to an increase in the cost of fuel of $44.8 million and an increase in fuel usage of $31.9 million, attributable to the 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 $1.6 million due to certain assets reaching full amortization, and decreased capital expenditures on aircraft rotable parts and other equipment.

- Aircraft maintenance expense increased by $4.4 million as a result of the introduction of Thomas Cook flying and increased CPA Block Hours for $8.5 million; offset by the effect of the decrease in the US dollar exchange rate on certain material purchases associated with the CPA for $3.0 million, and a reduction in other maintenance costs under the CPA of $1.1 million.

- Airport and navigational fees increased by $6.0 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 $4.2 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 and the introduction of Q400 aircraft.

- Terminal handling costs increased by $11.2 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 $6.3 million primarily due to increased crew related costs (such as crew positioning and per diems), costs associated with the introduction of Q400 aircraft, professional fees and general overhead expenses.

Non-Operating Expenses

Non-operating expenses amounted to $3.1 million, a decrease of $7.1 million. This change was primarily attributable to a gain on Asset Backed Commercial Paper and a foreign exchange gain arising as a result of the change in value of the Canadian dollar relative to the US dollar, and the absence in this period of any loss on derivative liabilities (refer to Section 16 – Accounting Policies, Including Transition to IFRS).

8. 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, forming part of Chorus' financial statements.

Free Cash Flow

Prior to Chorus' conversion from an income fund structure, distributable cash was a key performance indicator as it represented the funds potentially available for distribution 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 Shareholders are familiar, and has calculated 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 June 30, 2011 $	 2010[5] $	Six months ended June 30, 2011 $	 2010[5] $
Operating income	23,960	25,896	45,533	41,738
Depreciation and amortization	7,064	7,100	13,986	15,077
Major maintenance overhauls	2,861	3,052	5,653	6,155
Total depreciation and amortization	9,925	10,152	19,639	21,232
EBITDA	33,885	36,048	65,172	62,970
EBITDA margin (%)[1]	8.4	10.0	7.7	8.8
EBITDA	33,885	36,048	65,172	62,970
Non-operating expenses	(925)	(3,279)[2]	(3,115)	(6,193)[2]
Capital expenditures, excluding Q400 aircraft purchases	(3,616)	(1,916)	(4,791)	(5,304)
Capitalized major maintenance overhauls[3]	(5,432)	(2,112)	(7,913)	(3,898)
Maintenance Capital Expenditures[4]	(9,048)	(4,028)	(12,704)	(9,202)
Free Cash Flow	23,912	28,741	49,353	47,575
Dividends declared	18,602	18,429	37,204	36,858
Payout ratio – dividends declared / Free Cash Flow (%)	77.8	64.1	75.4	77.5

(1) EBITDA margin is calculated as EBITDA divided by operating revenues.
(2) $7.3 million loss on derivative liabilities ($4.0 million loss for the six months ended June 30, 2010) 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) Completed 11 and 15 major maintenance overhaul events for the three and six months ended June 30, 2011, compared to four and seven, respectively, for the same periods in 2010.
(4) Excludes all capital expenditures related to the purchase of the Q400 aircraft, as these are not treated as Maintenance Capital Expenditures (refer to Section 11 – Liquidity and Capital Resources, Maintenance Capital Expenditures).
(5) For a reconciliation of 2010 calculation under CGAAP versus IFRS, refer to Section 16 – Accounting Policies, Including Transition to IFRS.

The following table provides a reconciliation of cash flows from operating activities to Free Cash Flow:

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2011 $	 2010 $	Six months ended June 30, 2011 $	 2010 $
Cash flows from operating activities	29,811	30,131	59,211	50,996
Maintenance Capital Expenditures, net of gain on disposal	(8,853)	(3,879)	(12,370)	(8,718)
Change in non-cash operating working capital	3,523	4,773	3,626	9,006
Amortization of prepaid aircraft rent and related fees	(480)	(465)	(958)	(934)
Stock based compensation	(586)	-	(1,171)	(764)
Accretion of debt component of convertible debentures	(389)	(396)	(772)	(783)
Foreign exchange gain (loss)	63	(734)	395	(201)
Other	823	(689)	1,392	(1,027)
Free Cash Flow	23,912	28,741	49,353	47,575

9. 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 two 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 two quarters of 2011 is reported on an IFRS basis. Accordingly, the financial information for the two 2009 quarters may not be comparable to subsequent periods.

(unaudited)	Q2 2011 IFRS	Q1 2011 IFRS	Q4 2010 IFRS	Q3 2010 IFRS	Q2 2010 IFRS	Q1 2010 IFRS	Q4 2009 CGAAP	Q3 2009 CGAAP
Operating revenue ($000)	402,046	443,019	392,675	379,109	359,010	355,372	351,238	379,659
Operating expenses ($000)	378,086	421,446	374,604	352,133	333,114	339,530	325,932	344,893
Amortization of CPA Asset ($000)	-	-	-	-	-	-	8,048	10,525
Operating income ($000)	23,960	21,573	18,071	29,976	25,896	15,842	17,258	24,241
Total non-operating expense (income) ($000)	925	2,190	10,174	(3,191)	10,612	(393)	2,111	1,520
Deferred income tax expense (recovery)	6,140	4,727	19,741	42	(5,924)	(164)	(5,669)	(2,600)
Net income (loss) ($000)	16,895	14,656	(11,844)	30,125	21,208	16,399	20,816	25,321
Billable Block Hours	97,632	104,306	98,817	99,390	93,585	89,745	91,783	100,486
Available Seat Miles (000's)	1,460,612	1,878,044	1,497,201	1,425,130	1,345,703	1,233,156	1,265,084	1,449,292
Cost per Available Seat Mile (CASM) (¢)	25.89	22.44	25.02	24.71	24.75	27.53	25.76	23.80
CASM, excluding fuel (¢)	18.83	16.54	19.38	19.26	19.45	22.20	20.65	18.85
EBITDA[1] ($000)	33,885	31,287	28,343	37,361	36,048	26,922	33,261	42,476
Free Cash Flow[2] ($000)	23,912	25,441	20,976	30,310	28,741	18,834	26,743	37,915
Free Cash Flow[2] per Share (Unit) ($)	0.19	0.21	0.17	0.25	0.24	0.15	0.22	0.31
Dividends / distributions declared per Share (Unit) ($)	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.19
Net income (loss) per Share (Unit), basic ($)	0.14	0.12	(0.10)	0.25	0.17	0.13	0.17	0.21
Net income (loss) per Share (Unit), diluted ($)	0.13	0.12	(0.10)	0.20	0.17	0.11	0.17	0.21

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

10. PENSION PLANS

Projected pension funding obligations

The table below provides projections for Chorus' pension funding obligations from 2011 to 2015:

(expressed in thousands of Canadian dollars)	2011 $	2012 $	2013 $	2014 $	2015 $
Defined benefit pension plans, current service	17,600	18,100	18,600	19,200	19,700
Defined benefit pension plans, past service	5,100	5,100	5,600	5,600	5,600
Defined contribution pension plans	8,600	9,800	10,200	10,600	11,000
Projected pension funding obligations	31,300	33,000	34,400	35,400	36,300

The estimated pension funding obligations shown in the above table are in respect of the defined benefit and defined contribution pension plans sponsored by Chorus. Defined benefit pension plans include the Chorus pilots' registered defined benefit pension plan as well as an unregistered defined benefit supplemental executive retirement plan that Chorus sponsors for eligible employees. Defined contribution pension plans include a number of defined contribution pension arrangements that Chorus contributes to for its eligible employees.

The funding requirements for the Chorus pilots' registered pension plan are estimated based on the January 1, 2011 actuarial valuation for that plan and an estimate of the pilot payroll over the projection period. The estimated funding requirements for the supplemental executive retirement plan are based on a funding policy adopted by Chorus and the January 1, 2011 actuarial valuation for that plan.

The January 1, 2011 actuarial valuation for the Chorus pilot's registered plan uses a smoothed value of the plan assets which amortizes investment gains and losses over a five year period with a cap on the smoothed value of assets at 110% of market value of assets.

Changes in the economic conditions, mainly the investment returns generated by the plan assets and changes in interest rates, will impact the financial position of these plans and, hence, future required contributions. These projections are updated annually (refer to Caution regarding forward-looking information on page 3 of this MD&A.)

11. LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations. At June 30, 2011, Chorus had $73.2 million in cash and cash equivalents on hand, representing a decrease of $3.4 million from June 30, 2010, such decrease resulting primarily from payments made on Q400 aircraft for deposits and purchases; offset by a change in dividend payment frequency (monthly to quarterly). 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 19 – 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 June 30, 2011 $	 2010 $	Six months ended June 30, 2011 $	 2010 $
Cash provided by operating activities	29,811	30,131	59,211	50,996
Cash provided by (used in) financing activities	17,179	(19,079)	16,508	(153,295)
Cash used in investing activities	(62,286)	(39,874)	(68,464)	(44,713)
Net change in cash and cash equivalents during the periods	(15,296)	(28,822)	7,255	(147,012)
Cash and cash equivalents – Beginning of periods	88,447	105,369	65,896	223,559
Cash and cash equivalents – End of periods	73,151	76,547	73,151	76,547

Operating activities

Chorus continued to generate positive cash flows from operations of $29.8 million and $59.2 million for the three and six months ended June 30, 2011, compared to $30.1 million and $51.0 million for the same periods in 2010. The decrease for the three months ended June 30, 2011, was attributable to a lower net income and a decrease in accounts payable; offset by a decrease in accounts receivable. The increase for the six months ended June 30, 2011 was attributable to an increase in accounts payable; offset by an increase in accounts receivable and a lower net income.

Financing activities

Cash used in financing activities for the three and six months ended June 30, 2011 included dividends to Shareholders of $18.6 million, a repayment of obligations under finance leases of $0.7 million and $1.3 million, respectively, and proceeds received from long-term borrowings of $36.4 million (refer to discussion below).

Cash used in financing activities for the three and six months ended June 30, 2010 included distributions to Unitholders of $18.4 million and $36.9 million, respectively, a repayment of obligations under finance leases of $0.7 million and $1.3 million, respectively, and a repayment of long-term debt of $115.0 million for the six months ended June 30, 2010.

Investing activities

Investing activities for the three and six months ended June 30, 2011 included capital expenditures, including Q400 aircraft purchases of $52.5 million and $56.1 million, respectively, assets held for resale of $12.4 million, $0.1 million and $3.4 million, respectively, in purchase deposits (net of applied deposits) on aircraft relating to the order of Q400 aircraft and a $2.5 million and $3.2 million, respectively, decrease in restricted cash relating to letters of credit. Capital expenditures consisted of major maintenance overhauls, the purchase of aircraft rotable parts, other purchases necessary to support ongoing operations and the acquisition of two Q400 aircraft. Assets held for resale relate to Q400 rotable parts acquired that are being held for resale as part of an anticipated third party provisioning contract (refer to Caution regarding forward-looking information on page 3 of this MD&A).

Investing activities for the three and six months ended June 30, 2010 included capital expenditures of $1.9 million and $5.3 million, respectively, a $16.4 million investment in LARAH, and $19.6 million in purchase deposits on aircraft, including other costs, relating to the order of Q400 aircraft. Capital expenditures consisted of investments made to replenish aircraft rotable 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 Chorus' contractual obligations and other commitments. There have been no material changes to debt and lease obligations during the three and six months ended June 30, 2011, except as outlined below.

Long-term debt

On March 10, 2011, Chorus signed loan agreements with EDC, which in total provide committed financing for the majority of the purchase price of each of the 15 firm Q400 aircraft orders from Bombardier, with a maturity of 12 years. The remaining amount will be funded by applying aircraft deposits previously made by Chorus to the manufacturer and from working capital. The purchase agreement with Bombardier required on-going monthly predelivery payments in the aggregate amount of $33.8 million. As at June 30, 2011, Chorus had made all of these predelivery payments.

Long-term debt consists of the following:

(unaudited) (expressed in thousands of Canadian dollars)	June 30, 2011 $
$36,449 owing under two separate term loans, repayable in semi-annual installments ranging from $969 to $979, including fixed interest at a weighted average rate of 4.195%, maturing between May 2023 and June 2023, each secured by one Q400 aircraft and two PWA 150A engines.	36,449
Less: Current portion of such loans	2,393
	34,056

Future principal repayments on long-term debt are as follows:

(expressed in thousands of Canadian dollars)	$
2011	1,184
2012	2,443
2013	2,547
2014	2,655
2015	2,767
Thereafter	24,853

Under its financing agreement with EDC, beginning in the second quarter of 2011, the "Jazz Group" (currently comprised of Jazz and the LeaseCos) is required to maintain a maximum adjusted leverage ratio of 2.25:1 and a minimum adjusted interest coverage ratio of 1.66:1. As at June 30, 2011, the "Jazz Group" is in compliance with these covenants. 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 June 30, 2011, Chorus was in compliance with the tangible asset disposal covenants contained in these CTAs.

Maintenance 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, aircraft related communication, equipment and tooling, aircraft rotable parts and engines, and major maintenance overhaul expenditures), and facilities and owned buildings.

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"), and $19.0 million for ongoing fleet modification programs, ongoing landing gear and spare parts replacements for the DHC-8-100 and DHC-8-300 fleet, facility improvements, and technological upgrades to foster process improvements.

Shares

At July 29, 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)	July 29, 2011	December 31, 2010
Issued and outstanding common Shares		
Class A variable voting Shares	14,896,873	43,698,611
Class B voting Shares	109,118,598	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) Assuming all outstanding convertible debentures are exercised.

12. OFF-BALANCE SHEET ARRANGEMENTS

Information on Chorus' off-balance sheet arrangements is disclosed in Section 11 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.

13. RELATED PARTY TRANSACTIONS

As at June 30, 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.

14. 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.

Chorus has evaluated these risks with regard to the financing provided by EDC:

- As at June 30, 2011, the fair value of the fixed rate term loan approximates carrying value. The fair value has been calculated by discounting the future cash flow of the respective long-term debt at the estimated yield to maturity of similar debt instruments.

- The term loans bear fixed interest rates which mitigates risk posed by interest rate volatility. Chorus accounts for its long-term debt at amortized cost, and therefore, a change in interest rates would not impact earnings.

- The long-term debt is denominated in US dollars, therefore, a decline in the value of the US exchange rate will create a foreign exchange loss. A 1¢ change in the US exchange rate will result in a change in the unrealized gain or loss of approximately $0.4 million.

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.

15. 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 15 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 and 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 in LARAH

- Management uses judgement to value the fair value of the long-term investment in LARAH.

16. ACCOUNTING POLICIES, INCLUDING TRANSITION TO IFRS

The significant accounting policies of Chorus are described in note 3 of the June 30, 2011 unaudited consolidated financial statements of Chorus.

Future accounting standards

IFRS 9 – Financial Instruments

The IASB issued IFRS 9, "Financial Instruments" ("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.

IFRS 10, Consolidated Financial Statements

The IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces portions of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation, and supersedes Standing Interpretations Committee ("SIC") SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended to reflect the issuance of IFRS 10 and retains guidance only for separate financial statements. Chorus continues to assess the impact of IFRS 10 on its consolidated statement of income and financial position.

IFRS 11, Joint Ventures

The IASB issued IFRS 11, "Joint Ventures" ("IFRS 11"), effective for annual periods beginning on or after January 1, 2013. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") was amended to reflect the guidance provided in IFRS 10 and IFRS 11. Currently this standard has no impact on the consolidated financial statements of Chorus.

IFRS 12, Disclosure of Interests in Other Entities

The IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12") effective for annual periods beginning on or after January 1, 2013. IFRS 12 requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. Chorus continues to assess the impact of IFRS 12 on its consolidated statement of income and financial position.

IFRS 13, Fair Value measurement

The IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13") effective for annual periods beginning on or after January 1, 2013. IFRS 13 defines fair value, provides guidance in a single framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. Chorus continues to assess the impact of IFRS 13.

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 certain of Chorus' key measures 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 measures:

- 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 tables reconcile EBITDA and Free Cash Flow reported under IFRS, to those measures previously reported under Canadian GAAP.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2011 IFRS $	Three months ended June 30, 2010 IFRS $	Adj $	CGAAP $
Operating income	23,960	25,896	(7,071)	18,825
Add:				
Depreciation and amortization	7,064	7,100	-	7,100
Major maintenance overhauls	2,861	3,052	(3,052)	-
CPA amortization	-	-	8,048	8,048
Total depreciation and amortization	9,925	10,152	4,996	15,148
EBITDA	33,885	36,048	(2,075)	33,973
EBITDA margin (%) [1]	8.4	10.0	-	9.5
EBITDA	33,885	36,048	(2,075)	33,973
Deduct:				
Non-operating expenses	(925)	(10,612)	7,378	(3,234)
Derivative liabilities [2]	-	7,333	(7,333)	-
Total Non-operating expenses	(925)	(3,279)	45	(3,234)
Deduct:				
Capital expenditures	(3,616)	(1,916)	-	(1,916)
Capitalized major maintenance overhauls[3]	(5,432)	(2,112)	2,112	-
Total Maintenance Capital Expenditures	(9,048)	(4,028)	2,112	(1,916)
Free Cash flow	23,912	28,741	82	28,823
Dividends declared	18,602	18,429	-	18,429
Payout ratio (%)	77.8	64.1	-	63.9

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.
3. Excludes all capital expenditures related to the purchase of the Q400 aircraft, as these are not accounted for as Maintenance Capital Expenditures.

(unaudited) (expressed in thousands of Canadian dollars)	Six months ended June 30, 2011 IFRS $	Six months ended June 30, 2010 IFRS $	Adj $	CGAAP $
Operating income	45,533	41,738	(14,134)	27,604
Add:				
Depreciation and amortization	13,986	15,077	-	15,077
Major maintenance overhauls	5,653	6,155	(6,155)	-
CPA amortization	-	-	16,096	16,096
Total depreciation and amortization	19,639	21,232	9,941	31,173
EBITDA	65,172	62,970	(4,193)	58,777
EBITDA margin (%) [1]	7.7	8.8		8.2
EBITDA	65,172	62,970	(4,193)	58,777
Deduct:				
Non-operating expenses	(3,115)	(10,219)	4,085	(6,134)
Derivative liabilities [2]	-	4,026	(4,026)	-
Total Non-operating expenses	(3,115)	(6,193)	59	(6,134)
Deduct:				
Capital expenditures	(4,791)	(5,304)	-	(5,304)
Capitalized major maintenance overhauls[3]	(7,913)	(3,898)	3,898	-
Total Maintenance Capital Expenditures	(12,704)	(9,202)	3,898	(5,304)
Free Cash flow	49,353	47,575	236	47,339
Dividends declared	37,204	36,858	-	36,858
Payout ratio (%)	75.4	77.5	-	77.9

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.
3. Excludes all capital expenditures related to the purchase of the Q400 aircraft, as these are not accounted for as Maintenance Capital Expenditures.

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

(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:

  - 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 measures".

  - 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 on transition from Canadian GAAP to IFRS of $3.0 million.

  - 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 (Canada).

  - 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 from Canadian GAAP to IFRS.

- 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 required under IFRIC 14.

- Other long-term liabilities increased as a result of the following items:

  - An increase in defined pension benefit plan and other future employee benefit liabilities 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 in the minimum funding requirements 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 component of the convertible debentures and LTIP under Canadian GAAP were reclassified to long-term liabilities under IFRS, and are 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	84,193	91,023	92,699	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	333,114	352,133	374,604	1,399,381
Operating income	15,842	25,896	26,976	18,071	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	15,284	30,167	7,897	69,583
Deferred income tax recovery (expense)	164	5,924	(42)	(19,741)	(13,695)
Net income (loss) for the periods	16,399	21,208	30,125	(11,844)	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	21,208	30,125	(11,844)	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	34,904	35,833	26,644	122,479
Net changes in non-cash working capital balances related to operations	(4,233)	(4,773)	2,023	(3,363)	(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

17. 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 second 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 June 30, 2011, and Chorus' board of directors approved these documents prior to their release.

18. 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 has begun the second phase of this re-fleeting plan with the introduction of 15 Q400 aircraft; deliveries commenced in May 2011. In 2011, Chorus expects to take delivery of eight aircraft and place seven into service. It is expected that the balance of the fleet will be introduced into service in 2012. The Covered Aircraft increased to 125 as of July 1, 2011 and from 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 will lower 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 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.

19. 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.

20. 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.

21. 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., a 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**" or "**CGAAP**" 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 predecessor, the Fund and their current and former subsidiaries (the Partnership, the Trust, 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**" or "**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 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 1, 2006 are references to the business of Jazz as carried on by Jazz Air Limited Partnership, and references to Jazz in respect of the time period from February 2, 2006 to January 5, 2011 are references to the business of Jazz as carried on by Jazz Air LP, 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, a limited partnership established under the laws of the Province of Ontario;

"**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.