chorus aviation inc.

2015

ANNUAL INFORMATION FORM

February 18, 2016

chorus aviation inc.

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EXPLANATORY NOTES

The information in this AIF is stated as at December 31, 2015, unless otherwise indicated.

Chorus and the **Corporation -** References herein to "Chorus" and references to the "Corporation" include references, as the context may require, to Chorus Aviation Inc. and one or more of its current and former subsidiaries. In the context of the CPA, references to Chorus are exclusively intended to refer to Jazz.

Subsidiaries - References herein to the term "subsidiary" or "subsidiaries" refer, in relation to any entity, to any other entity, including a corporation or a limited partnership, which is controlled, directly or indirectly, by that entity.

Defined Terms - Capitalized terms are defined in the "Glossary of Terms" section at the end of this AIF, if not defined when first used.

Currency - Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

Forward-looking statements - Forward-looking statements are included in this AIF. 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 Chorus’ relationship with Air Canada, risks relating to the airline industry and including the international operation of airlines in developing countries and areas of unrest, airline leasing, energy prices, general industry, market, credit, and economic conditions, (including a severe and prolonged economic downturn which could result in reduced payments under the CPA), competition, insurance issues and costs, supply issues, war, terrorist attacks, aircraft incidents, epidemic diseases, environmental factors, acts of God, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, the ability of Chorus to secure financing, the ability of Chorus to renew and/or replace existing contracts, employee relations, labour negotiations or disputes, pension issues, currency exchange and interest rates, leverage and restructure covenants in future indebtedness, uncertainty of dividend payments, managing growth, changes in laws, adverse regulatory developments or proceedings in countries in which Chorus and its subsidiaries operate or will operate, pending and future litigation and actions by third parties, as well as the factors identified throughout this AIF. The forward-looking statements contained in this discussion represent Chorus' expectations as of February 18, 2016 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.

The forward-looking information is affected by certain risks. For a discussion of those risks, please refer to the Risk Factors section.

CORPORATE STRUCTURE

Chorus is a holding company with various aviation interests incorporated on September 27, 2010 pursuant to the *Canada Business Corporations Act*.

The registered office of Chorus is located at 100 King Street West, 1 First Canadian Place, Suite 6200, P.O. Box 50, Toronto, Ontario M5X 1B8. The chief executive office of Chorus is located at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, B3B 1W8.

Additional information regarding Chorus' corporate structure is provided in the consolidated financial statements for the year ended December 31, 2015 and the 2015 MD&A dated February 18, 2016, both of which are available on Chorus' website at www.chorusaviation.ca and on SEDAR at www.sedar.com.

Organizational Structure

The table below shows Chorus' main and operating subsidiaries, where they are incorporated or registered, and the percentage of shares or units of such subsidiaries that Chorus beneficially owns or directly or indirectly exercises control or direction over. Chorus has other subsidiaries, but they have not been included in the table because each represents 10% or less of each of Chorus' total consolidated assets or total consolidated operating revenues for the year ended December 31, 2015. These other subsidiaries together represented 20% or less of each of Chorus' total consolidated assets or total consolidated operating revenues for the year ended December 31, 2015**.**

Subsidiary	Jurisdiction of Incorporation or Registration	Percentage of shares or units directly or indirectly held by Chorus at February 18, 2016
Jazz Aviation LP	Ontario	100%
Jazz Aircraft Financing Inc. / Jazz Leasing Inc.	Canada	100%
Voyageur Aviation Corp.	Ontario	100%

THE CHORUS BUSINESS

Chorus currently operates in three sectors of the regional aviation industry.

Contract flying is Chorus' primary business and these flying operations are conducted through both its Jazz and Voyageur subsidiaries. Jazz operates scheduled service through a capacity purchase agreement with Air Canada, providing substantially all of its capacity to Air Canada under the Air Canada Express brand. Jazz also operates charter flights for a variety of customers. Voyageur Airways provides specialized contract flying, such as medical, logistical and humanitarian flights, to international and Canadian customers.

The second sector Chorus conducts business in is aircraft leasing. Through Jazz Leasing Inc., Chorus' aircraft leasing portfolio includes a fleet of Q400s and related equipment. Voyageur Airways has a small amount of leasing activity.

In addition to contract flying and aircraft leasing, Chorus also provides certain aviation industry services through both Jazz and Voyageur. Maintenance, repair and overhaul, including the sale of parts, and airport handling operations, including both passenger and ramp handling, are businesses of both main subsidiaries.

Three-Year History

This Three-Year History section contains forward-looking statements. Please refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF.

2015 (including subsequent events up to and including February 18, 2016)

On January 30, 2015, Chorus announced that Jazz's pilots, represented by ALPA, had ratified the tentative agreement reached on January 13, 2015. The term of this agreement is 11 years expiring on December 31, 2025. The ratification of the new collective agreement was a condition to establishing an amended CPA with Air Canada.

On February 2, 2015, Chorus announced that all terms and conditions had been met to establish an amended and restated CPA with Air Canada effective January 1, 2015 extending the CPA term to December 31, 2025 (the "January 1, 2015 Amendment"). For further information refer to "The Jazz Business - Capacity Purchase Agreement with Air Canada".

Concurrent with agreeing to the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400s under its purchase agreement with Bombardier Inc., as represented by Bombardier Aerospace Commercial Aircraft ("Bombardier"), and amended that purchase agreement to add firm orders for four additional Q400s and options for up to ten additional Q400s.

Chorus has also entered into an agreement with Bombardier to be the launch customer for the Dash 8-300 ESP. The ESP is expected to extend the service life of the Dash 8-300s by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the ESP is anticipated to begin in early 2017.

On May 1, 2015, Chorus acquired all of the outstanding shares of 519222 Ontario Limited, a holding company that owned Voyageur Airways and its related companies. Headquartered in North Bay, Ontario, Voyageur Airways, is a Transport Canada approved air operator, and an integrated provider of specialized aviation services, including contract flying operations both internationally and domestically. Voyageur also provides advanced engineering and maintenance services primarily for regional aircraft.

On June 3, 2015, Chorus announced that Jazz's dispatchers, represented by CALDA, had ratified the tentative agreement reached on May 27, 2015. The agreement expires on December 31, 2025.

On September 23, 2015, Chorus announced that Jazz's flight attendants, represented by CFAU, had ratified the tentative agreement reached on August 27, 2015. The term of the agreement expires on December 31, 2025.

On September 28, 2015, Chorus announced that an agreement had been reached with Air Canada to add ten incremental aircraft to the CPA fleet. These aircraft will be operated under the Air Canada Express brand. On February 18, 2016, Chorus received the first of five 78-seat Q400s. The remaining four 78-seat Q400s and five 75-seat CRJ705s are anticipated to be delivered in 2016 and early 2017, respectively, and will operate as Covered Aircraft until 2025. It is anticipated that the addition of these larger gauge aircraft will reduce Unit Costs and increase Chorus' market competitiveness. Once all the incremental aircraft are received, the annual Fixed Margin per Covered Aircraft and Infrastructure Fee per Covered Aircraft is expected to increase by approximately \$2.0 million to \$111.7 million until 2020. The five incremental Q400s will be acquired by Air Canada under operating leases and will be subleased to Jazz for CPA operations. Sourcing for the CRJ705 has not yet been finalized.

During 2015, pursuant to its purchase agreement with Bombardier Inc. for Q400s, Chorus took delivery of six new Q400s and financed each of those acquisitions with EDC Financing. For further information, refer to "Financing - Aircraft and Engine Financing".

In addition, Chorus purchased the following aircraft in 2015: five Dash 8-100s previously leased from Air Canada Capital Ltd., two Dash 8-300s and five CRJ200s previously leased from third parties, and one King Air 200 aircraft purchased from a third party.

On January 1, 2016, 519222 Ontario Limited and its subsidiaries were re-organized into three entities. Voyageur Aviation Corp. became the parent company for the group and provides common support services to its subsidiaries. Voyageur Aviation Corp. was created by the amalgamation of 519222 Ontario Limited, Hangar 6 Inc. and Voyageur Airport Services Inc. Voyageur Airways is a Transport Canada approved air operator with international and domestic contract flying operations. Voyageur Aerotech is a Transport Canada approved aircraft maintenance organization with advanced aircraft engineering and maintenance capabilities.

On February 3, 2016, Chorus took delivery of an additional King Air 200. The purchase price was approximately US $1.1 million, with additional spend of approximately $1.0 million expected for modifications to the aircraft.

On February 11, 2016, Chorus took delivery of one Q400 aircraft and drew EDC financing. The term loan is repayable by Chorus to EDC in semi-annual instalments of approximately US$0.9 million, matures in February 2028 and is secured primarily by one Q400 aircraft and two PW150A engines.

2014

Throughout the year ended December 31, 2014, Chorus continued ongoing cost reduction programs including the consolidation of heavy maintenance in Halifax, Nova Scotia, the outsourcing of certain airport services and employee separation programs.

On May 15, 2014, Chorus announced that it would convert to a monthly dividend beginning with the August 2014 dividend payment.

On February 10, 2014, and on June 20, 2014, Chorus completed early redemptions of the Debentures. Following the completion of these early redemptions, there were no remaining Debentures outstanding.

2013

On November 25, 2013, Chorus received the final award of the arbitration panel in the binding arbitration process between Chorus and Air Canada related to the 2009 Benchmark under the CPA. As a result of the final award, there were no changes to the 12.5% Controllable Mark-Up in the CPA.

In September 2013, Chorus completed the physical consolidation of its heavy maintenance activities. Chorus consolidated its four heavy maintenance lines (two in London, Ontario and two in Halifax, Nova Scotia) to three lines based in Halifax. To facilitate this consolidation and relocation, Chorus made modifications to its existing Halifax hangar and building at the Halifax Stanfield International Airport, and purchased an office building in Dartmouth, Nova Scotia to accommodate its administrative staff.

Commencing in May 2011 through to March 2013, Chorus took delivery of 21 new Q400s, through its leasing subsidiaries with long-term financing provided by EDC. These Q400s are leased to Jazz.

THE JAZZ BUSINESS

In Canada, Jazz operates the largest regional airline and the third largest airline, based on passengers carried. Jazz's operations provide a significant part of Air Canada's domestic and transborder network. Jazz and Air Canada are parties to the CPA under which Air Canada purchases the majority of Jazz's fleet capacity at pre-determined rates. Under the CPA, Jazz 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. As at December 31, 2015, Jazz operated scheduled passenger service on behalf of Air Canada with approximately 711 departures per weekday to 56 destinations in Canada and 18 destinations in the United States, using 116 Covered Aircraft. Jazz 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.

Jazz operates the CPA flights on behalf of Air Canada under the "Air Canada Express" brand. 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 including Cargo Services (refer to Risk Factors for a description of the risks relating to Jazz's relationship with Air Canada).

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

Capacity Purchase Agreement with Air Canada

Chorus derived 95% of its revenues from Air Canada during 2015 (2014 - 99%, 2013 - 99%). On February 2, 2015, Jazz announced that all terms and conditions had been met to establish an amended and restated CPA with Air Canada effective January 1, 2015 (referred to herein as the "January 1, 2015 Amendment") extending the CPA term to December 31, 2025.

Prior to the January 1, 2015 Amendment, Jazz was paid rates which were negotiated and set every three calendar years based on Jazz's projected Controllable Costs for the relevant three year period, using certain variables including Block Hours, Flight Hours, aircraft, cycles and passengers carried. Jazz was also paid certain variable and fixed aircraft ownership rates and fixed rates. The rates set for each three year period were not guaranteed to be the same as actual Controllable Costs incurred by Jazz in providing the Scheduled Flights during that period. Once set, for CPA billing purposes, Jazz applied a mark-up (and the Compensating Mark-Up when applicable) to the rates. Jazz was also entitled to repayment of certain Pass-Through Costs, including fuel, airport and navigation fees, landing and terminal fees and certain other costs. In addition, Jazz was eligible to receive incentive payments each quarter if it achieved certain performance levels related to controllable on-time performance, controllable flight completion, PAWOBS and overall customer satisfaction.

Jazz incurs two types of costs under the CPA:

1) Controllable Costs
2) Pass-Through Costs

Under the January 1, 2015 Amendment, many costs that were formerly Controllable Costs have become Pass-Through Costs, however, Jazz will continue to be entitled to be paid rates, based on Controllable Costs, using the same variables as in prior years such as Block Hours, Flight Hours, cycles and passengers carried as well as certain variable and fixed aircraft ownership rates and fixed rates. With the exception of flight crew costs, aircraft rent, and depreciation and amortization on aircraft and parts, the rates for Controllable Costs are now set annually. Controllable Costs now consist of fewer costs than prior to January 1, 2015 and include costs such as non-crew salaries and wages, general overhead and aircraft maintenance, materials and supplies (for further detail please consult the detailed CPA cost categorization chart found on page 8).

Under the January 1, 2015 Amendment, Air Canada provides Jazz with projected annual Block Hours, Flight Hours, cycles and passengers estimated to be carried in advance of each calendar year during the term. The associated Controllable Costs are determined by Jazz and are paid by Air Canada to Jazz for the Controllable Costs through mutually agreed rates. The rate-setting process is staggered throughout the year and conducted on a rolling basis.

It is expected that annual rate setting related to Controllable Costs will decrease Chorus' cost risk as the annual rate re-set ensures those costs are reviewed in a timely manner and the corresponding rates reflect the realities of the current environment. With such visibility the accuracy of the rates is better assured in the event there are significant changes in the operation and/or the operating environment.

Pilot and flight attendant crew rates have been set for the term of the CPA to December 31, 2025 and reflect projected crew unit costs for this period. Jazz has negotiated collective agreements with its crews for the term of the January 1, 2015 Amendment which support the projected crew unit costs agreed to with Air Canada. The crew rates are adjusted if the number of Block Hours scheduled, the flow of Jazz pilots to Air Canada, and/or if the efficiency of the crew schedules delivered by Air Canada are outside certain agreed thresholds. In addition, regulatory changes that impact crew unit costs result in adjustments to the crew rates.

Pass-Through Costs are passed through to Air Canada and are fully reimbursed. These include costs such as airport and navigation fees and terminal handling fees. Services provided by Air Canada are provided at no cost to Jazz. These include Air Canada ground handling and facilities leased from Air Canada and, effective November 1, 2015, aircraft fuel (for further detail please consult the CPA cost categorization chart found on page 8).

Under the January 1, 2015 Amendment, Jazz's compensation changed from a mark-up on Controllable Costs to fixed fees. The mark-up and Compensating Mark-up concepts have been eliminated. As well, the requirement for benchmarking based on Jazz's costs in 2015 and the margin adjustment provisions contained in the CPA prior to the January 1, 2015 Amendment are no longer applicable.

Jazz is now compensated by the more industry standard approach of fixed fees. There are two fixed fees which establish the minimum level of compensation for the balance of the term of the CPA:

1) Fixed Margin per Covered Aircraft
2) Infrastructure Fee per Covered Aircraft

The Fixed Margin per Covered Aircraft does not vary regardless of network size, complexity or hours flown. The Infrastructure Fee per Covered Aircraft compensates for the additional services Jazz provides in support of Air Canada's regional flying network such as airport operations. The word "rates" for purposes of discussion relating to the January 1, 2015 Amendment does not include the Fixed Margin per Covered Aircraft or the Infrastructure Fee per Covered Aircraft.

Combined, these fixed fees based on the Covered Aircraft were set at approximately $109.7 million for 2015, and once all incremental aircraft are received the fixed fees increase to approximately $111.7 million per year until the year 2020. From the years 2021 to 2025 these fees are also fixed but at a lower annual amount. Jazz anticipates that this decrease will be partially offset by additional margin contribution from aircraft leasing under the CPA.

Jazz Leasing Inc., a subsidiary of Chorus, leases owned Q400s and engines into the Jazz operation under the CPA. Under this arrangement, Jazz earns aircraft leasing revenue under the CPA from Q400s and Q400 engines. For the year ended December 31, 2015, Jazz earned aircraft leasing revenue of $68.8 million. Annually these aircraft and engines currently generate a cash margin (after consideration of debt servicing charges) of approximately 20%.

The new Q400s being added to the Covered Aircraft fleet in 2016 are anticipated to accrue incremental cash margins comparable to those being earned on the current fleet of Q400s. As well, the movement of 19 Dash 8-300s to market lease rates post ESP events, are anticipated to accrue incremental cash margin to Jazz going forward (refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF).

Performance incentives will continue to be available, under the January 1, 2015 Amendment, for achieving established performance targets for the same categories identified under the CPA prior to the January 1, 2015 Amendment. The maximum annual available incentive for the years 2015 to 2020 is $23.4 million and $12.2 million for the years 2021 to 2025. (Refer to caution regarding forward-looking statements included in "Explanatory Notes" on page 1 of this AIF.)

Management believes that Chorus' risk profile is lower than other air transport operators due to the nature of the CPA. The reduced risk is reflected through:

- No direct exposure to revenue volatility associated with ticket prices and passenger traffic.
- No direct exposure to cost volatility associated with fuel, navigation fees, or airport landing and terminal fees along with certain other costs categorized as Pass-Through Costs.
- Reduced exposure to currency risk as Jazz bills Air Canada in the underlying currency related to the expenditure.
- Guaranteed minimum fleet and activity levels.

The January 1, 2015 Amendment further reduces Chorus' risk profile as it:

- Provides long-term predictable compensation levels that are anticipated to support the current dividend paid to Shareholders.
- Aligns the interests of Jazz and Air Canada and strengthens their relationship.
- Promotes Jazz's market competitiveness through cost reduction initiatives such as the modernization of its fleet and the ability to flow Jazz senior pilots to Air Canada.
- Secures long-term market competitive labour agreements with Jazz pilots, flight attendants and dispatchers.
- Reduces reliance on the Fixed Margin and Infrastructure Fee per Covered Aircraft and replaces it with growth in cash margin from aircraft leasing under the CPA.
- Secures a solid foundation from which to grow and diversify Chorus' group of companies.

The following table summarizes changes between the January 1, 2015 Amendment terms and the CPA terms in effect to the end of 2014 in cost categorizations in Controllable Costs (used to establish rates) and Pass-Through Costs and costs that will be directly borne by Air Canada.

Changes to the CPA Cost Categorization & Rate Periods by Operating Expense & Detailed Description								
CPA Cost Categorization	**CPA Prior to 2015**				**January 1, 2015 Amendment**			
	Controllable Cost	Pass-Through Cost	Cost no longer billed to Jazz	Rate Periods	Controllable Cost	Pass-Through Cost	Cost no longer billed to Jazz	Rate Periods
Salaries, wages and benefits								
- Crew wages & benefits	X			3 years	X			11 years(1)
- All others	X			3 years	X			Annually(2)
Aircraft fuel								
- All costs		X		NA			X(5)	NA
Depreciation and amortization								
- All costs	X			3 years	X			3 years
Food, beverage and supplies								
- Costs from Air Canada							X(3)	
- Costs from third parties	X			3 years		X(3)		NA
Aircraft maintenance, materials and supplies								
- All costs	X			3 years	X			Annually
Airport and navigation fees		X		NA		X		NA
Aircraft rent								
- Jazz Q400 leased through CPA	X			Lease term	X			Lease term
- Third party operating leases	X			3 years	X			3 years
- Air Canada & subsidiary leases to Jazz	X			3 years	X			3 years
Terminal handling services								
- Ground handling services from Air Canada	X			3 years			X(3)	NA
- Ground handling from third parties	X			3 years		X(3)		NA
- De-icing services from Air Canada		X		NA			X(3)	NA
- All others	X			3 years	X			Annually
Other								
- Aircraft parking	X			3 years		X(3)		NA
- Interrupted trips & baggage delivery	X			3 years		X(3)		NA
- Station supplies for processing passengers	X			3 years		X(3)		NA
-Third party facilities	X			3 years		X(4)		NA
- Air Canada facilities	X			3 years			X(3)	NA
- All others	X			3 years	X			Annually

(1) Adjusted for schedule efficiency, Block Hours, regulatory changes and pilot flow.
(2) Reset annually, subject to certain conditions.
(3) These costs transitioned in the first quarter of 2015.
(4) These costs transitioned in the second quarter of 2015.
(5) Fuel transition occurred on November 1, 2015.

Operating Plans and Scheduling

During the term of the CPA, Air Canada will annually deliver a high level operating plan for the upcoming calendar year for budget and planning purposes.

The CPA specifies that Air Canada and Jazz will jointly agree on a seasonal operating plan prior to the start of each summer and winter schedule period, which includes Air Canada's forecast regarding:

- Block Hours and departures by aircraft type, ASMs and passenger volume.
- The airports to which Jazz will operate Scheduled Flights.
- Specific dates for the commencement or termination of service to or from new airports, if any.

There are two seasonal schedule periods: winter (from approximately November 1 to March 31) and summer (from approximately April 1 to October 31).

Under the CPA Air Canada provides rolling Monthly Schedules which may vary from the final seasonal operating plan. Jazz operates based on such Monthly Schedules as long as the volume of flying required to meet the schedule change does not increase or decrease the total Block Hours for any aircraft type by more than 5%, as compared with the guaranteed Block Hours. If the variance is greater than 5%, Air Canada and Jazz are required under the CPA to agree on changes to rates.

Passenger and Ramp Handling Services

Airport handling includes both passenger handling and ramp handling services.

As at December 31, 2015, Jazz operated to 56 airports in Canada and Jazz employees provided the passenger handling function at 35 of these airport locations and the ramp handling function at two. Jazz also provides passenger handling services to Air Canada for a fee.

Air Canada provides certain handling functions to Jazz at certain airport locations.

Facilities

Under the CPA, Air Canada is responsible for the costs associated with:

- Opening, closing and moving maintenance and crew bases, where such changes are due to changes required by Air Canada to operate the Scheduled Flights.
- Any additional facilities required as a result of increased frequency of Scheduled Flights.
- Any required relocation of Jazz to comparable airport facilities reasonably acceptable to Jazz contiguous to Air Canada leased premises, ramp, gate and office space.

Return of Aircraft

The CPA provides that Air Canada shall bear the cost and expense of the removal of aircraft from the Covered Aircraft fleet, the return of such aircraft to lessors and all return condition obligations contained in any lease, sublease or loan arrangement relating to the Covered Aircraft or the Spare Engines used to support the Covered Aircraft (the "Spare Engines").

Term and Termination of Agreement

The CPA will expire on December 31, 2025. Either party is entitled to terminate the CPA at any time upon occurrence of an event of default committed by the other party.

When the CPA expires, all leases between Jazz and Air Canada (or any affiliate of Air Canada) in respect of Covered Aircraft and Spare Engines will automatically be terminated and Air Canada (or the affiliate of Air Canada) will have the right to the return of those particular Covered Aircraft and Spare Engines. If the CPA is terminated as a result of an event of default committed by Jazz, no such leases will be terminated and Jazz will remain liable for its obligations under the Covered Aircraft and Spare Engine leases. If the CPA is terminated as a result of an event of default committed by Air Canada, Jazz may terminate any such leases, which right must be exercised concurrently with termination of the CPA.

Code-Sharing

The CPA requires Jazz to use Air Canada's two-letter flight designator code (AC), and any other code specified by Air Canada and belonging to a Star Alliance® partner or other partner of Air Canada, to identify Scheduled Flights.

Other Agreements with Air Canada

Master Services Agreement

Under a master services agreement dated September 24, 2004, between Jazz and Air Canada, Air Canada provides certain services to Jazz. These services, which support Jazz's CPA operations, include information technology services, French language training and insurance claims services. The most significant services relate to information technology whereby Jazz accesses services under the agreements signed by Air Canada with certain information technology providers, as well as Air Canada's internal information technology resources.

The master services agreement will continue to be in effect until the termination or expiration of the CPA, but individual services can be amended or terminated earlier in accordance with the terms of the master services agreement.

Air Canada Ground Handling Agreement

Pursuant to the Air Canada Ground Handling Agreement, Air Canada has agreed to provide certain aircraft related ramp handling services to Jazz, including baggage handling and processing, cargo and mail loading and unloading, and aircraft servicing at 10 airports in Canada.

The ground handling services must be provided by Air Canada in accordance with Jazz's procedures and instructions. Jazz may maintain a representative to supervise the services rendered by Air Canada. For passenger related handling services for charter flights operated by Jazz, Jazz and Air Canada are required to negotiate and agree on the specific services to be rendered by Air Canada and the fees payable by Jazz for any such charter flights.

The current term of the Air Canada Ground Handling Agreement expires December 31, 2017, subject to automatic renewal for additional three year periods at the end of this term and each renewal term unless Jazz or Air Canada provides notice of its intention not to renew the agreement at least one year prior to the end of the then current term. No such notice of non-renewal has been given by either party.

Jazz Ancillary Business

Charter

Jazz offers charter services to Canadian and international locations. Jazz has been able to attract a wide variety of charter customers, including sports teams, fishing lodges, oil and gas companies, various provincial forestry ministries, musical groups and corporate clients. All revenue from the charter operations accrue directly to Jazz as ancillary revenue. Generally, margins on charter services are higher as customers are prepared to pay a premium for flights that fit their needs and schedule.

As of February 18, 2016, Jazz operates two Dash 8-100s, two Dash 8-300s and one CRJ200 in Jazz's dedicated charter fleet. Jazz continues to target growth within its charter operation through the pursuit of ongoing and new charter programs.

Jazz has the ability to operate charter flights during the term of the CPA utilizing the Covered Aircraft (subject to the payment of a charter fee to Air Canada) or with other aircraft, provided that Jazz continues to meet its obligations under the CPA and does not market such flights as Air Canada flights. Jazz is responsible for all incremental costs and expenses associated with such flights and is entitled to all revenues. Jazz is required to obtain Air Canada's consent in respect of certain charter program services, which consent may not be unreasonably withheld.

Airport Handling Operations

Jazz offers passenger and ramp handling services to other airlines. Jazz continues to look for new opportunities to expand the airport handling business further.

Maintenance, Repair and Overhaul Operations

Jazz's technical operations team performs regional jet and turboprop line maintenance, heavy maintenance and minor aircraft modifications to support Jazz operations. The technical operations team maintains one of the largest Dash 8-100 and Dash 8-300 fleets in the world. Jazz also has considerable expertise in the repair and overhaul of CRJ100s, CRJ200s, CRJ705s and Q400s.

THE VOYAGEUR BUSINESS

Voyageur began operations in 1968 and operates out of its head office and maintenance, repair and overhaul facility located in North Bay, Ontario. Voyageur currently provides services to its customers throughout the international and Canadian regional aviation marketplace, and offers a wide range of products and services through single supplier relationships. Voyageur's current operations are structured as follows:

Voyageur Aviation Corp.

As the parent company for Voyageur Airways and Voyageur Aerotech, Voyageur Aviation Corp. provides common support services for the Voyageur group including: administrative support services, finance and accounting, human resources, payroll, commercial services, facilities, and materials management. Voyageur Aviation Corp. also operates a fixed base operation at the North Bay Airport which provides aircraft fueling and ground handling services. Voyageur Aviation Corp. owns the head office and maintenance, repair and overhaul facility in North Bay, Ontario.

Voyageur Airways Limited

Voyageur Airways is a Transport Canada approved air operator and provides specialized contract flying operations to Canadian and international customers in four primary segments: ad-hoc charter services; aircraft, crew, maintenance and insurance contract operations (ACMI contracts); aeromedical operations; and special missions. The ACMI term contracts involve medical, logistical and humanitarian flights to customers comprised primarily of government entities and international non-governmental organizations.

Voyageur Aerotech Inc.

Based out of North Bay, Ontario, Voyageur Aerotech is a maintenance, repair and overhaul provider that offers specialized engineering and maintenance services. As a Transport Canada Approved Maintenance Organization and Design Approval Organization, Voyageur Aerotech provides in-house engineering design and certification services for all levels of aircraft to international and Canadian clients. Voyageur Aerotech is also an Approved Maintenance Organization with the United States Federal Aviation Administration and the European Aviation Safety Agency. Voyageur Aerotech activities are also supported by its Transport Canada Approval for the Maintenance Certification of Aeronautical Products. Its engineering services include general technical support, facilities maintenance activities and custom design solutions including Supplemental Type Certificate approvals. In addition, Voyageur Aerotech operates a parts sales division offering parts for Bombardier regional aircraft.

RESOURCES

Fleet

The following table provides the total number of aircraft in Chorus' fleet as at December 31, 2015 and December 31, 2014.

Aircraft	December 31, 2014	2015 Fleet Changes		December 31, 2015
		Additions	Removals	
Regional Jets				
CRJ200s	26	7	(5)	28
CRJ705s	16	—	—	16
Turboprop Aircraft				
King Air 100s	—	2	—	2
King Air 200s	—	1	—	1
Dash 7-100s	—	2	—	2
Dash 8-100s	34	—	—	34
Dash 8-300s	28	6	—	34
Q400s	21	6	—	27
	125	24	(5)	144

As at December 31, 2015, Chorus' fleet included 116 Covered Aircraft under the CPA (excludes the new Q400 acquired on December 31, 2015 as this aircraft was not in operation as at December 31, 2015), 17 aircraft operated by Voyageur Airways and five aircraft utilized for Jazz charter services.

On January 15, 2016 Chorus returned a CRJ200 to the lessor. A further CRJ200 was returned on January 29, 2016. These two aircraft are included in the table above.

People

As at December 31, 2015, Chorus had 4,445 FTE employees compared to 4,130 FTE employees for 2014. The 2015 number includes 266 Voyageur FTEs.

Currently, Jazz has the following collective agreements in place with its employees:

- Pilots, represented by ALPA, expires on December 31, 2025.
- Flight attendants, represented by CFAU, expires on December 31, 2025.
- Flight dispatch employees represented by CALDA, expires on December 31, 2025.
- Airport services employees represented by Unifor, expires on January 13, 2017.
- Crew schedulers, represented by Unifor, expires on June 30, 2016.

On January 28, 2016, Jazz announced that a new tentative agreement had been reached with its maintenance and engineering employees represented by Unifor. The agreement is subject to a ratification vote by union members.

The CPA established a pilot mobility agreement between Jazz and Air Canada, whereby Jazz pilots are able to access pilot vacancies at Air Canada. In turn, this allows Jazz to transition to a less senior pilot demographic and to hire new pilots at industry competitive terms, thereby reducing operating costs. The pilot mobility agreement provides that the Jazz pilots who have elected to participate in the arrangement have been placed on a pilot mobility list. Air Canada has committed to hire a minimum of 80% of its new pilots from the pilot mobility list and to hire a minimum of 495 of the pilots from this list.

FACILITIES

Chorus currently owns an office building and land in Dartmouth, Nova Scotia. Jazz leases office space from Chorus at this location. Chorus also leases a portion of the Dartmouth building to third party tenants. (See "Financing - Nova Scotia Jobs Fund Loan" for details on financing).

Jazz currently owns an operations facility located at the Halifax Stanfield International Airport, which is comprised of office and hangar space. The land on which Jazz's Halifax airport facility is located is leased from the Halifax International Airport Authority.

The following is a description of the principal facilities leased by Jazz. The first three facilities listed below are leased by Jazz from Air Canada and are provided at no cost to Jazz under the CPA.

- Hangar, parking and office space at Toronto Pearson International Airport.
- Hangar and office space at Calgary International Airport.
- Hangar and office space at Montreal-Pierre Elliott Trudeau International Airport.
- Hangar and office space at Vancouver International Airport.
- Office space at Airways Centre at Mississauga.

In addition to the foregoing, Jazz currently leases training, storage, maintenance shop, hangar, airport terminal building, office, counters, maintenance offices, baggage make-up and parking spaces throughout Canada from various lessors.

Voyageur owns over 200,000 square feet of aircraft hangars, workshops and office space consisting of four buildings, located in the North Bay Aerospace Park. The land where these buildings are located is owned by Voyageur Aviation Corp. These operations facilities support the business carried out by Voyageur.

Voyageur Airways currently owns a building in New Brunswick at the Greater Moncton International Airport. This facility is comprised of office and hangar space. The land on which this facility is located is leased from the Greater Moncton Airport Authority Inc.

FINANCING

Aircraft and Engine Financing

As at December 31, 2015, Jazz Aircraft Financing Inc. had 31 separate loan agreements with EDC which provided financing for the majority of the purchase price of each of the 27 Q400s and four PW150A engines. The total financing payable at December 31, 2015 for these loans was $573.3 million. Each loan has a maturity of 12 years and bears interest at a fixed rate. At December 31, 2015, the net book value of property and equipment pledged as collateral under EDC financing was $556.1 million.

Under its financing agreement with EDC (for both aircraft and engines), the Jazz Group 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 December 31, 2015, the Jazz Group was in compliance with these covenants. Failure by the Jazz Group to comply with either such ratio at an applicable time would constitute an event of default under the financing agreement which could have a material adverse effect on Chorus.

The financing agreement with EDC also contains a continuation of business under the CPA covenant which is specific to Jazz as the lessee of the Q400s and engines. As at December 31, 2015, Jazz was in compliance with this covenant.

As additional security under the EDC financing agreements, the aircraft and engine leases between Jazz and Jazz Leasing Inc. have been assigned to EDC. Also, Jazz Leasing Inc. has provided a full recourse guarantee to EDC and Jazz Aircraft Financing Inc. pledged the issued shares of Jazz Leasing Inc. to EDC.

Capital Commitments

In connection with the January 1, 2015 Amendment, Chorus exercised its nine remaining options to purchase new Q400s under its purchase agreement with Bombardier, and amended that purchase agreement to add firm orders for four additional Q400s and options for up to ten additional Q400s. Based on the list price for the Q400s, the firm order for a total of 13 Q400s is valued at approximately US$424.0 million, and could increase to US$758.0 million if the options to purchase all additional ten aircraft are exercised. Chorus had purchased six Q400s as of December 31, 2015. Chorus is committed to spend an additional $187.1 million in 2016 related to the remaining seven Q400s (US dollar amounts were converted to Canadian dollars at 1.3840, which was the exchange rate in effect at the end of day closing December 31, 2015). Chorus has received commitments from EDC to finance up to 80% of the net purchase price for all firm 13 orders.

Chorus has also entered into an agreement with Bombardier to be the launch customer for the Dash 8-300 ESP. The ESP is expected to extend the service life of the Dash 8-300s by 50% (or approximately 15 years). This agreement covers a minimum of 19 aircraft and the program is anticipated to begin in early 2017. The cost for each aircraft that undergoes the ESP installation includes the Bombardier service bulletin and parts and anticipated labour costs to complete the service bulletin. The anticipated cost for the years 2016, 2017, 2018 and 2019 is expected to be approximately $1.4 million, $19.9 million, $29.7 million and $14.2 million, respectively (US dollar amounts were converted to Canadian dollars at 1.3840, which was the exchange rate in effect at the end of day closing December 31, 2015). Chorus has received a commitment from Air Canada to finance up to 80% of this anticipated cost.

Credit Facilities

Chorus' subsidiaries have a combined total of $36.0 million in undrawn secured revolving credit facilities and an additional US$6.0 million secured facility specifically for letters of credit (US$2.1 million have been issued). A portion of one of the revolving credit facilities can also facilitate the issuance of letters of credit (US$0.6 million has been issued).

Consideration Payable

As part of the acquisition of Voyageur, at the time of acquisition, the former owner provided Chorus with a non-interest bearing loan of $31.4 million payable over three years. This consideration payable does not bear interest.

Nova Scotia Jobs Fund Loan

Chorus purchased an office building on August 31, 2012 and made modifications to its existing Halifax hangar and building. To assist in funding for this purchase and modifications, the Province of Nova Scotia (the "Province") provided Chorus with a $12.0 million, interest-bearing, repayable loan. The Province's financial assistance also consists of an additional $2.5 million forgivable loan (which will be forgiven if certain employment targets are achieved) and a $2.0 million employee grant to recruit, train and develop new employees or to upgrade current employees' skills. At December 31, 2015, the amount drawn on the interest-bearing repayable loan was $12.0 million. As at December 31, 2015, Chorus had received the $2.5 million forgivable loan from the Province of Nova Scotia as well as the $2.0 million of Human Resource Development Funding from the Province of Nova Scotia.

In 2014 and 2015, Chorus met certain employment conditions required in order to obtain the maximum annual forgiveness of a portion of a forgivable loan from the province of Nova Scotia for the year, and as such $0.5 million was recorded in other income in each year.

COMPETITION

Jazz's fleet is significantly larger than that of the next largest Canadian regional airline. All other carriers in the Canadian regional airline market are smaller operators of primarily turboprop aircraft, most of which operate aircraft in the 19 to 75 seat range. Many of these regional carriers operate primarily independent services, flying in niche markets. Jazz competes with other Canadian regional airlines for additional capacity purchase flying for Air Canada, including Sky Regional, Air Georgian and Exploit Valley Air Services. Jazz also competes with a number of smaller regional carriers for charter business from other customers.

WestJet and WestJet Encore compete with Air Canada on certain routes in Canada and in the U.S. operated by Jazz. Porter Airlines, which operates from the Billy Bishop Toronto City Airport, competes with Air Canada in various domestic and transborder market pairs operated by Jazz.

Air Canada competes against a variety of United States network airlines and their regional carriers in respect of transborder markets, many of whom operate under capacity purchase agreements with various major United States network airlines. These carriers operate under their capacity purchase agreement partner brands such as United Express, Delta Connection, American Eagle and Alaska Horizon.

Voyageur Airways competes with a wide variety of ACMI operators from around the world when bidding on contracts. Some of these operators include: Swiftair from Spain, 748 Air Services from Kenya, UT Air from Russia, AAR Airlift from the U.S., Denim Air from the Netherlands, and Trans Capital Air from Canada. Voyageur Airways' international ACMI operations competitive advantage is based on it being a Transport Canada approved air carrier and its reputation as a safe and highly reliable operator.

LOGOS AND TRADEMARKS

Chorus owns trademarks for Chorus, Chorus Aviation and associated design marks (logos) in Canada and the United States.

Jazz™ is a trademark owned and registered by Air Canada in Canada and the United States.

Under a trademark license agreement, Air Canada granted Jazz a royalty-free, non-exclusive, non-sublicensable, non-assignable right to use the "Jazz" trademark in association with the provision of regional airline services in Canada and the United States. If the CPA is terminated or expires, that trademark licence agreement provides for a termination of the license six months later. Under a special trademark licence agreement, Jazz and Air Canada agreed that when the CPA is terminated or expires, Air Canada will transfer all rights to the "Jazz" trademark to Jazz and Jazz will discontinue its use of any other Air Canada trademarks.

Chorus also owns additional trademarks in connection with Voyageur.

Chorus' trademarks and brand name assets are an important part of its business. Chorus benefits from the goodwill established for the Jazz, Voyageur and Chorus brand names. Chorus protects its proprietary information, including its trademarks and database, through trademark laws, contractual provisions and confidentiality procedures.

REGULATORY ENVIRONMENT

In Canada, commercial air transportation falls wholly within the jurisdiction of the federal government. The *Canada Labour Code* and associated regulations govern all of Jazz and Voyageur Airways' operations with respect to industrial relations, workplace health and safety, and employment standards. The commercial air transportation policy, maintenance standards, operations standards, aircraft airworthiness, pilot and cabin crew licensing and certification, safety, ground services, and navigation facilities are the responsibility of the Minister of Transport.

Chorus' aircraft, pilots, cabin crew, maintenance engineers, maintenance operations and all aspects of its commercial and charter air service operations are subject to the inspection, licensing, certification and compliance requirements of Transport Canada under the *Aeronautics Act, Canadian Aviation Regulations* and the standards issued under that Act and its regulations.

The Canadian Transportation Agency (the "Agency") is responsible under the *Canada Transportation Act* (the "CTA") and *Air Transport Regulations* for issuing air carrier licenses for both domestic and international services, and for regulating air charter operations, equipment and crew leasing (wet leases, block space and code share arrangements), certain air tariffs and the terms and conditions of carriage. The Agency may also investigate, mediate or hear air travel complaints. The commercial and charter air services of Chorus are subject to the licensing, charter operations, international fare, terms of carriage, insurance requirements and air travel complaint jurisdiction of the Agency, as further described below.

NAV Canada, a private sector, non-share capital corporation, is responsible for providing air navigation services in Canada. All major Canadian airports are operated by Canadian airport authorities that are not-for-profit corporations.

Due to the uncertainty of long-term regulatory requirements, Chorus cannot provide assurance that it will not incur substantial costs to meet those requirements or whether they will be material.

The 1987 deregulation of the domestic airline industry allowed carriers to establish fares as well as terms and conditions of carriage without government regulation. The CTA provides for free market entry to the extent that a carrier can demonstrate that (i) it is "Canadian", defined in the CTA as being controlled in fact by Canadians and having at least 75% of its voting interest owned and controlled by Canadians; (ii) it can operate safely; (iii) it is suitably insured; and (iv) it meets the minimum financial requirements set out in the *Air Transportation Regulations*.

On February 6, 2009, the Government of Canada introduced Bill C-10, the *Budget Implementation Act,* which proposed amendments to the CTA relating to foreign ownership restrictions on domestic air carriers. Bill C-10 received Royal Assent on March 12, 2009, however, the sections amending the CTA are not yet in force. One of these amendments provides the Governor in Council the authority to introduce regulations which set new foreign ownership limits up to a maximum of 49% foreign ownership. The regulations may specify that the new limits apply generally to all non-Canadian investors or, alternatively may specify increased foreign ownership limits available to specific classes of non-Canadians to be identified in the regulations. As of February 18, 2016, no such regulations have been proposed by the Governor in Council.

On August 2, 2015, Bill C-439, *An Act Respecting the Rights of Air Passengers* died on the order paper of the previous session of Parliament. If reintroduced to a future or current session of Parliament, that Bill would impose obligations on air carriers in the event of certain flight delays, flight cancellations, denied boarding to passengers or ground delays of aircraft with passengers on board. Such legislation could lead to significant costs for air carriers, including Chorus, which could have a material adverse effect on Chorus' business, results from operations and financial condition. Management cannot predict whether such proposed legislation will be enacted, if at all, or if enacted whether its provisions will be in the form previously proposed by Bill C-439 or otherwise.

Transborder Services

Transborder services between Canada and the United States are provided pursuant to the 1995 Canada-US Air Services Agreement. This agreement gives Canadian air carriers unlimited route rights to provide "own aircraft" services between points in Canada and points in the United States, but does not permit the carriage of local traffic between points within one country by carriers of the other country (commonly known as cabotage).

Under the 1995 Canada-US Air Services Agreement, carriers of both countries are free to set their own prices for transborder services according to market forces. Prices may only be disallowed under special circumstances if the authorities of both countries agree, for example in response to predatory or monopolistic pricing behaviour on specific routes. In November 1997, Canada and the United States concluded an agreement that allows Canadian and US carriers to code-share to, from and via, each other's territory, with carriers from other countries provided the other country allows code-sharing and the carriers hold the underlying rights to serve that country. Air Canada code-shares with certain Star Alliance® partners via Canada and the United States and certain of these Star Alliance® partners' codes appear on some transborder Scheduled Flights.

On November 11, 2005, Transport Canada announced that the governments of Canada and the United States had negotiated an Open Skies Agreement which further liberalizes air transportation services. The agreement, which came into force on March 12, 2007, allows air carriers of both countries (i) to pick up passenger and/or cargo traffic in the other country and carry that traffic to a third country as part of a service to or from the carrier's home country, (ii) to operate stand-alone all-cargo services between the other country's territory and third countries, and (iii) greater pricing flexibility for services between the other country and a third country. Cabotage, the right to operate flights between two points within the other country, remains prohibited.

In the United States, the FAA prohibits a United States certificated air carrier from wet leasing an aircraft from a foreign licensed air carrier. A wet lease is an arrangement under which a carrier leases an aircraft together with crew to operate the aircraft. However, contracts for non-United States airlines to provide aircraft and crew are permitted if, on application to the United States Department of Transportation, the non-United States air carrier meets the regulatory criteria. Flying operated under such newly permitted contracts cannot include point-to-point flying within the United States.

Other International Services

No Chorus subsidiary currently has a license to operate a scheduled international service to any country other than the United States, but the Canadian government has entered many bilateral air transport agreements with other countries under which a Chorus subsidiary would be eligible to apply for licensing and operate abroad on a reciprocal basis.

Charter Services

Jazz and Voyageur Airways both maintain licenses issued by the Agency to operate non-scheduled international service between Canada and any other country. Charter operations are generally not covered by bilateral agreements, although charter services are covered under the 1995 Canada-US Air Services Agreement. Canadian government policy permits any Canadian carrier to operate charter services between Canada and any point in the world subject to prior approval of the Canadian and other applicable regulatory authorities.

The policy does not contain restrictions relating to advance booking, minimum stay requirements and one way travel. However, to preserve a distinction between charter and scheduled international services, the policy retains the requirements that the entire seating capacity of an aircraft be chartered and that charter customer be prohibited from selling seats directly to the public.

Official Languages Act

Air Canada is subject to the *Official Languages Act* (the "OLA"), which among other things, requires it to ensure that any member of the traveling public can communicate with and obtain services in either official language, French and English, where there is significant demand for those services in that language (Part IV of the OLA) and to allow employees to work in either official language (Part V of the OLA).

In addition, the *Air Canada Public Participation Act* imposes on Air Canada the obligation to ensure any of its subsidiaries' customers can communicate with the subsidiary in respect of air services and incidental services, and obtain those services, in either official language, where the number of customers warrants such services. Jazz is not a subsidiary of Air Canada, but under the OLA, where services are performed on behalf of Air Canada by another party, Air Canada has the duty to ensure that any member of the public can communicate with and obtain those services in either official language in any case where those services, if provided by Air Canada, would be required under the OLA to be provided in either official language. The OLA does not currently apply directly to Chorus, but management cannot predict how future changes to this legislation might affect its business.

Security and Safety

Chorus' first priority is the safety and security of all passengers, crew members and all employees in all aspects of its operations. Chorus strives to build a positive security culture that promotes improvement and solicits ideas from all stakeholders.

Chorus works with Transport Canada and other federal and United States agencies to continuously improve security measures and to enable innovations adopted by Chorus to maintain the highest degree of security. Chorus' internal safety management system includes security related processes, including threat assessment protocols that allow the operation to address any number of potential threats.

On August 2, 2015, Bill C-51, which included the *Secure Air Travel Act* died on the order paper of the previous session of Parliament. If reintroduced to the current or a future session of Parliament, that Act would provide a new legislative framework for identifying and responding to persons who may engage in an act that poses a threat to transportation security or who may travel by air for the purpose of committing a terrorism offence. It would also authorize the Minister of Public Safety and Emergency Preparedness to establish a list of such persons and to direct air carriers to take any necessary actions to prevent the commission of such acts. Such legislation could lead to increased costs for air carriers, including Jazz and Voyageur Airways, which could have a material adverse effect on Chorus' business, results from operations and financial condition. Management cannot predict whether such proposed legislation will be enacted, if at all, or if enacted whether its provisions will be in the form previously proposed by Bill C-51 or otherwise.

The *Canadian Aviation Regulations* require air operators to implement safety management systems ("SMS") in their organizations and appoint executives who are accountable for safety. The goals of safety management systems are to increase the sophistication and proactiveness of safety practices, to instill a consistent and positive safety culture, and to help improve upon the already high safety performance of Canadian airline operators. Management cannot predict if or when future amendments to this safety legislation will be introduced or enacted. Jazz, Voyageur Airways and Voyageur Aerotech have each fully implemented a safety management system.

The President of Jazz, Colin Copp has been appointed as Accountable Executive for Jazz and Jazz's Vice President of Safety, Quality & Environment has responsibility for the implementation and ongoing management of the safety management system. Jazz's highly integrated safety management system model is considered to be industry leading and has attracted a degree of international attention through several forums, including the International Aviation Safety Seminar. Jazz is in compliance with or surpasses all regulatory requirements.

The President of Voyageur, Max Shapiro, has been appointed as Accountable Executive for Voyageur Airways and Voyageur Aerotech, and he oversees an independent department called Safety and Risk Management System ("SRMS"), dedicated to the core culture of safety. Employees are focused on incident prevention through critical self-assessment and proactive identification of potential deficiencies. Voyageur Airways and Voyageur Aerotech are in compliance with or surpasses all regulatory requirements.

Environmental Matters

In June 2012, the Government of Canada and the Canadian aviation industry released *Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation* (the "Action Plan"). The Action Plan superseded the 2005 ATAC agreement and formed the basis for the Government of Canada's response to the International Civil Aviation Organization's ("ICAO") Assembly Resolution A37-19, which encouraged member states to submit national action plans by June 2012 setting out measures each state is taking or will take to address international aviation emissions. The Action Plan set a target to improve fuel efficiency of Canada's air carriers by 2 percent per year until 2020, from a baseline of 40.46 litres per 100 Revenue Tonne-Kilometres. The Action Plan further supports the goals of carbon neutral growth from 2020 onwards and absolute GHG emission reduction by 2050. The Action Plan identified the following measures as the greatest opportunities to improve fuel efficiency and reduce GHG emissions: fleet renewal and upgrades; more efficient air operations; and improved capabilities in air traffic management. Chorus is committed to improving fuel efficiency and has a number of fuel efficiency initiatives underway which are monitored closely at an executive level.

In December 2015, the United Nations Climate Change Conference negotiated the Paris Agreement, a global agreement to keep climate change below 2°C. Canada was one of the 195 participating countries that committed to the Paris Agreement. The Paris Agreement will open for signature in April 2016 and will enter into force if ratified by 55 countries that account for at least 55% of global emissions. At this time, it is not known which countries or how many will ratify the agreement. If the Paris Agreement is ratified it is unknown whether this will result in a material adverse effect on Chorus' business or financial condition. This issue will be closely monitored at an executive level in the coming year.

Chorus believes that it is in compliance in all material respects with the terms of applicable government regulations. Chorus is committed to conducting its operations in a manner that complies with all legal requirements relating to health and safety and the environment, and regularly evaluates and monitors its related activities.

To date, environmental laws and regulations have not had a material adverse effect on the business or financial condition of Chorus. However, changes in such government laws and regulations are ongoing and may make environmental compliance increasingly expensive. Chorus is not able to predict future costs which may be incurred in order to comply with future environmental regulations. Chorus considers the environment a component of business decisions in planning for and making changes to materials, processes, equipment and facilities. Chorus communicates with customers, governments, local communities, unions, employees and suppliers to identify and resolve environmental issues, and it conducts business in compliance with applicable environmental law. Chorus proactively conducts ongoing environmental audits and takes corrective action to enable compliance with environmental law and continuous improvement to its management system, policies and procedures. Chorus' Corporate Environmental Policy is available at www.chorusaviation.ca.

Privacy

Chorus and each of its subsidiaries are subject to a variety of privacy laws regarding the collection, use, disclosure and protection of personal information in their course of commercial activities. The *Personal Information Protection and Electronic Documents Act* ("PIPEDA") governs federally regulated Chorus subsidiaries such as Jazz and Voyageur Airways, and provincial privacy legislation such as Ontario's *Personal Health Information Protection Act, 2004* governs Chorus subsidiaries which are not federally regulated (such as Voyageur companies other than Voyageur Airways). Whether federally or provincially regulated, applicable privacy legislation requires notice to, and informed consent by, the individuals whose personal information is collected, used or disclosed. The personal information may then only be used for the purposes for which it was originally collected and for which consent from individuals has been obtained or for limited other purposes specified in, or allowed by, applicable legislation. Chorus has a privacy policy which is designed to meet or exceed the requirements of such privacy legislation. Management believes that its privacy policy and practices comply with all applicable laws.

RISK FACTORS

For a detailed description of the possible risk factors associated with the industry, Chorus, Chorus' relationship with Air Canada and the Voyageur business refer to the Section entitled "Risk Factors" in Chorus' 2016 Annual MD&A dated February 18, 2016.

MARKET FOR SECURITIES

The Class A Variable Voting Shares and the Class B Voting Shares are traded on the TSX under the trading symbols "CHR.A" and "CHR.B" respectively. The following table sets forth the price range and trading volume of the Class A Variable Voting Shares and the Class B Voting Shares as reported by the TSX for the months of January to December 2015 inclusive.

	Class A Variable Voting Shares				Class B Voting Shares			
2015	High $	Low $	Average Daily Trading Volume	Total Monthly Volume	High $	Low $	Average Daily Trading Volume	Total Monthly Volume
January	5.25	4.29	13,867	291,210	5.23	4.29	520,720	10,935,113
February	6.07	4.99	16,194	307,677	6.08	4.98	572,940	10,885,857
March	6.04	5.38	61,109	1,344,398	6.02	5.33	362,308	7,970,779
April	6.25	5.86	15,909	334,094	6.29	5.87	318,130	6,680,724
May	6.40	5.75	6,650	132,991	6.40	5.71	317,467	6,349,330
June	6.77	6.27	8,445	185,794	6.78	6.06	305,884	6,729,452
July	6.74	6.05	13,462	296,164	6.74	6.02	228,559	5,028,306
August	6.46	4.91	11,057	221,141	6.50	4.75	327,281	6,545,611
September	5.93	5.00	15,085	316,784	5.94	4.95	254,761	5,349,983
October	5.85	5.25	9,770	205,160	5.87	5.22	257,601	5,409,624
November	5.78	5.32	6,814	143,090	5.69	5.33	182,199	3,826,178
December	5.97	5.50	4,210	84,198	5.80	5.49	202,256	4,247,377

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Shares is CST Trust Company at its principal offices in Montreal, Toronto, Calgary and Vancouver.

DIVIDEND RECORD

The current dividend policy of Chorus is $0.04 per common Share per month. Dividends payable by Chorus to its Shareholders are recorded when declared. The dividend policy is subject to the discretion of the board of directors of Chorus and may vary depending on, among other things, Chorus' financial condition including earnings, financial requirements, debt covenants, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

On May 9, 2013, Chorus reduced its quarterly dividend from $0.15 per share to $0.075 per share. On December 10, 2013, Chorus increased its quarterly dividend from $0.075 per share to $0.1125 per share. During the third quarter of 2014, Chorus changed from quarterly dividend payments to monthly dividend payments. Chorus declared monthly dividends of $0.0375 per Share which were paid in August, September, October, November and December of 2014 to Shareholders of record at the close of business on each respective month end date. On February 18, 2015, Chorus announced an increase in the monthly dividend from $0.0375 to $0.04 per Share, effective with the March dividend for Shareholders of record at the close of business on March 31, 2015, and payable on April 17, 2015.

For the year ended December 31, 2015, Chorus paid $57.4 million in dividends to Shareholders (2014 - $63.7 million, 2013 - $55.7 million).

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Chorus is comprised of an unlimited number of Variable Voting Shares and Voting Shares. As of February 12, 2016, 8,185,242 Variable Voting Shares and 114,047,155 Voting Shares were issued and outstanding. The following summary describes the rights, privileges, restrictions and conditions that are attached to the Variable Voting Shares and the Voting Shares. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of Chorus' articles of amalgamation, as amended.

Variable Voting Shares

Voting

The holders of the Variable Voting Shares are entitled to receive notice of, and to attend and vote at, all meetings of the Shareholders of Chorus, except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA. The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians, as such term is defined in the CTA ("Qualified Canadians") and are entitled to one vote per Variable Voting Share unless (i) the number of Variable Voting Shares outstanding, as a percentage of the total number of votes attaching to all issued and outstanding voting shares, exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify), or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting. If either of these thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate votes attached to all issued and outstanding voting shares of Chorus, and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the votes that may be cast at such meeting.

The Government of Canada's Bill C-10, the *Budget Implementation Act 2009*, provides that the provisions relating to voting securities in the CTA will be amended to provide the Governor in Council with flexibility to, by regulation, increase the foreign ownership limit from the existing 25% level to a maximum of 49%. These regulations will come into force on a date to be fixed by order of the Governor in Council made on the recommendation of the Minister of Transport. As of February 18, 2016, no such new regulations have been proposed by the Governor in Council.

Dividends

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Chorus of any other class ranking senior to the Variable Voting Shares, the holders of the Variable Voting Shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of Chorus properly applicable to the payment of dividends, any dividends declared and payable by Chorus on the Variable Voting Shares. The Variable Voting Shares rank equally as to dividends on a share-for-share basis with the Voting Shares participating on an as-converted basis. All dividends declared in any fiscal year of Chorus shall be declared in equal or equivalent amounts per share on all Variable Voting Shares, and Voting Shares participating on an as-converted basis at the time outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares or the Voting Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Rights upon Liquidation, Dissolution or Winding Up

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Chorus ranking prior to the Variable Voting Shares, upon liquidation, dissolution or winding up of Chorus or other distribution of Chorus' assets among its Shareholders for the purpose of winding up its affairs, the holders of the Variable Voting Shares and Voting Shares shall be entitled to receive the remaining property of Chorus and shall be entitled to share equally, share for share, in all distributions of such assets.

Conversion

Each issued and outstanding Variable Voting Share shall be converted into one Voting Share, automatically and without any further act of Chorus or of the holder, if (i) such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Qualified Canadian; or (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

In the event that an offer is made to purchase Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed, be made to all or substantially all the holders of the Voting Shares in a province of Canada to which the requirement applies, each Variable Voting Share shall become convertible at the option of the holder into one Voting Share that is subject to the offer at any time while the offer is in effect and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Voting Shares in response to the offer.

If the Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the Shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Voting Shares resulting from the conversion shall be re-converted automatically, and without further act from Chorus or the holder, into Variable Voting Shares.

There shall be no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in the Chorus articles of amalgamation.

Constraints on Ownership of Shares

The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Qualified Canadians.

Voting Shares

Voting

The holders of the Voting Shares shall be entitled to receive notice of, and to attend and vote at, all meetings of the Shareholders of Chorus (except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA), and each Voting Share shall confer the right to one vote in person or by proxy at all meetings of Shareholders of Chorus.

Dividends

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Chorus of any other class ranking senior to the Voting Shares, the holders of the Voting Shares shall, at the discretion of the directors, be entitled to receive, out of monies, assets or property of Chorus properly applicable to the payment of dividends, any dividends declared and payable by Chorus on the Voting Shares and the Voting Shares shall rank equally as to dividends on a share-for-share basis with the Variable Voting Shares participating on an as-converted basis and all dividends declared in any fiscal year of Chorus shall be declared in equal or equivalent amounts per share on all Voting Shares and Variable Voting Shares on an as-converted basis at the time outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Voting Shares or the Variable Voting Shares shall occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Rights upon Liquidation, Dissolution or Winding Up

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Chorus ranking senior to the Voting Shares, upon liquidation, dissolution or winding up of Chorus or other distribution of Chorus' assets among its Shareholders for the purpose of winding up its affairs, the holders of the Voting Shares and Variable Voting Shares shall be entitled to receive the remaining property of Chorus and shall be entitled to share equally, share for share, in all distributions of such assets.

Conversion

Unless the foreign ownership restrictions of the CTA are repealed and not replaced with other similar restrictions, an issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of Chorus or the holder, if such Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Qualified Canadian.

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, be made to all or substantially all the holders of the Variable Voting Shares, each Voting Share shall become convertible at the option of the holder into one Variable Voting Share that is subject to the offer at any time while the offer is in effect and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares in response to the offer.

If the Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the Shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Variable Voting Shares resulting from the conversion shall be re-converted automatically, and without further act from Chorus or the holder, into Voting Shares.

There shall be no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in the Chorus articles of amalgamation.

Constraints on Ownership of Shares

The Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by Qualified Canadians.

Declaration as to Canadian Status

Chorus' articles of amalgamation, as amended, provide that: (i) the Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by persons who are Qualified Canadians; and (ii) the Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Qualified Canadians.

Repurchase of Shares

On March 27, 2014, Chorus announced that it had received approval from the TSX to implement a normal course issuer bid to purchase for cancellation up to 12,168,157 Shares (representing 10% of the public float at the time of approval) during the period from March 31, 2014 to no later than March 30, 2015. From April 1, 2014 to March 30, 2015, Chorus purchased and cancelled 2,290,800 Shares under its normal course issuer bid at an aggregate cost of $9.4 million. In accordance with the rules and by-laws of the TSX, such Shares were purchased at prevailing market prices plus brokerage fees, or such other prices as were permitted by the rules and by-laws of the TSX.

Shareholders may obtain a copy of the notice filed with the TSX in relation to the NCIB, free of charge, by sending a request to the Corporate Secretary, Chorus Aviation Inc. at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, B3B 1W8.

Stock options

During 2014 and 2015 Chorus granted 5,350,000 stock options with an exercise price of $4.50 and 900,000 stock options with an exercise price of $7.25, respectively, to certain executive employees (the "Executive Options"). The options are intended to further incentivize management to drive operating and strategic improvements which result in value creation for Shareholders and to recognize the extraordinary efforts required to achieve the long-term strategy. The options are to vest entirely three years after the relevant grant date and have a five year option term.

DIRECTORS AND OFFICERS

Directors of Chorus Aviation Inc.

The name, municipality of residence and principal occupation of each of the directors are, as of the date hereof, as set forth below. Such individuals have served as directors of Chorus Aviation Inc. since the dates set forth opposite their respective names. Each of the directors of Chorus Aviation Inc. has been elected or appointed to serve until the end of the next annual meeting of Shareholders. The directors stand for election annually. Biographies for each of the directors are available on Chorus' website at www.chorusaviation.ca.

Name and Municipality of Residence	Principal Occupation	Director of Chorus or its Predecessors Since
Gary M. Collins(1) Vancouver, British Columbia	Senior Advisory Partner, Verus Partners & Co. Inc.(2)	May 8, 2008
Karen Cramm(3) Halifax, Nova Scotia	Corporate Director	December 6, 2010
Richard D. Falconer(4) Toronto, Ontario	Senior Director, Verus Partners & Co. Inc.(2)	March 1, 2012
R. Stephen Hannahs(5) Corona Del Mar, California	CEO, Wings Capital Partners	August 10, 2015
Sydney John Isaacs(6) Westmount, Québec	Corporate Director	January 1, 2008
G. Ross MacCormack(7) Newport, Vermont, United States	Aviation Consultant	January 24, 2006
Richard H. McCoy(8) Toronto, Ontario	Corporate Director	January 24, 2006 Chairman since January 1, 2008
Marie-Lucie Morin(9) Ottawa, Ontario	Consultant / Corporate Director	February 17, 2016
Joseph D. Randell Wellington, Nova Scotia	President & Chief Executive Officer, Chorus	January 24, 2006

(1) Chair of the Governance and Nominating Committee and Member of the Audit, Finance and Risk Committee
(2) Verus Partners & Co. Inc. is a strategic investment advisory firm
(3) Chair of the Audit, Finance and Risk Committee and Member of the Governance and Nominating Committee
(4) Chair of the Human Resources and Compensation Committee and Member of the Audit, Finance and Risk Committee
(5) Member of the Audit, Finance and Risk Committee and Member of the Human Resources and Compensation Committee
(6) Member of the Governance and Nominating Committee and of the Human Resources and Compensation Committee
(7) Member of the Governance and Nominating Committee and of the Human Resources and Compensation Committee
(8) Chairman of the Board of Directors
(9) Member of the Governance and Nominating Committee

Each of the foregoing directors has held the same principal occupation for the previous five years, except (i) Mr. Collins who was Senior Vice President of Belkorp Industries from April 2007 until June 2012, and President of Coastal Contacts from August 2012 until April 2014, (ii) Mr. Falconer who was Vice Chairman and Managing Director, CIBC World Markets Inc., from 1993 until he retired on January 31, 2011, (iii) Mr. Isaacs who was Senior Vice President, Corporate Development and Chief Legal Officer of ACE Aviation Holdings Inc., from November 2004 to June 2012; and (iv) Ms. Morin who was the Executive Director for Canada, Ireland and the Caribbean at the World Bank from November 2010 to December 2013 and has been a consultant and director since December 2013.

Executive Officers of Chorus Aviation Inc. and Jazz

The following table sets out the executive officers of Chorus Aviation Inc., and of Jazz's general partner, Aviation General Partner Inc. For each such executive officer, the table below sets out the executive officer's name, municipality of residence as of February 18, 2016, position(s) with Chorus and/or Jazz and principal occupation. Each of the executive officers named below has been an executive officer with Chorus or one of its affiliates or their predecessors for more than five years. For purposes of the table below, references to Chorus means Chorus Aviation Inc.

Name and Municipality of Residence	Executive Officer Position(s)	Principal Occupation
Richard H. McCoy Toronto, Ontario	Chairman, Chorus	Corporate Director
Joseph D. Randell Wellington, Nova Scotia	President & Chief Executive Officer, Chorus and Chief Executive Officer, Jazz	President & Chief Executive Officer, Chorus and Chief Executive Officer, Jazz
Richard Flynn Dartmouth, Nova Scotia	Executive Vice President & Chief Corporate Development Officer, Chorus and Chief Corporate Development Officer, Jazz	Executive Vice President & Chief Corporate Development Officer, Chorus and Chief Corporate Development Officer, Jazz
Jolene Mahody Halifax, Nova Scotia	Executive Vice President & Chief Financial Officer, Chorus and Chief Financial Officer, Jazz	Executive Vice President & Chief Financial Officer, Chorus and Chief Financial Officer, Jazz
Colin Copp Halifax, Nova Scotia	President, Jazz	President, Jazz

As at February 12, 2016, the Directors and Officers mentioned in the above tables, as a group, owned, or had control or direction over, directly or indirectly 2,000 Variable Voting Shares representing approximately 0.02% of the outstanding Variable Voting Shares and 1,312,601 Voting Shares representing approximately 1.15% of the outstanding Voting Shares.

Audit, Finance and Risk Committee

The primary purpose of the Audit, Finance and Risk Committee is to assist the Board of Directors of Chorus in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements. The Audit, Finance and Risk Committee also considers other risks to the business and affairs of Chorus, in particular, risks associated with operational safety and the environment.

Charter of the Audit, Finance and Risk Committee

The charter of the Audit, Finance and Risk Committee, as approved on May 31, 2011, is set out in Schedule A to this AIF.

Composition of the Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee is composed of four members, as follows: Karen Cramm (Chair), Gary M. Collins, Richard D. Falconer, and R. Stephen Hannahs. Each member of the Audit, Finance and Risk Committee is independent of each of Chorus, and its affiliates, and financially literate as required under National Instrument 52-110 - Audit Committees.

Relevant Education and Experience of the Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

(i) ***Karen Cramm***, FCPA, FCA is a corporate director. A Chartered Accountant since 1977, Mrs. Cramm holds master's degrees in business administration (MBA) and in public administration (MPA). Mrs. Cramm was a senior partner of Deloitte & Touche ("Deloitte") in the Financial Services Group specializing in Reorganization as well as Forensic & Dispute services. While a partner of Deloitte, she served as the Managing Partner of the Halifax Office, was elected to the Canadian Deloitte Board of Directors for fourteen years and chaired the Deloitte Foundation, a registered charity focusing on corporate responsibility and giving back to communities across Canada. Mrs. Cramm has served as President of the Institute of Chartered Accountants of Nova Scotia and was elected as a Fellow of the Institute in recognition of distinguished service to the profession. She has also had extensive experience leading and serving on community-based, non-profit boards including Chair of the Boards of the Izaak Walton Killam Hospital and the Art Gallery of Nova Scotia and serving on the Boards and executive of both Dalhousie University and Mount Saint Vincent University. In April 2015, Mrs. Cramm was named to the board of Medavie Inc. and to Medavie Inc.'s Audit and Risk Management Committee.

(ii) ***Gary M. Collins*** is a Senior Advisory Partner with Verus Partners & Co. Inc., a strategic investment advisory firm. From August 2012 until May 2014, he was the President of Coastal Contacts Inc., a direct-to-customer online retailer of replacement contact lenses and eye glasses. In May 2014 Coastal was purchased by Essilor International. From April 2007 to July 2012, Mr Collins was Senior Vice President of Belkorp Industries Inc. Prior to that, Mr. Collins was the President and Chief Executive Officer of Harmony Airways from December 2004 until December 2006. From October 1991 to December 2004 he was a member of the British Columbia Legislative Assembly and held the portfolio of Minister of Finance from June 2001 to December 2004. Mr. Collins is a director, serves on the Audit Committee and is chair of the Compensation Committee of Liquor Stores N.A. Ltd. Mr. Collins is also a board member of D-Box Technologies Inc. He previously served on the board of directors and was a member of the Audit Committee of Catalyst Paper Corporation.

(iii) ***Richard D. Falconer*** is a senior partner of Verus Partners & Co. Inc., a strategic investment advisory firm. The majority of Mr. Falconer's career was spent with CIBC World Markets Inc., where he retired after 40 years of service as Vice Chairman and Managing Director. In addition to being responsible for senior investment banking relationships, he sat on a number of committees at the bank. Mr. Falconer's experience has spanned various industries and he has provided written and expert regulatory testimony before many utility boards across Canada. He is a member of the board of directors of Resolute Forest Products Inc. and is the chairman of the board of Jaguar Mining Inc. He is also a board member of LOFT Community Services and the Dorothy Ley Hospice. Mr. Falconer is also a member of the Board of Governors of the Shaw Festival Theatre Endowment Foundation.

(iv) **R. Stephen Hannahs** is the Founder, Chief Executive Officer, and Managing Director at Wings Capital Partners. Wings Capital Partners makes targeted, non-passive equity investments in commercial aircraft, related assets parts, and aviation companies, with a focus on the mid-life narrow body commercial aircraft sector. In 1989 Mr. Hannahs co-founded Aviation Capital Group ("ACG") and served as its Chief Executive Officer and Group Managing Director until December 31, 2012. When Mr. Hannahs retired from ACG on January 1, 2013, he had built the company into a $7.0 billion enterprise and one of the top five aircraft leasing companies in the world. Between 1982 and 1989, he served as an Executive Vice President at Integrated Resources Inc. and President at Integrated Resources Aircraft Corporation. From 1980 to 1982, Mr. Hannahs was a Vice President and partner in Tanon Leasing Corporation, a partnership with the Hillman Company of Pittsburgh, where he was responsible for all of Tanon's aviation activities. From 1977 to 1980 he was employed by Itel Corporation where he was responsible for airline and aviation financing activities. He is a former officer in the United States Air Force, and holds a Bachelor of Arts and Master of Business Administration degrees in Finance from the University of Wisconsin-Madison.

Independence of External Auditors

The Audit, Finance and Risk Committee reviews and approves the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided to any Chorus entity by Chorus and its affiliates' external auditor prior to the commencement of such work. In this regard, the Audit, Finance and Risk Committee prepares a report for presentation to the Shareholders quarterly or annually, as required, regarding the Audit, Finance and Risk Committee's approval of such non-audit services in the period.

The Audit, Finance and Risk Committee also requires and reviews a report from the external auditor, if deemed appropriate by the Audit, Finance and Risk Committee, of all relationships between the external auditor and its related entities and Chorus and its affiliates and their related entities, including all work performed and fees paid for such work of a non-audit nature, that in the external auditor's professional judgment may reasonably be perceived to bear on its objectivity and independence and confirming that in the external auditor's professional judgment it is independent of Chorus and its affiliates and discusses this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Audit, Finance and Risk Committee also reviews steps taken by the external auditor to address any findings in any of the foregoing reviews.

Auditors' Fees

Fees payable for the years ended December 31, 2015 and December 31, 2014 to PricewaterhouseCoopers LLP and its affiliates were $0.8 million and $0.6 million, respectively, as detailed below:

	Year ended December 31,	
	2015 $	**2014 $**
Audit fees	466,500	321,097
Audit-related fees	59,600	84,268
Tax fees	256,966	173,724
	783,066	579,089

The nature of each category of fees is described below.

Audit fees. Audit fees were paid for professional services rendered for the audit of Chorus and its affiliates annual financial statements, for the reviews of quarterly reporting by Chorus and for services normally provided in connection with statutory and regulatory filings or engagements. Audit fees incurred in 2015 include additional audit work related to the acquisition of Voyageur.

Audit-related fees. Audit-related fees were paid for professional services related to pension plan audits and accounting consultation.

Tax fees. Tax fees were paid for professional services rendered with respect to income taxes, including tax advice, tax planning and payroll tax consultation.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

The information provided in this section is current as of the date of this AIF.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, to the knowledge of Chorus: no director or executive officer of Chorus is, or has been in the last ten years: (i) a director, chief executive officer or chief financial officer of any company that (A) while that person was acting in that capacity, was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemptions under the securities legislation, for a period of more than 30 consecutive days, or (B) was the subject of an order of the type referred to in (A) above that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in a capacity as director, chief executive officer or chief financial officer of that company; or (ii) a director or executive officer of any company, that while that person was acting as director or executive officer of that company, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except Richard D. Falconer who was a member of the board of Jaguar Mining Inc. when it filed for a voluntary proceeding under the CCAA on December 23, 2013.

Penalties or Sanctions

To the knowledge of Chorus, no director or executive officer of Chorus (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of Chorus, in the last ten years, no director or executive officer of Chorus has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

LEGAL PROCEEDINGS

There were and there are no material legal proceedings that Chorus was or is a party to, or that any of its property was or is the subject of, during Chorus' most recent financial year and Chorus knows of no such legal proceedings currently contemplated.

CONFLICTS OF INTEREST

Except as disclosed below and elsewhere herein no director or senior officer of the Corporation has any existing or potential material conflicts of interest with the Corporation.

INTEREST OF EXPERTS

PricewaterhouseCoopers LLP are the auditors of Chorus and have advised that they are independent with respect to Chorus within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia. The information provided in this section is current as of the date of this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of (i) the directors or senior officers of Chorus, (ii) Shareholders of Chorus that, to the knowledge of Chorus, beneficially own or control, directly or indirectly, more than 10% of any class of shares of Chorus, or (iii) any associate or affiliate of the persons referred to in (i), has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect Chorus or any of their subsidiaries.

The information provided in this section is current as of the date of this AIF.

MATERIAL CONTRACTS

Except for the CPA (see "The Jazz Business - Capacity Purchase Agreement with Air Canada"), the particulars of each of which are described above in this AIF, all material contracts entered into by Chorus in 2015 and as of the date of this AIF were entered into in the ordinary course of business. No such other material contracts were required to be filed by Chorus under applicable securities legislation.

ADDITIONAL INFORMATION

Additional information relating to Chorus may be found on SEDAR at www.sedar.com and www.chorusaviation.ca.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Chorus' securities and securities authorized for issuance under equity compensation plans will be contained in Chorus' information circular for its annual meeting of Shareholders to be held on May 13, 2016. Additional financial information is provided in the Chorus Consolidated Financial Statements for the year ended December 31, 2015 and in Chorus' 2015 MD&A.

Chorus will, upon the delivery of a written request to the Corporate Secretary of Chorus, at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, B3B 1W8, provide to any person or entity, the documents specified below:

(a) when Chorus is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:
   - i) one copy of Chorus' latest AIF, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;
   - ii) one copy of the consolidated audited financial statements of Chorus for the most recently completed financial year for which financial statements have been filed, together with the Auditors' Report thereon, and one copy of any unaudited interim condensed consolidated financial statements of Chorus for any period after its most recently completed financial year;
   - iii) one copy of the information circular of Chorus in respect of its most recent annual meeting of Shareholders that involved the election of directors of Chorus or one copy of any annual filing prepared instead of that information circular, as appropriate; and
   - iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or

(b) at any other time, Chorus shall provide to any person or company one copy of any of the documents referred to in subparagraphs (a)(i), (ii) and (iii) above, provided that Chorus may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of Chorus' securities.

GLOSSARY OF TERMS

"**ACPA**" means the Air Canada Pilots Association;

"**Adjusted EBITDA**" means net income before net interest expense, income taxes, depreciation and amortization and other items such as asset impairment and foreign exchange gains or losses

"**AIF**" means this Annual Information Form;

"**Air Canada Ground Handling Agreement**" means the ground handling services agreement dated September 26, 2005 between Jazz Aviation LP and Air Canada, successor to ACGHS Limited Partnership;

"**ALPA**" means the Air Line Pilots Association;

"**ATAC**" means the Air Transport Association of Canada;

"**Aviation GP**" means Aviation General Partner Inc., a corporation incorporated under the *Business Corporations Act (Ontario)* on November 18, 2010 to act as the general partner of Jazz Aviation LP;

"**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 returned to the wheels of the aircraft, divided by 60;

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

"**CALDA**" means the Canadian Air Line Dispatchers Association;

"**Cargo Services**" has the meaning given in the CPA;

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

"**CCAA**" means the *Companies' Creditors Arrangement Act*, as amended;

"**CFAU**" means the Canadian Flight Attendants Union;

"**Compensating Mark-Up**" has the meaning given in the CPA;

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

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

"**CPA**" means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz, as amended on January 1, 2015 and as supplemented by the Rate Setting Agreement;

"**CRJ200**" and "**CRJ705**" means Bombardier CRJ 200 and CRJ 705 regional jet aircraft;

"**CTA**" means the *Canada Transportation Act* and the regulations thereunder, as amended;

"**Dash 8-700**", "**Dash 8-100**" and "**Dash 8-300**" means De Havilland Dash 8-100, Dash 8-300 and Dash 7-100 turboprop aircraft;

"**Debentures**" mean the $80.2 million principal amount of 9.50% convertible unsecured subordinated debentures of Chorus fully redeemed during 2014;

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

"**EDC**" means Export Development Canada;

"**ESP**" means the agreement entered into by Chorus with Bombardier to be the launch customer for the Dash 8-300 Extended Service Program to extend the service life of the Dash-8-300s;

"**Extended Hub Airport**" means collectively the Hub Airports and any airport located within 175 kilometres of the Hub Airports;

"**FAA**" means the United States Federal Administration Authority;

“**Fixed Margin per Covered Aircraft**” means the fixed fee paid to Jazz by Air Canada for each Covered Aircraft provided by Jazz under the CPA;

"**Flight Completion**" means the percentage of flights completed from flights originally scheduled;

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

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

"**GHG**" means green house gas;

"**Hub Airport**" means an airport bearing the International Air Transport Association code YVR, YYC, YEG, YYZ, YOW or YUL;

"**ICAO**" means the International Civil Aviation Organization;

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

"**Jazz**" means Jazz Aviation LP, together with its general partner, Aviation GP;

"**Jazz Aircraft Financing Inc.**" means Jazz Aircraft Financing Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**Jazz Group**" is currently comprised of the Jazz Aviation LP, Jazz Aircraft Financing Inc. and Jazz Leasing Inc.;

"**Jazz Leasing Inc.**" means Jazz Leasing Inc., a corporation incorporated under the CBCA on November 28, 2013;

"**King Air 100**" and "**King Air 200**" means Beechcraft King Air 100 and 200 turboprop aircraft;

"**Management**" means management of Chorus;

"**Monthly Schedule**" has the meaning given in the CPA;

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

"**OLA**" means the *Official Languages Act* (Canada), as amended;

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

"**Pass-through Cost**" means costs incurred directly by Jazz that are passed-through to Air Canada and fully reimbursed under the CPA;

"**PAWOBs**" means passengers arriving without baggage;

"**PIPEDA**" means the *Personal Information Protection and Electronic Documents Act* (Canada);

"**Province**" means the Province of Nova Scotia;

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

"**Qualified Canadian**" means a "Canadian" as defined in the CTA;

"**Rate Setting Agreement**" means the agreement between Jazz and Air Canada to set rates effective for 2015;

"**Scheduled Flights**" has the meaning given in the CPA;

"**Shareholder**" means a holder of Shares;

"**Shares**" mean common shares of Chorus Aviation Inc., which includes Class A Variable Voting Shares and Class B Voting Shares;

"**Spare Engine**" means any spare engine used to support a Covered Aircraft;

"**Toronto Pearson**" means Toronto Lester B. Pearson International Airport;

"**Trademark License Agreement**" means the trademark license agreement dated September 30, 2004 between Air Canada and Jazz;

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

"**Unit Costs**" mean "Jazz's Unit Costs" as defined in the CPA;

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

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

"**Voyageur**" means Voyageur Aviation Corp. (as successor by amalgamation to 519222 Ontario Limited, Hangar 6 Inc. and Voyager Airport Services Inc. under the Business Corporations Act (Ontario) on December 31, 2015) and its subsidiaries including Voyageur Airways Limited and Voyageur Aerotech Inc.;

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

"**Voyageur Airways**" means Voyageur Airways Limited, a corporation incorporated under the Business Corporations Act (Ontario) on January 4, 1968.

SCHEDULE "A"

CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE

(the "Committee")

OF THE BOARD OF DIRECTORS OF CHORUS AVIATION INC.

(the "Corporation")

1. Purpose

The primary purpose of the Committee is to assist the board of directors of the Corporation (the "Board") in fulfilling applicable public Corporation obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

2. Composition and Qualification

(a) The Committee shall be comprised of three (3) or more directors as determined by the Board, all of whom shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations.

(b) The members of the Committee shall be appointed by the Board to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are appointed. Unless a Chair is appointed by the Board, the members of the Committee may designate a Chair by a majority vote of all the Committee members. The Board may fill vacancies on the Committee by appointing another director to the Committee. The Board shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all its power.

(c) The members of the Committee shall have no relationships with management, the Corporation, and its related entities that in the opinion of the Board may interfere with their independence. In addition, a Committee member shall not receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries. The members of the Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Committee and in particular each member of the Committee shall be "financially literate".

(d) The Committee may invite, from time to time, such person as it may see fit to attend its meeting and to take part in discussion and consideration of the affairs of the Committee. However, any such persons invited may not vote at any meeting of the Committee.

(e) The Committee shall meet periodically, and more often as warranted, with the Chief Executive Officer to discuss any matters that the Committee or either of these individuals believes should be discussed privately. However, the Committee shall also meet periodically without management present.

(f) The Board, may, at any time, remove any member of the Committee at its discretion and may accept the resignation of any member of the Committee.

3. Meetings and Procedure

(a) The Committee shall meet at least quarterly, or more frequently as circumstances dictate. Such meetings may be held by telephone or by any other mean which enables all participants to communicate with each other simultaneously.

(b) The Committee may fix its own procedure at meetings and for the calling of meetings except as may be otherwise provided by the Board.

(c) A quorum for the transaction of business at a Committee meeting shall be a majority of the Committee members. All decisions and recommendations made by the Committee shall be made by a majority vote of the members present at the meeting.

(d) The Committee shall have the authority to delegate any of its responsibilities to individual members and subcommittees as the Committee may deem appropriate in its sole discretion.

(e) Notice of meetings shall be given by letter, facsimile, email or telephone not less than 24 hours before the time fixed for the meeting. Notice of meetings shall state the date, the place and the hour at which such meetings will be held. Members may waive notice of any meeting.

(f) An "in-camera" session of the members of the Committee shall be held as part of each meeting of the Committee.

(g) The minutes of the Committee meetings shall accurately record the significant discussions of, and decisions made by, the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to Committee members as well as to all the directors of the Corporation, with copies to the Chief Executive Officer of the Corporation.

(h) The Committee, through its Chairman, shall report to the Board on all proceedings and deliberations of the Committee at the first subsequent meeting of the Board, and at such other times and in such manner as the Board may require or as the Committee in its discretion may consider advisable.

(i) The Committee shall meet periodically in separate executive sessions with management (including the Chief Financial Officer) and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate. The Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The independent auditors will have direct access to the Committee at their own initiative.

(j) Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Corporation and its subsidiaries.

4. Objectives

(a) The objectives of the Committee are as follows:

(i) To assist the Board in the discharge of its responsibility to monitor the Corporation's financial reporting and audit process.

(ii) To maintain and enhance the quality, credibility and objectivity of the Corporation's financial reporting and to satisfy itself and oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls.

(iii) To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.

(iv) To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.

(v) To provide independent communication between the Board and the internal auditor and the external auditor.

(vi) To facilitate in-depth and candid discussions between the Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

5. Duties

To achieve its objectives, the Committee shall:

(a) Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor. This will include, prior to their release, a review of the audited and unaudited annual and quarterly financial statements and related notes and Management's Discussion and Analyses ("MD&As") to be filed with regulatory authorities and provided to shareholders, and financial statements and other financial disclosure included in prospectuses, information circulars, earnings press releases and other similar documents. The Committee shall also review the annual information form and other similar documents. These reviews will include:

(i) discussions with management and, where applicable, the external auditor and a consideration of the report by the external auditor to the Committee of matters related to the conduct of an audit;

(ii) discussions with the external auditor respecting the auditor's judgment regarding both the acceptability and quality of the financial statements including the critical accounting policies and practices used by management in their preparation, alternative treatments and disclosures of financial information within generally accepted accounting principles that have been considered by management and their ramifications, the selection of changes in significant accounting policies, the method used to account for significant unusual transactions, the effect of significant accounting policies in controversial or emerging areas, the degree of aggressiveness or conservatism, as the case maybe, of the accounting policies adopted by the Corporation, the process used by management in formulating particularly significant accounting estimates and the basis for the external auditor's conclusions regarding the reasonableness of those estimates;

(iii) a review of significant adjustments arising from an audit;

(iv) a review of disagreements with management over the application of accounting policies as well as any disclosure in the financial statements and the adequacy of the management's responses in correcting audit related deficiencies;

(v) a review of all material off-balance sheet transactions and other relationships with non-consolidated entities that may have a material current or future effect on the financial condition of the Corporation including their disclosure or lack thereof in the applicable quarterly or annual financial statements;

(vi) a review of the external auditor's suggestions for improvements to the Corporation's operations and internal controls;

(vii) a review of the nature and size of unadjusted errors of a non-trivial amount;

(viii) a review with management of the results of external audits;

(ix) a review to ascertain that various covenants are complied with;

(x) the selection of, and changes in, accounting policies and consideration of the appropriateness of such selections and changes; and

(xi) taking such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

(b) Determine, based on its review and discussion, whether to recommend the approval by the Board of such audited or unaudited annual or quarterly financial statements, MD&A, and the financial disclosure in any such annual information forms, earnings press releases, prospectuses, information circulars and other similar documents.

(c) Review with management, the internal auditor and the external auditor and, if considered appropriate, approve the release of the Corporation's quarterly financial statements and related MD&A.

(d) Review with management, the external auditor and legal counsel, the Corporation's procedures to ensure compliance with applicable laws and regulations, and any significant litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the disclosure or impact on the results of these matters in the quarterly and annual financial statements.

(e) Meet with the external auditor to review and approve their audit plan with particular emphasis on risk factors which could lead to a material misstatement of the financial statements, the scope and timing of the audit, the assumptions and decisions that have been made in developing the plan and co-ordination of work between the external auditor and the internal audit department.

(f) Review and approve estimated audit and audit-related fees and expenses for the current year. Pre-approve any significant additional audit and audit-related fees over the estimated amount. Review and approve audit and audit-related fees and expenses for the prior year. The authority for the determination and payment of fees to the external auditor rests solely and exclusively with the Committee. The Corporation shall ensure that funding is available to the Committee for payment of compensation to the external auditor.

(g) Review and pre-approve, or delegate to a member of the Committee the responsibility to review and approve and subsequently report to the Committee, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the external auditor prior to the commencement of such work. In this regard the Committee will prepare a report for presentation to the shareholders of the Corporation, as required by applicable law, regarding the Committee's policies and procedures for the approval of such non-audit services in the period, and implement from time to time a process in connection with non-audit services performed by the external auditor.

(h) Review annually the objectivity and independence of the external auditors. Request and review a report from the external auditor of all relationships or services involving the external auditor, the Corporation and their respective related entities, including all work performed and fees paid for such work of a non-audit nature, that may reasonably be perceived to bear on its objectivity and independence and confirming, or otherwise, that the external auditor is independent and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Committee should specifically require the external auditor to confirm that it is a registered public accounting firm as prescribed by various applicable securities regulations. As well, at least once annually the Committee will carry out a review of the credentials of the members of the firm including without limitation the biographies of the members, whether there has been any enforcement actions, issues related to the firm and law suits, if any. A formal written report will be obtained from the external auditor outlining: the auditing firm's internal quality control procedures; any material issues raised within the preceding five years by the auditing firm's internal quality control review, peer reviews or any other inquiry or investigation by governmental or professional authority relating to any audit conducted by the firm. The Committee will also review steps taken by the auditing firm to address any findings in any of the forgoing reviews.

(i) Receive reports on any consultations between management and other public accountants respecting accounting principles to be applied in preparing the quarterly or annual financial statements, and on any incidents involving fraud or illegal acts of which management, the internal audit department or the external auditor become aware. In this regard, review the relevant control procedures with management to ensure that such matters are adequately guarded against.

(j) At least once each year:

   (i) Meet privately with management to assess the performance of the external auditor.

   (ii) Meet privately with the external auditor, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of the audit, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work and their evaluation of the Corporation's financial, accounting and audit personnel and systems.

(k) Ensure that external auditors are accountable to the Committee and the Board and shall report directly to the Committee and the Committee shall so instruct the external auditors. The

Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Corporation to be proposed in the Corporation's proxy circular for shareholder approval and shall have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board. The Committee shall recommend to the Board the amount of the compensation to be paid to the external auditors.

(l) Regarding the services provided by the internal audit department, the Committee will:

(i) meet privately with internal audit, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of their audits, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work. The head of the internal audit function shall have unrestricted access to the Committee;

(ii) periodically review and approve the mandate, reporting relationships and resources of the internal audit department;

(iii) review the objectivity, qualifications, adequacy and experience of the internal audit staff;

(iv) review and approve annually the planned scope for the internal audit program, its objectives, and the resources required to attain these objectives;

(v) periodically throughout each year review the reports of the internal audit department which describe the activities of the internal audit department for the preceding period; and

(vi) review the working relationship between the internal audit department and the external auditor, and between the internal audit department and management.

(m) Obtain from both the internal audit department and the external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management and the internal audit department in order to monitor whether management has implemented an effective system of internal accounting control.

(n) As the Committee deems necessary, oversee, review and discuss with management, the external auditors and the internal auditors:

(i) the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and general audit approach and scope of proposed audits of the financial statements of the Corporation and its subsidiaries, the overall audit plans, the responsibilities of management and the external auditors, the audit procedures to be used and the timing and estimated budgets of the audits.

(ii) the quality, appropriateness and acceptability of the Corporation’s accounting principles and practices used in its financial reporting, changes in the Corporation’s accounting principles or practices including such changes recommended by management or the external auditors or which may result from proposed changes to applicable generally accepted accounting principles;

(iii) the adequacy and effectiveness of the Corporation’s internal accounting and financial controls and the recommendations of management and the external auditors for the improvement of accounting practices and internal controls, any material weaknesses in the internal control environment;

(iv) all significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements;

(v) any reserves, accruals, provisions, estimates or management programs and policies;

(vi) the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Corporation and their impact on the reported financial results of the

Corporation;

(vii) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles; and

(viii) management's determination of goodwill impairment, if any, as required by applicable accounting standards.

(o) Review policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal controls and internal or external auditing matters. The Committee should be satisfied that sufficient controls are in place to ensure that all such complaints can be received anonymously and with an appropriate degree of confidentiality and that potential employee informants are aware of the process that is in place. The Committee should also be satisfied that processes are in place to ensure that all such complaints, regardless of significance, are presented to the Committee.

(p) Review policies for approval of senior management expenses.

(q) Review the process relative to the periodic certifications by the Chief Executive Officer and the Chief Financial Officer of the Corporation in respect of financial disclosures, the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect the ability to record, process, summarize and report financial data and any significant changes in internal controls or changes to the environment in which the internal controls operate, including corrections of material deficiencies and weaknesses.

(r) Review with management the Corporation's computer systems, including procedures to keep the systems secure and contingency plans developed to deal with possible computer failures.

(s) Review and approve all related party transactions as such term is defined from time to time in Multilateral Instrument 61-101 - *Take-over Bids and Special Transactions*, as may be amended from time to time.

(t) Review risk management systems and controls, especially in relation to derivatives, foreign currency exposure, hedging and insurance.

(u) Whenever the Committee considers it appropriate to do so, retain and receive advice from experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the Committee. The Corporation shall ensure that funding is available to the Committee in respect of the aforementioned activities.

(v) Report regularly to the Board in writing on the activities, findings and conclusions of the Committee.

(w) Review the process for the rotation of the lead audit partner, the concurring partner and any other audit engagement team partner.

(x) Establish and monitor clear policies for the hiring by the Corporation of employees or former employees of the external auditors.

6. Other

(a) Pension Plans

In relation to the Corporation's pension plans, the Committee shall:

(i) On recommendation of the Chief Financial Officer, approve the investment structure for the plans, any applicable Statement of Investment Policies and Procedures ("SIPP") and other investment policies for the plans;

(ii) With the assistance of the Chief Financial Officer, periodically review for appropriateness the funding policy, SIPP, other investment policies and investment structure, and monitor overall pension funds operation, in particular plans funded status, compliance of funding practices with funding policy, and compliance of investments with the SIPP;

(iii) With the assistance of the Chief Financial Officer, periodically review and monitor the total and asset class returns for the defined benefit pension plan and the investment matters relating to the defined contribution plans:

(iv) Recommend to the Board for its approval the funding policy, the level of annual contributions, the appointment of the external auditor and the trustees/custodians of the assets of the pension plans;

(v) Approve the actuary and consultant recommended by the pension committee;

(vi) On recommendation of the pension committee, accept the actuarial assumptions and actuarial valuation reports for the pension plans; and

(vii) Approve the annual audited financial statements for the pension plans.

(b) Public Disclosure

(i) Review and approve the Public Disclosure Policy and any changes related thereto and ensure consistency with current developments and best practices.

(ii) Where practicable, management will review with the Committee or the Chair of the Committee draft news releases to be disseminated to the public related to earnings warnings or financial results forecasting which are expected by management to be material in relation to the market price of any of the Corporation's securities.

(c) Risk Identification and Management

The Committee shall make all reasonable efforts to identify and address material financial and other risks to the business and affairs of the Corporation and its subsidiaries and make recommendations in that regard to the Board. The Committee shall review and discuss with management, the internal audit department and the external auditor all major financial risk exposures and the steps management has taken to monitor/control those exposures. The Committee shall be entitled, from time to time, to retain experts and consultants to assist the Committee with the discharge of such mandate. The Committee shall have the discretion in the discharge of these duties to address risks to the Corporation's and its subsidiaries' revenues and costs, as well as potentially corrupt or other practices that may lead to loss or depreciation of business reputation.

(d) Contingent Liabilities

The Committee shall establish processes and procedures to identify and monitor contingent liabilities of the Corporation and its subsidiaries. In the discharge of these duties, the Committee shall have the discretion to retain experts and consultants and to review, without limitation, workplace safety, environmental issues and any other matters, whether of a financial nature or otherwise, that can give rise to a contingent liability. The Committee shall make recommendations, from time to time, to the Board on these matters.

(e) Corporate Authorizations Policies

(i) Periodically review and approve policies relative to the financial control, conduct, regulation and administration of subsidiary companies;

(ii) Periodically review any administrative resolutions adopted from time to time pertaining to the establishment of procedures relative to commitment and transaction authorizations, the determination of the officers or other persons by whom any instrument in writing or document is to be executed and the manner of execution thereof;

(iii) Review, monitor and approve the Donations Policy, if applicable, and any changes thereto and the annual Donations Budget; and

(iv) Review, monitor and approve any other financial expenditure policies that would affect the Corporation's and its subsidiaries' financial condition or reputation.

(f) Performance to Budget, Actuarial Valuation

(i) Review actual financial performance compared to budget;

(ii) Review and approve the actuarial valuation and related assumptions and recommend to the Board the funding contribution to the Corporation's pension funds as required;

(iii) Review and approve the appointment of the actuary; and

(iv) Monitor that all contributions, deductions, withholdings, remittances or other payments of any kind under applicable law have been made.

(g) Responsibilities

Nothing contained in the above mandate is intended to assign to the Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Committee. Even though the Committee has a specific mandate and its members have financial experience and expertise, it is not the duty of the Committee to plan or conduct audits, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditor and the external auditor.

(h) Other Responsibilities

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter annually.

The Committee shall ensure that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements.

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