Second Quarter 2016
Management's Discussion and Analysis of Results of Operations and Financial Condition

August 10, 2016

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1 OVERVIEW

The financial and operating highlights for Chorus are as follows:

(unaudited)	Three months ended June 30, 2016	2015	Change	Six months ended June 30, 2016	2015	Change
Operating revenue ($000)	310,104	400,055	(89,951)	630,654	775,156	(144,502)
Operating expenses ($000)	275,693	362,007	(86,314)	569,458	721,256	(151,798)
Operating income ($000)	34,411	38,048	(3,637)	61,196	53,900	7,296
Net income ($000)	23,657	31,411	(7,754)	79,055	6,655	72,400
Adjusted EBITDA(1) ($000)	54,258	52,064	2,194	99,690	80,055	19,635
Adjusted EBITDA,(1) excluding other items ($000)	57,815	53,684	4,131	108,747	93,754	14,993
Adjusted net income(1) ($000)	18,247	23,834	(5,587)	33,007	32,755	252
Adjusted net income,(1) excluding other items ($000)	21,804	25,454	(3,650)	42,064	46,454	(4,390)
Net income (loss) per Share, basic ($)	0.19	0.26	(0.07)	0.65	0.05	0.60
Adjusted net income per Share, basic(1) ($)	0.15	0.20	(0.05)	0.27	0.27	—
Adjusted net income,(1) excluding other items per Share - basic ($)	0.18	0.21	(0.03)	0.34	0.38	(0.04)

1) This is a non-GAAP measurement. Refer to Section 19 – Non-GAAP Financial Measures.

The second quarter of 2016 was another quarter of solid earnings and strong operational performance by Chorus. The CPA continued to deliver anticipated cash flows and provides a foundation to pursue growth and diversification. The CPA provides good visibility on Chorus' costs and compensation to 2025. Cash flow from this agreement is anticipated to support the current dividend, as well as future investments to support corporate objectives. Please refer to Section 2 - Introduction, "Caution regarding forward-looking information".

Q2 2016 Highlights

- Net income of $23.7 million.
- Net income per basic share of $0.19.
- Adjusted EBITDA of $54.3 million.
- Adjusted EBITDA, excluding other items of $57.8 million.
- Adjusted net income, excluding other items of $21.8 million.
- Adjusted net income, excluding other items per basic share of $0.18.
- Improved market competitiveness with ongoing fleet modernization and CPA pilot mobility program.
- Invested $3.6 million in employee separation programs to change workforce demographic and reduce ongoing costs.
- Signed a firm purchase order for five CRJ900s with Bombardier.
- Consolidated Chorus' stock ticker symbols to CHR on the Toronto Stock Exchange.
- Acquired five new Q400s and one engine under EDC financing that generate leasing revenue under the CPA. This brings the total leased under the CPA to 31 Q400s and five engines.
- Transitioned Jazz Technical Services to a separate division of Jazz; secured its first third-party maintenance contract.
- Advised by Air Canada that the Air Canada Express Q400 fleet will be consolidated into the Jazz operation beginning mid-January 2017.
- Secured EDC financing of $21.9 million for certain previously acquired aircraft.

Operating income for the three months ended June 30, 2016, compared to the same period in 2015, decreased by $3.6 million from $38.0 million to $34.4 million. Contributing to the decrease in operating income in the quarter is an increase in employee separation program costs of $1.9 million, fewer labour and maintenance costs being capitalized on owned aircraft for major maintenance overhauls of $2.0 million, increased depreciation of $2.3 million attributable to major maintenance overhauls, new finance leases and additional aircraft (excluding Q400s), increased expenses related to business development and financing activities of $1.1 million, and costs associated with fleet transition of $1.7 million. These decreases were offset by an increased contribution from the aircraft leasing operations under the CPA of $4.6 million while the Voyageur operation contributed $1.0 million.

Adjusted EBITDA increased $2.2 million from $52.1 million to $54.3 million from a quarter-over-quarter increase in depreciation and amortization expense and the operating income decrease previously described. This increase was attributable primarily to the purchase of additional aircraft during the last quarter of 2015 and the first half of 2016, and the Voyageur operation.

2 INTRODUCTION

In this MD&A, references to Chorus refer, as the context may require, to one or more of Chorus Aviation Inc. and its current and former subsidiaries. Where this MD&A discusses the CPA, references to Chorus are exclusively intended to refer to Jazz. Please refer to the Glossary of Terms for definition of capitalized terms and acronyms used in this MD&A.

This MD&A, which presents a discussion of the financial condition and results of operations for Chorus, should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements of Chorus and the notes therein for the three and six months ended June 30, 2016, the audited consolidated financial statements of Chorus for the year ended December 31, 2015, Chorus' annual MD&A dated February 18, 2016, and Chorus' Annual Information Form dated February 18, 2016. All financial information has been prepared in accordance with GAAP, as set out in the CPA Canada Handbook, except for any financial information specifically denoted otherwise. Except as otherwise noted or where the context may otherwise require, this MD&A is prepared as of August 10, 2016.

The earnings and cash flows of Chorus are affected by certain risks. For a description of those risks, please refer to Section 20 – Risk Factors.

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

Caution regarding forward-looking information

This MD&A may contain "forward-looking information" as defined under applicable Canadian securities legislation. Forward-looking information typically contains words such as “anticipate”, “believe”, “could”, "should", “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar words and phrases, including references to assumptions. Such information may involve but is not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information relates to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking information, by its nature, is based on assumptions, including those described below, and is subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, external events, changing market conditions and general uncertainties of the business. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking information may differ materially from actual results for a number of reasons, including without limitation, risks relating to Chorus’ economic dependence on and relationship with Air Canada, risks relating to the airline industry 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), increased competition affecting

Chorus and/or Air Canada, insurance issues and costs, supply issues and costs, the risk of war, terrorist attacks, aircraft incidents and accidents, epidemic diseases, environmental factors, acts of God, changes in demand due to the seasonal nature of the business or general economic conditions, the ability to reduce operating costs and employee counts, the ability of Chorus to secure financing, the ability of Chorus to attract and retain the talent required for its existing operations and future growth, the ability of Chorus to remain in good standing under and to renew and/or replace the CPA and other important contracts, employee relations, labour negotiations or disputes, pension issues and costs, currency exchange and interest rates, leverage and restrictive covenants in current and 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. For a discussion of certain risks, please refer to Section 20 - Risk Factors. Examples of forward-looking information in this MD&A include projections for Chorus' pension funding obligations from 2016 to 2020 in Section 8 - Pension Plans, the discussion of the rates payable pursuant to the CPA in Section 14 - Critical Accounting Estimates, and the 2016 outlook discussion in Section 17 - 2016 Outlook. The statements containing forward-looking information in this MD&A represent Chorus' expectations as of August 10, 2016 and are subject to change after such date. However, Chorus disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

3 THE CHORUS BUSINESS

Chorus is a holding company incorporated on September 27, 2010 pursuant to the CBCA, with various aviation interests including Jazz and Voyageur. Chorus is focused on cost control and sustainable cost reduction and efficiencies under the CPA with Air Canada; diversification and growth of Adjusted EBITDA by leveraging Chorus' aviation expertise; and enhancing Shareholder value through improved liquidity and payment of dividends.

Jazz

In Canada, Jazz operates the largest regional airline and the third largest airline based on passengers carried. Jazz is party to the CPA with Air Canada, under which Air Canada purchases the capacity of Covered Aircraft operated by Jazz under the Air Canada Express brand on routes determined by Air Canada. Under the CPA, Jazz is required to provide Air Canada with the capacity of Covered Aircraft, all crews and applicable personnel, aircraft maintenance, some airport, flight operations and general overhead support for such flights. Air Canada determines routes and controls scheduling, sets ticket prices, determines seat inventories, and performs marketing and advertising for these flights. Air Canada bears all of the commercial risk, retains all revenue derived from the sale of seats to passengers and cargo services, and pays Jazz for the capacity provided. The CPA is in effect until December 31, 2025.

Through Jazz's operations, Chorus provides a significant part of Air Canada's domestic and transborder regional network to 57 destinations in Canada and 14 destinations in the United States, using 109 Covered Aircraft as at June 30, 2016. In addition, Jazz also provided airport services at 36 airports in Canada as at June 30, 2016.

Jazz earns revenue under the CPA in five ways:

1) Controllable Revenue
2) Fixed fees
3) Performance Incentives
4) Aircraft leasing
5) Pass-Through Revenue

Under the CPA, Chorus is paid Controllable Revenue rates, based on Controllable Costs, using variables such as Block Hours, Flight Hours, cycles and passengers carried, as well as certain variable and fixed aircraft ownership rates and fixed rates.

Chorus is compensated by the industry standard approach of fixed fees. There are two fixed fees which establish the minimum level of compensation under the CPA: Fixed Margin per Covered Aircraft and 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 Chorus provides in support of Air Canada's regional flying network such as airport operations.

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

Jazz Leasing leases owned Q400s and engines into the Jazz operation under the CPA. Under this arrangement, Chorus earns aircraft leasing revenue under the CPA from Q400s and Q400 engines. Annually, these aircraft and engines currently generate a cash margin (after consideration of debt servicing charges) of approximately 20%.

Jazz is also entitled to repayment of certain defined Pass-Through Costs, including navigation, landing and terminal fees and certain other costs.

Jazz incurs two types of costs under the CPA:

1) Controllable Costs
2) Pass-Through Costs

Controllable Costs	**Operating expense line**	**Rate Period**
Crew wages & benefits(1)	Salaries, wages and benefits	Fixed
All other salaries, wages and benefits(2)	Salaries, wages and benefits	Annually
Depreciation and amortization	Depreciation and amortization	3 years
Aircraft maintenance, materials and supplies	Aircraft maintenance, materials and supplies	Annually
Chorus Q400s leased through CPA	Aircraft rent	Lease term
Third party operating leases	Aircraft rent	3 years
Air Canada and subsidiary leases to Chorus	Aircraft rent	3 years
All other terminal handling services	Terminal handling services	Annually
Other(3)	Other	Annually
Pass-Through Costs(4)	**Operating expense line**	
Third party food and beverage costs	Food, beverage and supplies	-
Airport and navigation fees	Airport and navigation fees	-
Third party ground handling	Terminal handling services	-
Aircraft maintenance materials, supplies	Aircraft maintenance materials, supplies	-
Aircraft parking	Other	-
Interrupted trips & baggage delivery	Other	-
Station supplies for processing passengers	Other	-
Third party facilities	Other	-

1) Adjusted for schedule efficiency, Block Hours, regulatory changes and pilot flow. Rates are in effect until December 31, 2025 (expiry of CPA).
2) Reset annually, subject to certain conditions.
3) Including but not limited to such costs as crew variable expense, professional fees, travel, training, etc.
4) Billed monthly to Air Canada.

Value Drivers of the CPA

Chorus believes the CPA delivers Shareholder value by:

- Providing a long-term horizon of predictable compensation levels that are anticipated to support the current dividend and future investments;
- Aligning the interests of Chorus and Air Canada, and strengthening the relationship;
- Promoting Chorus' market competitiveness through cost reduction initiatives such as the modernization of the Jazz fleet and the ability to flow senior pilots to Air Canada;
- Securing long-term market competitive labour agreements with Jazz pilots, flight attendants, dispatch and maintenance employees until 2025;
- Reducing reliance on the Fixed Margin per Covered Aircraft and Infrastructure Fee per Covered Aircraft through growth in the cash margin generated by aircraft leasing under the CPA; and
- Securing a solid foundation from which to grow and diversify Chorus' group of companies.

Outside of the CPA, Jazz has a dedicated, standalone charter fleet and has the ability to offer aircraft operator services such as ground handling, dispatching, maintenance, repair and overhaul services, flight load planning, training and consulting.

Voyageur

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; ACMI operations; aeromedical operations; and special flying missions. The ACMI contracts involve medical, logistical and humanitarian flights for customers comprised primarily of government entities and international non-governmental organizations.

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.

Voyageur Avparts is a parts sales company, offering parts for regional aircraft. It was established to grow the parts sales business for Chorus by focusing on Bombardier products, consignment inventories, aircraft part-outs and purchase and sale of bulk or surplus inventories from third parties. Voyageur has an extensive history in aircraft parts sales supporting Voyageur Airways operated aircraft, MRO customers and outside sales.

Fleet Developments

In late 2015 an agreement was reached with Air Canada to add ten incremental aircraft to the CPA fleet, five of which were Q400s. During the first half of 2016, Chorus began leasing these five Q400s from a third party.

During the first half of 2016, pursuant to its Q400 purchase agreement with Bombardier, Chorus took delivery of five new Q400s and one spare PW150A engine and drew additional EDC financing for 80% of the total purchase price. These Q400s are Covered Aircraft.

On February 3, 2016, Chorus purchased a King Air 200 from a third party. The purchase price, including modifications, was $2.8 million. This aircraft is operated by Voyageur for its New Brunswick Air Ambulance contract.

On April 4, 2016, Chorus signed an agreement with EDC to provide a financing facility up to US$50.0 million. This new facility will allow Chorus to finance previously acquired aircraft, including one Dash 8-100, two Dash 8-300s, two King Air 200s, and three CRJ200s, none of which are Covered Aircraft. This facility will also be used to finance any refurbishment work required on the aircraft to operationalize them for deployment. The facility may also be used for the purchase of future aircraft and engines, as commercial opportunities arise. On June 29, 2016, Chorus made the initial draw down of the facility in the amount of US$16.8 million or CAD$21.9 million.

On April 26, 2016, Chorus announced that it had signed a firm purchase agreement for five CRJ900s with Bombardier. The order also includes purchase rights for an additional five CRJ900s. Once delivered, the five firm-ordered aircraft will be operated by Jazz under the Air Canada Express brand pursuant to the CPA. Based on the list price of the CRJ900s, the firm order is valued at approximately US$229.0 million and could increase to US$467.0 million should Chorus exercise all of its purchase rights. Chorus has a commitment from EDC to finance up to 80% of the net purchase price for the five firm orders. The new CRJ900s will be Covered Aircraft and generate leasing revenue under the CPA with terms and economics similar to those of the Q400s currently generating leasing revenue under the CPA.

Additionally, with Bombardier’s technical assistance, Jazz will reconfigure its current 16 CRJ705s into CRJ900s with 76 seats. Jazz will also reconfigure 21 Q400s currently in its fleet with an additional four seats to increase each aircraft’s passenger capacity to 78. All 37 of the aircraft to be reconfigured are currently operated under the Air Canada Express brand pursuant to the CPA.

Air Canada has advised that the Air Canada Express Q400 fleet of aircraft will be consolidated into the Jazz operation. The movement of these Q400s will begin by mid-January 2017 with all five aircraft coming over to the Jazz fleet by the end of February 2017, bringing the Jazz fleet of Q400s to 44. This will reduce the previously anticipated number of Q400s in the Covered Aircraft as at December 31, 2016 from 42 to 39, as these aircraft will be added later than originally planned. The change in timing of these aircraft deliveries will not impact the anticipated CPA fixed fee compensation in 2016. Please refer to Section 2 - Introduction, “Caution regarding forward-looking information”. This aircraft consolidation results in the Montreal-Toronto City Centre route being operated by Jazz going forward.

On August 5, 2016, Chorus took delivery of one Q400 and drew EDC financing. The term loan is repayable by Chorus to EDC in quarterly instalments of approximately US$0.4 million, matures in July 2028 and is primarily secured by one Q400 and two PW150A engines.

Recent Business Developments

On February 19, 2016, Chorus announced that Jazz's maintenance and engineering employees had ratified the tentative collective agreement reached on January 28, 2016. The term of the collective agreement expires on December 31, 2025.

During the second quarter of 2016, Jazz began the transition of its heavy maintenance business to a separate division of Jazz, under a new AMO certificate and business structure. The new division, named Jazz Technical Services, will focus on the heavy maintenance and repair of Bombardier regional aircraft. This division has secured a five-year agreement with Air Georgian to perform heavy maintenance on its fleet of CRJ100s and CRJ200s. The work commenced in late June and will be accommodated within Jazz's three existing heavy maintenance lines.

4 SECOND QUARTER ANALYSIS

The results of operations include revenue and expenses for Voyageur since May 1, 2015.

Revenue

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2016 $	 2015 $	 Change $
Controllable Revenue	182,450	200,003	(17,553)
Aircraft leasing revenue under the CPA	23,106	15,897	7,209
Fixed Margin and Infrastructure Fee per Covered Aircraft	27,508	27,417	91
Incentive revenue	5,700	5,644	56
CPA Pass-Through Revenue	53,578	134,262	(80,684)
Charter and other contract flying revenue	11,634	9,804	1,830
Passenger revenue	303,976	393,027	(89,051)
Other revenue	6,128	7,028	(900)
	310,104	400,055	(89,951)

Operating revenue decreased from $400.1 million to $310.1 million, representing a decrease of $90.0 million or 22.5%, due largely to the fact that Jazz ceased billing Air Canada for fuel under the CPA starting November 1, 2015.

Controllable Revenue

Controllable Revenue decreased by $17.6 million or 8.8%. Rate decreases under the CPA, mainly related to cost reductions, such as flight crew salaries, wages and benefits and fleet transitions, resulted in a $7.8 million decrease in the quarter. This reduction in revenue is consistent with the increased focus on Controllable Cost reductions to improve market competitiveness under the CPA. Decreased CPA Billable Block Hours accounted for a $12.5 million decline in Controllable Revenue. These decreases were offset by a change in the US dollar exchange rate which resulted in a $2.7 million increase in the quarter.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $7.2 million. Of this increase, $6.4 million was attributable to revenues generated from the leasing of ten additional Q400s in the fourth quarter of 2015 and in the first half of 2016, and $0.8 million was attributable to a change in the US dollar exchange rate. There were 31 Q400s in the fleet of Covered Aircraft as at June 30, 2016, compared to 21 Q400s as at June 30, 2015.

Fixed Margin and Infrastructure Fee per Covered Aircraft

Based on the current Covered Aircraft as at June 30, 2016, compensation derived from fixed fees was $27.5 million for the second quarter of 2016.

Incentive revenue

Performance Incentives earned under the CPA increased $0.1 million or 1.0%. For the three months ended June 30, 2016, Chorus earned $5.7 million (2015 - $5.6 million) in Performance Incentives, or 96.7% (2015 - 96.7%) of the maximum available under the CPA. Jazz continued to have strong operational performance during the second quarter of 2016 and ranked among the top Canadian carriers for on-time performance and flight completion, as reported by FlightStats Inc., a leading global flight and airport information service.

CPA Pass-Through Revenue

CPA Pass-Through Revenue decreased by $80.7 million or 60.1%, from $134.3 million to $53.6 million. Effective November 1, 2015, compensation for aircraft fuel is no longer billed under the CPA. As well, effective January 1, 2016, Air Canada entered into a new commercial agreement with YVR in connection with Jazz's CPA operations. YVR costs related to airport fees and certain terminal handling services, which are Pass-Through Costs under the CPA, are now paid directly by Air Canada pursuant to this new agreement. These changes accounted for a $76.2 million decrease.

Charter and other contract flying revenue

Charter and other contract flying revenue increased by $1.8 million. The second quarter of 2016 includes an additional month of flying for the Voyageur operation.

Other revenue

Other revenue decreased by $0.9 million. Decreased sale of consignment inventory and ancillary revenue accounted for a majority of the change quarter-over-quarter.

Expenses

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2016 $	 2015 $	 Change $
Operating expenses			
Salaries, wages and benefits	106,613	106,595	18
Aircraft fuel	802	71,997	(71,195)
Depreciation and amortization	19,847	14,016	5,831
Food, beverage and supplies	2,846	3,087	(241)
Aircraft maintenance materials, supplies and services	43,044	51,021	(7,977)
Airport and navigation fees	39,090	43,688	(4,598)
Aircraft rent	22,095	25,343	(3,248)
Terminal handling services	7,996	12,567	(4,571)
Other	33,360	33,693	(333)
	275,693	362,007	(86,314)

Operating expenses decreased from $362.0 million to $275.7 million, a decrease of $86.3 million. Under the CPA, effective November 1, 2015, aircraft fuel is no longer billed to Chorus. Additional information regarding operating expenses is provided below.

Salaries, wages and benefits

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2016 $	 2015 $	 Change $
Adjusted salaries, wages and benefits	103,873	104,818	(945)
Stock-based compensation	1,312	3,487	(2,175)
Employee separation program costs	3,557	1,620	1,937
Capitalized major maintenance overhaul labour	(2,129)	(3,330)	1,201
	106,613	106,595	18

Adjusted salaries, wages and benefits decreased $0.9 million primarily as a result of decreased flight crew costs. Stock-based compensation decreased primarily as a result of fluctuations in Chorus' share price. Employee separation program costs incurred during the quarter were $3.6 million compared to $1.6 million during the same period in 2015. Salaries and wages were also affected by fewer labour costs being capitalized on owned aircraft for major maintenance overhauls of $1.2 million.

Aircraft fuel

Aircraft fuel cost decreased by $71.2 million from $72.0 million to $0.8 million. Costs for aircraft fuel incurred in CPA operations are no longer billed to Chorus effective November 1, 2015. Chorus still incurs fuel costs related to Jazz charters and some Voyageur operations.

Depreciation and amortization

Depreciation and amortization expense increased by $5.8 million from $14.0 million to $19.8 million. Depreciation expenses related to Voyageur were $1.5 million, and the purchase of additional aircraft during the second half of 2015 and the first half of 2016 accounted for $2.6 million. As well, depreciation associated with capitalized major maintenance overhauls increased depreciation expense by $1.0 million, and new finance leases accounted for $0.7 million.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense decreased by $8.0 million from $51.0 million to $43.0 million. Decreased Block Hours accounted for a $4.8 million decrease, fewer engine overhaul events accounted for a $2.8 million decrease, other maintenance costs decreased by $0.7 million, the Voyageur operation accounted for a $0.4 million decrease, and decreased cost of sales of consignment inventory accounted for $0.9 million. Decreasing maintenance costs in the Jazz operation is consistent with the fleet modernization initiative. These decreases were offset by a change in the US dollar exchange rate on certain maintenance material purchases which accounted for a $1.6 million increase.

Airport and navigation fees

Airport and navigation fees decreased by $4.6 million from $43.7 million to $39.1 million. Costs incurred at YVR by Chorus were $nil in the period compared to $2.4 million for the same period last year. Also, changes in aircraft deployment accounted for a $2.2 million decrease.

Aircraft rent

Aircraft rent decreased by $3.2 million from $25.3 million to $22.1 million, consistent with Chorus' planned fleet modernization initiative. The decrease was mainly due to the return of five CRJ200s in the second half of 2015 and seven CRJ200s in the first half of 2016, partially offset by a change in the US dollar exchange rate.

Terminal handling services

Terminal handling costs decreased by $4.6 million from $12.6 million to $8.0 million. Costs incurred at YVR by Chorus were $nil in the period compared to $2.6 million for the same period last year. In addition, deicing costs decreased by $0.4 million and decreased flying activity accounted for $1.6 million.

Non-operating income (expenses)

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2016 $	 2015 $	 Change $
Non-operating income (expenses)			
Net interest expense	(5,263)	(3,481)	(1,782)
Gain on disposal of property and equipment	333	157	176
Foreign exchange gain	1,808	5,671	(3,863)
Other	313	500	(187)
	(2,809)	2,847	(5,656)

Non-operating expenses increased by $5.7 million from an income of $2.8 million last year to a non-operating expense of $2.8 million.

Net interest expense increased by $1.8 million. Interest expense related to long-term debt increased by $1.5 million due to a change in the US dollar exchange rate and new Q400 long-term debt, $0.1 million related to interest on consideration payable and decreased interest revenue of $0.2 million.

The strengthening of the Canadian dollar for the three months ended June 30, 2016 contributed to a foreign exchange gain of $1.8 million, compared to a foreign exchange gain of $5.7 million in the same period of the previous year. The US dollar exchange rate at June 30, 2016 was $1.2917 while the US dollar exchange rate at March 31, 2016 was $1.2987. The US dollar exchange rate at June 30, 2015 was $1.2490 while the US dollar exchange rate at March 31, 2015 was $1.2666. These rates are based on the closing day rate from the Bank of Canada. Chorus manages its exposure to currency risk by billing for its services within the CPA in the underlying currency related to the expenditure. As a result, due to the nature of the underlying associated revenue stream provided by the CPA, the unrealized foreign exchange gains/losses on long-term debt and finance leases do not affect current or future cash flows.

In 2016 and 2015, Chorus met certain employment conditions required in order to obtain the annual forgiveness of a portion of a forgivable loan from the province of Nova Scotia, for both years $0.3 million and $0.5 million was recorded in other income, respectively.

5 YEAR-TO-DATE ANALYSIS

The results of operations include revenue and expenses for Voyageur since May 1, 2015.

Revenue

(unaudited) (expressed in thousands of Canadian dollars)	Six months ended June 30, 2016 $	 2015 $	 Change $
Controllable Revenue	372,043	397,973	(25,930)
Aircraft leasing under the CPA	46,312	31,929	14,383
Fixed Margin and Infrastructure Fee per Covered Aircraft	54,926	54,822	104
Incentive revenue	11,400	11,287	113
CPA Pass-Through Revenue	110,445	257,624	(147,179)
Charter and other contract flying revenue	22,879	10,913	11,966
Passenger revenue	618,005	764,548	(146,543)
Other revenue	12,649	10,608	2,041
	630,654	775,156	(144,502)

Operating revenue decreased from $775.2 million to $630.7 million, representing a decrease of $144.5 million or 18.6%, due primarily to the fact that Jazz ceased billing Air Canada for fuel costs under the CPA starting November 1, 2015.

Controllable Revenue

Controllable Revenue decreased by $25.9 million or 6.5%. Rate decreases under the CPA, mainly related to cost reductions, such as flight and cabin crew, resulted in a $16.4 million decrease. This reduction in revenue is consistent with the increased focus on Controllable Cost reductions to improve market competitiveness under the CPA. Decreased CPA Billable Block Hours accounted for a $19.0 million decline in Controllable Revenue. These decreases were offset by a change in the US dollar exchange rate which resulted in a $9.5 million increase.

Aircraft leasing revenue under the CPA

Aircraft leasing revenue under the CPA increased by $14.4 million. Of this increase, $12.0 million was attributable to revenues generated from the leasing of ten additional Q400s in the fourth quarter of 2015 and first half of 2016, and $2.4 million was attributable to a change in the US dollar exchange rate. There were 31 Q400s in the fleet of Covered Aircraft as at June 30, 2016, compared to 21 Q400s as at June 30, 2015.

Fixed Margin and Infrastructure Fee per Covered Aircraft

Based on the current Covered Aircraft as at June 30, 2016, compensation earned from fixed fees was $54.9 million for the second quarter of 2016.

Incentive revenue

Performance Incentives earned under the CPA in the first six months of 2016 increased $0.1 million or 1.0% relative to the same period last year. For the six months ended June 30, 2016, Chorus earned $11.4 million (2015 - $11.3 million) in Performance Incentives, or 96.7% (2015 - 96.7%) of the maximum available under the CPA.

CPA Pass-Through Revenue

CPA Pass-Through Revenue decreased by $147.2 million or 57.1%, from $257.6 million to $110.4 million. Effective November 1, 2015, compensation for aircraft fuel is no longer billed under the CPA. As well, effective January 1, 2016, Air Canada entered into a new commercial agreement with YVR in connection with Jazz's CPA operations. YVR costs related to airport fees and certain terminal handling services, which are Pass-Through Costs under the CPA, are now paid directly by Air Canada pursuant to this new agreement. These changes accounted for a $146.1 million decrease.

Charter and other contract flying revenue

Charter and other contract flying revenue increased $12.0 million. New contract flying revenue from the Voyageur operation accounted for $11.9 million.

Other revenue

Other revenue increased by $2.0 million. Revenue from the Voyageur operation, which includes MRO and leasing accounted for $5.4 million, offset by decreased ancillary revenue and decreased sale of consignment inventory of $3.4 million.

Expenses

(unaudited) (expressed in thousands of Canadian dollars)	Six months ended June 30, 2016 $	 2015 $	 Change $
Operating expenses			
Salaries, wages and benefits	222,584	224,653	(2,069)
Aircraft fuel	1,621	135,219	(133,598)
Depreciation and amortization	38,494	26,155	12,339
Food, beverage and supplies	5,903	5,872	31
Aircraft maintenance materials, supplies and services	90,013	101,045	(11,032)
Airport and navigation fees	78,522	83,666	(5,144)
Aircraft rent	45,803	51,052	(5,249)
Terminal handling services	19,512	30,122	(10,610)
Other	67,006	63,472	3,534
	569,458	721,256	(151,798)

Operating expenses decreased $151.8 million (or 21.0%) from $721.3 million to $569.5 million. Under the CPA, effective November 1, 2015, aircraft fuel is no longer billed to Chorus. Additional information regarding operating expenses is provided below.

Salaries, wages and benefits

(unaudited) (expressed in thousands of Canadian dollars)	Six months ended June 30, 2016 $	 2015 $	 Change $
Adjusted salaries, wages and benefits	211,401	207,948	3,453
Signing bonuses	5,500	10,000	(4,500)
Stock-based compensation	5,915	10,070	(4,155)
Employee separation program costs	3,557	1,620	1,937
Capitalized major maintenance overhaul labour	(3,789)	(4,985)	1,196
	222,584	224,653	(2,069)

Salaries, wages and benefits decreased by $2.1 million from $224.7 million to $222.6 million. Adjusted salaries, wages and benefits increased by $3.5 million primarily as a result of the Voyageur operation, offset by decreased flight crew costs. In the first quarter of 2016, as part of the newly ratified collective agreement with its maintenance and engineering employees, Chorus incurred a $5.5 million signing bonus, while in the first quarter of 2015 Chorus incurred a $10.0 million signing bonus as part of the collective agreement ratified with its pilots. This accounted for a net decrease of $4.5 million. Stock-based compensation decreased primarily as a result of fluctuations in Chorus' share price. Employee separation program costs incurred during the period were $3.6 million compared to $1.6 million for the same period of 2015. Salaries and wages were also affected by fewer labour costs being capitalized on owned aircraft for major maintenance overhauls of $1.2 million.

Aircraft fuel

Aircraft fuel costs decreased by $133.6 million from $135.2 million to $1.6 million. Costs for aircraft fuel incurred in CPA operations are no longer billed to Jazz effective November 1, 2015. Chorus still incurs fuel costs related to Jazz charters and some Voyageur operations.

Depreciation and amortization

Depreciation and amortization expense increased by $12.3 million from $26.2 million to $38.5 million. Depreciation expenses related to Voyageur were $5.0 million, and the purchase of additional aircraft during the second half of 2015 and the first half of 2016 accounted for $4.5 million. As well, depreciation associated with capitalized major maintenance overhauls increased depreciation expense by $1.4 million and new finance leases accounted for $1.4 million.

Aircraft maintenance materials, supplies and services

Aircraft maintenance expense decreased by $11.0 million from $101.0 million to $90.0 million. Decreased Block Hours accounted for a $7.4 million decrease, fewer engine overhaul events accounted for a $4.0 million decrease, other maintenance costs decreased by $4.6 million, and decreased cost of sales of consignment inventory accounted for $1.7 million. Decreasing maintenance costs in the Jazz operation is consistent with the fleet modernization initiative. These decreases were offset by a change in the US dollar exchange rate on certain maintenance material purchases which accounted for a $4.1 million increase and the Voyageur operation accounted for a $3.0 million increase.

Airport and navigation fees

Airport and navigation fees decreased by $5.1 million from $83.7 million to $78.5 million. Costs incurred at YVR by Chorus were $nil in the period compared to $4.7 million for the same period last year. Also, rate changes as a result of changes in aircraft deployment accounted for a $0.4 million decrease.

Aircraft rent

Aircraft rent decreased by $5.2 million from $51.1 million to $45.8 million, consistent with Chorus' planned fleet modernization initiative. The decrease was mainly due to the return of five CRJ200s in the second half of 2015 and seven CRJ200s in the first half of 2016, offset by a change in the US dollar exchange rate.

Terminal handling services

Terminal handling costs decreased by $10.6 million from $30.1 million to $19.5 million. Costs incurred at YVR by Chorus were $nil in the period compared to $7.3 million for the same period last year. In addition, deicing costs decreased by $2.6 million and decreased flying activity accounted for $0.7 million.

Other

Other expenses increased by $3.5 million from $63.5 million to $67.0 million. The increase was due to increased costs from the Voyageur operation of $5.3 million; offset by general overhead decreases of $1.8 million.

Non-operating income (expenses)

(unaudited) (expressed in thousands of Canadian dollars)	Six months ended June 30, 2016 $	 2015 $	Change $
Non-operating income (expenses)			
Net interest expense	(10,294)	(6,777)	(3,517)
Gain on disposal of property and equipment	370	160	210
Foreign exchange gain (loss)	40,562	(28,190)	68,752
Other	313	500	(187)
	30,951	(34,307)	65,258

Non-operating expense decreased by $65.3 million from an expense of $34.3 million to an income of $31.0 million.

Net interest expense increased by $3.5 million. Interest expense related to long-term debt increased by $2.8 million due to a change in the US dollar exchange rate and new Q400 long-term debt, $0.3 million related to interest on consideration payable, and decreased interest revenue of $0.4 million.

The strengthening of the Canadian dollar for the six months ended June 30, 2016 contributed to a foreign exchange gain of $40.6 million, compared to a foreign exchange loss of $28.2 million in the previous year. The US dollar exchange rate at June 30, 2016 was $1.2917 while the US dollar exchange rate at December 31, 2015 was $1.3840. The US dollar exchange rate at June 30, 2015 was $1.2490 while the US dollar exchange rate at December 31, 2014 was $1.1601. These rates are based on the closing day rate from the Bank of Canada. Chorus manages its exposure to currency risk by billing for its services within the CPA in the underlying currency related to the expenditure. As a result, due to the nature of the underlying associated revenue stream provided by the CPA, the unrealized foreign exchange gains/losses on long-term debt and finance leases do not affect current or future cash flows.

In 2016 and 2015, Chorus met certain employment conditions required in order to obtain the annual forgiveness of a portion of a forgivable loan from the province of Nova Scotia, for both years $0.3 million and $0.5 million was recorded in other income, respectively.

6 FLEET

The following table provides the total number of aircraft in Chorus' fleet as at June 30, 2016 and December 31, 2015.

(unaudited) Aircraft	December 31, 2015	2016 Fleet Changes		June 30, 2016
		Additions	Removals	
Regional Jets				
CRJ200s	28	—	(7)	21
CRJ705s	16	—	—	16
Turboprop Aircraft				
King Air 100s	2	—	(2)	—
King Air 200s	1	1	—	2
Dash 7-100s	2	—	—	2
Dash 8-100s	34	—	(1)	33
Dash 8-300s	34	—	—	34
Q400s	27	10	—	37
	144	11	(10)	145

As at June 30, 2016, Chorus' fleet included 109 Covered Aircraft (excludes two Q400s received during the second quarter of 2016 as these aircraft were not in operation as at June 30, 2016), 18 aircraft operated by Voyageur and three aircraft utilized for Jazz charter services.

During the second quarter of 2016, one additional King Air 200 was placed into service. As at June 30, 2016, Chorus had 13 aircraft not in operation. These aircraft are included in the table above.

7 SUMMARY OF FINANCIAL RESULTS

The following table summarizes quarterly financial results and major operating statistics of Chorus for the previous eight quarters.

(unaudited)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Chorus								
Total revenue ($000)	310,104	320,550	357,368	412,157	400,055	375,101	401,298	432,576
Net income (loss) ($000)	23,657	55,398	12,512	6,320	31,411	(24,756)	11,338	11,252
Adjusted net income(1) ($000)	18,247	14,760	32,137	31,443	23,834	8,921	23,697	29,004
Adjusted net income(1), excluding other items ($000)	21,804	20,260	33,715	35,199	25.454	21,000	25,022	32,281
Adjusted EBITDA(1) ($000)	54,258	45,432	64,108	65,079	52,064	27,991	49,823	56,153
Adjusted EBITDA(1), excluding other items ($000)	57,815	50,932	65,686	68,835	53,684	40,070	51,148	59,430
Net income (loss) per Share, basic ($)	0.19	0.45	0.10	0.05	0.26	(0.21)	0.09	0.09
Net income (loss) per Share, diluted ($)	0.19	0.44	0.10	0.05	0.25	(0.21)	0.09	0.09
Adjusted net income(1) per Share, basic ($)	0.15	0.12	0.26	0.26	0.20	0.07	0.20	0.24
Adjusted net income(1), excluding other items per Share - basic ($)	0.18	0.17	0.28	0.29	0.21	0.17	0.21	0.27
FTE employees (end of period)(2)	4,504	4,412	4,445	4,473	4,467	4,132	4,130	4,216
Number of Aircraft (end of period)(3)	145	143	144	143	141	125	125	125
Jazz								
Departures	57,344	56,601	61,650	68,842	65,190	59,983	62,535	68,532
Block Hours	81,472	81,517	87,617	97,135	90,362	85,691	87,957	96,168
Billable Block Hours	82,964	84,375	89,365	98,209	91,559	89,104	89,674	96,776
Number of Covered Aircraft (end of period)	109	110	116	120	120	122	122	122

(1) This is a non-GAAP measurement. Refer to Section 19 – Non-GAAP Financial Measures.
(2) Includes FTEs for Voyageur as follows: Q2 2016 - 281; Q1 2016 - 268; Q4 2015 - 266; Q3 2015 - 273 and Q2 2015 - 283.
(3) Q2 2016 includes 18 aircraft for Voyageur, (for the periods Q2 2015 to Q1 2016 inclusive, included 17 aircraft) and three aircraft for Jazz charter (for the periods Q3 2014 to Q1 2016 inclusive, included five aircraft).

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

8 PENSION PLANS

Projected pension funding obligations

The table below provides projections for Chorus' pension funding obligations from 2016 to 2020:

(unaudited) (expressed in thousands of Canadian dollars)	2016 $	2017 $	2018 $	2019 $	2020 $
Defined benefit pension plans, current service	26,200	23,600	20,200	17,300	16,200
Defined benefit pension plan, past service	10,400	7,000	7,000	7,000	7,000
Defined contribution pension plans	11,000	11,700	12,800	13,700	14,600
Projected pension funding obligations	47,600	42,300	40,000	38,000	37,800

The estimated pension funding obligations shown in the above table are in respect of the defined benefit and defined contribution pension plans sponsored by Chorus. Defined benefit pension plans include the Jazz pilots' registered defined benefit pension plan ("Pilot DB Plan") as well as an unregistered defined benefit supplemental executive retirement plan ("SERP DB Plan") that Chorus sponsors for eligible employees. On January 1, 2015, and February 19, 2014, the Pilot DB Plan and SERP DB Plan, respectively were closed to new entrants. Defined contribution pension plans include a number of defined contribution pension arrangements that Chorus contributes to for its eligible employees.

The funding requirements for the Pilot DB Plan are based on the January 1, 2016 financial position of the plan for funding purposes and an estimate of the pilot payroll over the projection period. The estimated funding requirements for the SERP DB Plan are based on a funding policy adopted by Chorus and the January 1, 2016 financial position of the plan for funding purposes.

The solvency deficiency for the Pilot DB Plan as at January 1, 2016 was $66.1 million compared with $50.3 million as at January 1, 2015.

The January 1, 2016 financial position of the Pilot DB Plan for funding purposes applies an average of the solvency ratio over a three year period.

The foregoing contains forward-looking information and actual pension funding obligations may vary. These projections are based on certain assumptions including actuarial determinations, market interest rates, management's best estimate of salary escalation and retirement ages and life expectancy of employees, and are subject to certain risks including changes in economic conditions, investment returns generated by the plan assets and interest rates, each of which may impact the financial position of the pension plans sponsored by Chorus and future required contributions. Please refer to Section 2 - Introduction, "Caution regarding forward-looking information", Section 14 - Critical Accounting Estimates, and Section 20 - Risk Factors for further risks related to this forward-looking information. The current estimated pension funding obligations differ from previous estimates as a result of, among other things, the factors listed above.

9 LIQUIDITY AND CAPITAL RESOURCES

Chorus continues to generate positive operating income and cash flows from operations before net changes in non-cash balances, producing $88.3 million in the first six months of 2016 compared to $70.1 million in the same period last year. At June 30, 2016, Chorus had $21.0 million in cash and $2.3 million of restricted cash (letters of credit), for a total of $23.3 million, a decrease of $11.2 million from December 31, 2015. During the first half of 2016, Chorus made deposits on Q400s, CRJ900s and the ESP of $12.0 million, purchased a King Air 200 and made modifications to an existing Dash 8-100 for $3.9 million, using cash on hand. Chorus also drew EDC financing in the amount of $21.9 million in relation to previously acquired aircraft, including one Dash 8-100, two Dash 8-300s, two King Air 200s and three CRJ200s.

Chorus' current liquidity needs are primarily related to meeting obligations associated with the following: planned capital expenditures, including acquisitions for purposes of business diversification, ongoing operations, covenants in aircraft and engine financing agreements, repayment and interest costs related to long-term debt and generating sufficient cash flow to fund dividends (which are declared at the discretion of the Board of Directors).

The airline business is capital intensive and highly sensitive to uncertain external circumstances (refer to Section 2 - Introduction, "Caution regarding forward-looking information" and Section 20 - Risk Factors). As a result, Chorus' main objectives when managing capital are to provide a strong capital base to maintain Shareholder, creditor and market confidence and to sustain future development of the business. Chorus manages its capital structure and makes adjustments to it in light of changes in economic conditions and Chorus' risk profile.

Cash balances are monitored daily and fluctuations are primarily tied to the CPA payment schedule. The CPA payment schedule allows for a gradual draw-down of cash throughout the month and funds are refreshed in two payment tranches. As of January 1, 2015, some expenses became Pass-Through Costs that were previously Controllable Costs, and some costs are now borne directly by Air Canada. As a result, there was an impact on timing of payments by Air Canada. Controllable Revenue is paid in advance on the first business day of the month. The reconciliation of Controllable Revenue is paid on the 30th of the month or the business day prior, if the 30th is a non-business day. Pass-Through Revenue is paid on the 23rd of the month or the business day prior, if the 23rd is a non-business day. Effective November 1, 2015, revenue associated with fuel was eliminated with Air Canada paying for all CPA fuel directly. This change in fuel does not adversely impact Chorus' cash flow or minimum cash position. This payment timing means that Chorus typically has its highest cash balances at the beginning of the month and the lowest cash balance is the end of the month.

Sources and uses of cash

The following table provides information on Chorus' cash flows for the three and six months ended June 30, 2016.

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2016 $	2015 $	Change $	Six months ended June 30, 2016 $	2015 $	Change $
Sources of Cash:						
Cash provided by operating activities before net changes in non-cash balances related to operations	46,692	49,439	(2,747)	88,340	70,082	18,258
Restricted cash related to aircraft financing	—	5,930	(5,930)	—	5,930	(5,930)
Long-term borrowings	94,056	—	94,056	142,520	—	142,520
Other	—	954	(954)	25	893	(868)
Total sources	**140,748**	**56,323**	**84,425**	**230,885**	**76,905**	**153,980**
Uses of Cash:						
Net changes in non-cash balances related to operations	(1,807)	(15,092)	13,285	(22,698)	(11,351)	(11,347)
Repayment of long-term debt and obligations under finance leases	(15,881)	(10,992)	(4,889)	(28,103)	(20,885)	(7,218)
Repayment of consideration payable	(12,438)	—	(12,438)	(12,438)	—	(12,438)
Dividends	(14,668)	(14,550)	(118)	(29,335)	(28,098)	(1,237)
Business acquisition, net of cash acquired	—	(45,474)	45,474	—	(45,474)	45,474
Additions to property and equipment	(88,282)	(23,139)	(65,143)	(148,829)	(33,582)	(115,247)
Other	(116)	—	(116)	—	—	—
Total usage	**(133,192)**	**(109,247)**	**(23,945)**	**(241,403)**	**(139,390)**	**(102,013)**
Effect of foreign exchange on cash	**(426)**	**(729)**	**303**	**(1,143)**	**2,372**	**(3,515)**
Net change in cash during the periods	**7,130**	**(53,653)**	**60,783**	**(11,661)**	**(60,113)**	**48,452**
Cash – Beginning of periods	**13,886**	**108,118**	**(94,232)**	**32,677**	**114,578**	**(81,901)**
Cash – End of periods	**21,016**	**54,465**	**(33,449)**	**21,016**	**54,465**	**(33,449)**

Sources of cash

Sources of cash for the three months ended June 30, 2016 were $140.7 million, an increase of $84.4 million. The increase was the result of long-term borrowings for the acquisition of three Q400s, one Q400 engine and one King Air 200 purchased in 2016, as well as three CRJ200s, two Dash 8-300s and one King Air 100 purchased in 2015.

Sources of cash for the six months ended June 30, 2016 were $230.9 million, an increase of $154.0 million. The increase was the result of long-term borrowings for the acquisition of five Q400s, one Q400 engine and one King Air 200 purchased in 2016, as well as three CRJ200s, two Dash 8-300s and one King Air 100 purchased in 2015, and higher cash flow from operating activities.

Uses of cash

Uses of cash for the three months ended June 30, 2016 were $133.2 million, an increase of $23.9 million. Capital expenditures were $88.3 million, compared to $23.1 million in the same period of 2015. The increase related to the purchase of aircraft (which consisted of three Q400s and one engine), and increased expenditures for ongoing spare part replacements for the fleet, equipment and leasehold improvements. Additional uses of cash consisted of payment of consideration payable of $12.4 million and increased payments of $4.9 million related to long-term debt and obligations under finance leases. These increases of use of cash were offset by a positive change in non-cash working capital. In 2015, uses of cash included the acquisition of Voyageur.

Uses of cash for the six months ended June 30, 2016 were $241.4 million, an increase of $102.0 million. Capital expenditures were $148.8 million, compared to $33.6 million in the same period of 2015. The increase related to the purchase of aircraft (which consisted of five Q400s, one engine and one King Air 200), and increased expenditures for ongoing spare part replacements for the fleet, equipment and leasehold improvements. Additional uses of cash consisted of negative changes in non-cash working capital, payment of consideration payable and increased payments of $4.9 million related to long-term debt and obligations under finance leases. In 2015, uses of cash included the acquisition of Voyageur.

Contractual obligations and other commitments

Please refer to Chorus' annual MD&A dated February 18, 2016 for information regarding Chorus' contractual obligations and other commitments. Except as noted below, there have been no material changes to debt during the six months ended June 30, 2016.

During the first half of 2016, pursuant to its Q400 purchase agreement with Bombardier Inc., Chorus took delivery of five new Q400s and drew additional EDC financing in the amount of $117.3 million. These aircraft are CPA Covered Aircraft. On May 18, 2016, Chorus took delivery of one spare PW150A engine and drew EDC financing in the amount of $3.3 million.

On June 29, 2016 Chorus drew EDC financing in the amount of $21.9 million in relation to previously acquired aircraft, including one Dash 8-100, two Dash 8-300s, two King Air 200s, and three CRJ200s. These aircraft are not part of the CPA Covered Aircraft.

The majority of the following future repayments of long-term debt are payable in US dollars and have been converted to Canadian dollars at $1.2917. This exchange rate is the June 30, 2016 closing day rate from the Bank of Canada.

(unaudited) (in thousands of Canadian dollars)	$
No later than one year	64,536
Later than one year and no later than five years	280,184
Later than five years	317,444
	662,164

Under its financing agreement with EDC (for both Q400s and related engines), the "Jazz Group" (comprised of Jazz, Jazz Aircraft Financing and Jazz Leasing) is required to maintain a maximum adjusted leverage ratio of 2.25:1 and a minimum adjusted interest coverage ratio of 1.66:1. As at June 30, 2016, 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 June 30, 2016, Jazz was in compliance with this covenant.

As additional security under the EDC financing agreements, the Q400 and related engine leases between Jazz and Jazz Leasing have been assigned to EDC. Also, Jazz Leasing has provided a full recourse guarantee to EDC and Jazz Aircraft Financing pledged the issued shares of Jazz Leasing to EDC.

Capital commitments

In connection with the CPA, 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 acquired 11 Q400s as of June 30, 2016 (only 10 of these were in operation as Covered Aircraft as at June 30, 2016). Chorus is committed to spend an additional $54.9 million in 2016 related to the remaining two Q400s (US dollar amounts were converted to Canadian dollars at $1.2917. This exchange rate was the June 30, 2016 closing day rate from the Bank of Canada). Chorus has received commitments from EDC to finance up to 80% of the net purchase price for all firm 13 orders.

On August 5, 2016, Chorus took delivery of one Q400 and drew EDC financing. The term loan is repayable by Chorus to EDC in quarterly instalments of approximately US$0.4 million, matures in August 2028 and is secured primarily by one Q400 and two PW150A engines.

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 $1.3 million, $18.5 million, $27.8 million and $13.2 million, respectively (US dollar amounts were converted to Canadian dollars at $1.2917. This exchange rate was the June 30, 2016 closing day rate from the Bank of Canada). 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$0.6 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).

Capital expenditures

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

	Three months ended June 30,			**Six months ended June 30,**		
(unaudited) (expressed in thousands of Canadian dollars)	**2016** **$**	**2015** **$**	**Change** **$**	**2016** **$**	**2015** **$**	**Change** **$**
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP	6,368	2,507	3,861	11,559	6,547	5,012
Capitalized major maintenance overhauls	4,847	5,872	(1,025)	9,236	8,918	318
Aircraft acquisitions and ESP	77,067	14,760	62,307	128,034	18,117	109,917
Total capital expenditures	88,282	23,139	65,143	148,829	33,582	115,247

Shares

At August 10, 2016, the issued and outstanding Shares of Chorus were as follows:

(unaudited)	August 10, 2016	December 31, 2015
Total issued and outstanding Shares	122,232,397	122,232,397
Shares potentially issuable		
Stock-based compensation plans	3,025,457	3,317,406
Total outstanding and potentially dilutive shares	125,257,854	125,549,803

Effective May 24, 2016, Chorus' Class A variable voting shares and Class B voting shares now trade under a single stock symbol, CHR, on the Toronto Stock Exchange.

Dividends

For the three and six months ended June 30, 2016, Chorus declared dividends of $14.7 million and $29.3 million respectively (2015 - $14.6 million and $28.5 million). For the three and six months ended June 30, 2016, Chorus paid dividends of $14.7 million and $29.3 million respectively (2015 - $14.6 million and $28.1 million respectively).

10 OFF-BALANCE SHEET ARRANGEMENTS

Information regarding Chorus' off-balance sheet arrangements is disclosed in Section 11 of Chorus' annual MD&A dated February 18, 2016. There have been no material changes to Chorus' off-balance sheet arrangements from what was disclosed at that time.

11 RELATED PARTY TRANSACTIONS

As at June 30, 2016, Chorus had no transactions with related parties as defined in the CPA Canada Handbook, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements.

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Chorus has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management monitors risk levels and reviews risk management activities as they determine to be necessary. Please refer to Section 13 of Chorus' annual MD&A dated February 18, 2016 for further discussion on interest rate risk, credit risk, liquidity risk and currency risk.

13 ECONOMIC DEPENDENCE

For a detailed description of the CPA with Air Canada please refer to Section 2 and Section 14 of Chorus' annual MD&A dated February 18, 2016.

Chorus is economically and commercially dependent on Air Canada and one of its subsidiaries as, in addition to being Chorus' primary source of revenue, these entities currently provide services and aircraft to Jazz. Chorus is directly affected by the financial and operational strength of Air Canada, its competitive position, and its ability to maintain sufficient liquidity (refer to Section 20 - Risk Factors).

14 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, estimates and judgments may change in light of new facts and circumstances in the internal and external environment and actual results can differ from those estimates (refer to Section 2 – Introduction, “Caution regarding forward-looking information”). The significant accounting policies of Chorus are described in note 3 of the audited consolidated financial statements of Chorus for the year ended December 31, 2015. Information regarding Chorus’ critical accounting estimates is disclosed in Section 15 of Chorus’ annual MD&A dated February 18, 2016. There are no changes regarding critical accounting estimates for the three and six months ended June 30, 2016, with the exception of those described below:

Operating revenue

In accordance with the terms of the CPA, during the second quarter of 2016, Jazz and Air Canada agreed on detailed rates applicable to the period commencing on January 1, 2016 and ending on December 31, 2016. The new rates are retroactive to January 1, 2016. Jazz and Air Canada have reconciled amounts already recorded in 2016 to these new rates.

15 ACCOUNTING POLICIES

The significant accounting policies of Chorus are described in note 3 of the December 31, 2015 consolidated financial statements of Chorus. Please refer to note 3 of Chorus’ consolidated financial statements for the year ended December 31, 2015 for information on new accounting standards and amendments not yet effective.

16 CONTROLS AND PROCEDURES

Chorus’ disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that information required to be disclosed in any public filings is recorded, processed, summarized and reported on a timely basis. Chorus’ internal control over financial reporting ("ICFR") has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Chorus’ annual 2015 MD&A dated February 18, 2016, contains a statement that the President and Chief Executive Officer (“CEO”) and the Executive Vice President and Chief Financial Officer (“CFO”) have concluded that Chorus’ DC&P and ICFR are effective based upon an evaluation of these controls and procedures at December 31, 2015.

Chorus filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators along with the 2015 annual financial statements and MD&A. In those filings, the CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of Chorus’ DC&P and the design and effectiveness of ICFR. The CEO and CFO also certified the appropriateness of the financial disclosures in Chorus’ interim filings with the Canadian Securities Administrators. In those interim filings, the CEO and CFO certified that both Chorus’ DC&P and ICFR have been designed, based on the framework established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), to provide reasonable assurance regarding the reliability of Chorus’ financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to inherent limitations, ICFR and DC&P can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There has been no change in Chorus' internal control over financial reporting that occurred during the second quarter of fiscal 2016 that has materially affected, or is reasonably likely to materially affect, Chorus' ICFR.

The Audit, Finance and Risk Committee of the Board of Directors of Chorus reviewed this MD&A, and the unaudited interim condensed consolidated financial statements of Chorus for June 30, 2016, and approved these documents prior to their release.

17 2016 OUTLOOK

The discussion that follows includes forward-looking information (refer to Section 2 - Introduction, "Caution regarding forward-looking information"). This outlook is provided for the purpose of providing information about current expectations for 2016. This information may not be appropriate for other purposes.

Effective January 1, 2015, Billable Block Hours no longer directly affect CPA compensation, but remain relevant for rate setting on Controllable Costs. Based on the 2015 - 2016 winter schedule, the summer 2016 schedule and updated planning assumptions received from Air Canada, Billable Block Hours are expected to be between 340,000 and 347,000 based on 113 Covered Aircraft as at December 31, 2016. The actual number of Billable Block Hours for 2016 may vary from this anticipated range due to a number of factors. See Section 20 - Risk Factors.

Capital expenditures for 2016, excluding those for the acquisition of finance leases, aircraft and the ESP, and including capitalized major maintenance overhauls, are expected to be between \$37.0 million and \$47.0 million. The increase in 2016 reflects additional spend for Voyageur and higher anticipated major maintenance overhauls.

		Actual	
(unaudited) (expressed in thousands of Canadian dollars)	**Planned 2016** **$**	**Year to date 2016** **$**	**Year ended December 31, 2015** **$**
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP	17,000 to 22,000	11,559	13,035
Capitalized major maintenance overhauls	20,000 to 25,000	9,236	24,029
Finance leases	—	—	19,479
Aircraft acquisitions and ESP(1)	340,000 to 350,000	128,034	199,877
	377,000 to 397,000	148,829	256,420

(1) Planned 2016 includes the acquisition of one King Air 200, seven Q400s, five CRJ900s and ongoing deposits for the Q400s and ESP. Planned 2016 aircraft acquisitions have been converted using a foreign exchange rate of \$1.2917.

18 ADDITIONAL INFORMATION

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

19 NON-GAAP FINANCIAL MEASURES

Chorus uses certain non-GAAP financial measures, described below, to evaluate and assess performance. These non-GAAP measures are generally numerical measures of a company's financial performance, financial position or cash flows, that include or exclude amounts from the most comparable GAAP measure. As such, these measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before net interest expense, income taxes, and depreciation and amortization and is a non-GAAP financial measure. Adjusted EBITDA (net income before net interest expense, income taxes, depreciation and amortization and other items such as asset impairment and foreign exchange gains or losses) is a non-GAAP financial measure used by Chorus, and commonly by other regional airlines in the industry, as a supplemental financial measure of operational performance. Management believes Adjusted EBITDA assists investors in comparing Chorus' performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods and factors such as historical cost. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, forming part of Chorus' financial statements. While the signing bonuses, CPA advisory fees, and employee separation program costs have been included within our definition of adjusted EBITDA, it is shown separately below to facilitate transparency and comparability.

(unaudited) (expressed in thousands of Canadian dollars)	**Three months ended June 30,**			**Six months ended June 30,**		
	2016 **$**	**2015** **$**	**Change** **$**	**2016** **$**	**2015** **$**	**Change** **$**
Net income	23,657	31,411	(7,754)	79,055	6,655	72,400
Add:						
Net interest expense	5,263	3,481	1,782	10,294	6,777	3,517
Income tax expense	7,945	9,484	(1,539)	13,092	12,938	154
Depreciation and amortization	19,847	14,016	5,831	38,494	26,155	12,339
EBITDA	**56,712**	**58,392**	**(1,680)**	**140,935**	**52,525**	**88,410**
Gain on disposal of property and equipment	(333)	(157)	(176)	(370)	(160)	(210)
Foreign exchange (gain) loss	(1,808)	(5,671)	3,863	(40,562)	28,190	(68,752)
Other	(313)	(500)	187	(313)	(500)	187
Adjusted EBITDA	**54,258**	**52,064**	**2,194**	**99,690**	**80,055**	**19,635**
Other items:						
Signing bonuses	—	—	—	5,500	10,000	(4,500)
CPA advisory fees	—	—	—	—	2,079	(2,079)
Employee separation program	3,557	1,620	1,937	3,557	1,620	1,937
Adjusted EBITDA, excluding other items	*57,815*	*53,684*	*4,131*	*108,747*	*93,754*	*14,993*

Adjusted Net Income

Adjusted net income and Adjusted net income per Share are used by Chorus to assess performance without the effects of unrealized foreign exchange gains or losses on long-term debt and finance leases related to aircraft. Chorus manages its exposure to currency risk on such long-term debt by billing the lease payments within the CPA in the underlying currency (US dollars) related to the aircraft debt. These items are excluded because they affect the comparability of our financial results, period-over-period, and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring due to ongoing currency fluctuations between the Canadian and US dollar. While the signing bonuses, CPA advisory fees, and employee separation program costs have been included within our definition of adjusted net income, it is shown separately to facilitate transparency and comparability.

(unaudited) (expressed in thousands of Canadian dollars, except per Share amounts)	**Three months ended June 30,**			**Six months ended June 30,**		
	2016 **$**	**2015** **$**	**Change** **$**	**2016** **$**	**2015** **$**	**Change** **$**
Net income for the periods	23,657	31,411	(7,754)	79,055	6,655	72,400
Unrealized foreign exchange (gain) loss	(5,410)	(7,577)	2,167	(46,048)	26,100	(72,148)
Adjusted net income	**18,247**	**23,834**	**(5,587)**	**33,007**	**32,755**	**252**
Adjusted net income per Share - basic	**0.15**	**0.20**	**(0.05)**	**0.27**	**0.27**	**—**
Other items:						
Signing bonuses	—	—	—	5,500	10,000	(4,500)
CPA advisory fees	—	—	—	—	2,079	(2,079)
Employee separation program	3,557	1,620	1,937	3,557	1,620	1,937
Adjusted net income, excluding other items	*21,804*	*25,454*	*(3,650)*	*42,064*	*46,454*	*(4,390)*
Adjusted net income, excluding other items per Share - basic	*0.18*	*0.21*	*(0.03)*	*0.34*	*0.38*	*(0.04)*

Adjusted Cash Provided by Operating Activities

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

(unaudited) (expressed in thousands of Canadian dollars)	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $	Change $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $	Change $
Adjusted Cash Provided by Operating Activities before net changes in non-cash balance related to operations	46,692	49,439	(2,747)	88,340	70,082	18,258
Less:						
Capital expenditures, excluding finance leases, aircraft acquisitions and ESP	(6,368)	(2,507)	(3,861)	(11,559)	(6,547)	(5,012)
Capitalized major maintenance overhauls	(4,847)	(5,872)	1,025	(9,236)	(8,918)	(318)
	(11,215)	(8,379)	(2,836)	(20,795)	(15,465)	(5,330)
Adjusted Cash Provided by Operating Activities	**35,477**	**41,060**	**(5,583)**	**67,545**	**54,617**	**12,928**

Return on Invested Capital

Return on Invested Capital is a non-GAAP measure commonly used to assess the efficiency with which a company allocates its capital to generate returns. Return is calculated based on Chorus' earnings before tax, excluding special items, finance costs and implied interest on off-balance sheet aircraft leases for aircraft for which Chorus holds the head lease. Invested capital includes average long-term debt, average finance lease obligations, average Shareholders' equity and off-balance sheet aircraft operating leases for aircraft for which Chorus holds the head lease.

(unaudited) (expressed in thousands of Canadian dollars)	Trailing twelve months ended June 30, 2016 $	 December 31, 2015 $	 Change $
Income before income taxes	133,645	61,091	72,554
Unrealized foreign exchange (gain) loss	(1,300)	70,848	(72,148)
Income before income taxes (and unrealized foreign exchange loss)	132,345	131,939	406
Add:			
Finance costs	20,604	17,457	3,147
Implicit interest in operating leases(1)	3,917	4,657	(740)
	156,866	154,053	2,813
Invested capital:			
Average long-term debt(2)	538,695	494,658	44,037
Average obligations under finance leases(3)	8,589	11,418	(2,829)
Average consideration payable(4)	23,935	15,084	8,851
Average Shareholders' equity	127,361	120,428	6,933
Off-balance sheet aircraft leases(5)	55,957	66,529	(10,572)
	754,537	708,117	46,420
Return on invested capital(6)	20.8%	21.8%	(1.0)%

(1) Interest implicit in operating leases is equal to 7.0 percent of 7.5 times the trailing 12 months of aircraft lease expense. 7.0 percent is a proxy and does not necessarily represent actual for any given period.
(2) Average long-term debt includes the current portion and long-term portion.
(3) Average obligations under finance leases include the current portion and long-term portion.
(4) Average obligations under consideration payable include the current portion and long-term portion.
(5) Off-balance sheet aircraft leases are calculated by multiplying the annual aircraft leasing expense by 7.5 only for aircraft which Chorus holds the head lease. For the trailing twelve months ended June 30, 2016 and December 31, 2015, these aircraft lease expenses totaled $7.5 million and $8.9 million respectively.
(6) Aircraft rent was $98.1 million and $103.3 million for the trailing twelve months ended June 30, 2016 and December 31, 2015 respectively. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, who hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $90.6 million and $94.5 million for the trailing twelve months ended June 30, 2016 and December 31, 2015 respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included, return on invested capital would be 14.3% and 14.1% respectively.

Adjusted net debt

The following table reflects Chorus' adjusted net debt balances as at June 30, 2016 and as at December 31, 2015:

(unaudited) (expressed in thousands of Canadian dollars)	June 30, 2016 $	December 31, 2015 $	Change $
Long-term debt and finance leases	677,837	604,741	73,096
Consideration payable	18,217	30,168	(11,951)
Total debt (including current portion)	696,054	634,909	61,145
Less: Cash	(21,016)	(32,677)	11,661
Net debt	675,038	602,232	72,806
Capitalized operating leases	55,957	66,529	(10,572)
Adjusted net debt	730,995	668,761	62,234

Adjusted net debt is a non-GAAP financial measure used by Chorus and may not be comparable to measures presented by other public companies. Adjusted net debt is a key component of capital management by Chorus and provides management with a measure of its net indebtedness. Chorus includes capitalized operating leases which is a measure commonly used in the airline industry to ascribe a value to obligations under operating leases. Common industry practice is to multiply annualized aircraft rent by 7.5. This definition of capitalized operating leases is used by Chorus and may not be comparable to similar measures presented by other public companies. Aircraft rent was $98.1 million and $103.3 million for the trailing twelve months ended June 30, 2016 and December 31, 2015 respectively. The majority of Chorus' aircraft under operating leases are subleased from Air Canada, or its subsidiary, which hold the head lease or own the aircraft. Aircraft rent related to these aircraft of $90.6 million and $94.5 million for the trailing twelve months ended June 30, 2016 and December 31, 2015 respectively, have been removed from the calculation due to Air Canada's offsetting liability under the CPA for rental payments and return condition obligations. If these Air Canada operating leases were included in the above definition, adjusted net debt would be $1,410.5 million and $1,377.0 million respectively.

As at June 30, 2016, adjusted net debt increased from $668.8 million to $731.0 million, representing an increase of $62.2 million or 9.3% from December 31, 2015. This increase was a result of new debt of $142.5 million and decreased cash as discussed previously. These increases were offset by a lower US dollar exchange rate which decreased long-term debt by approximately $44.9 million, debt repayments of $28.1 million, and repayment of consideration payable of $12.4 million.

20 RISK FACTORS

For a detailed description of the possible risk factors associated with Chorus, Air Canada, the industry, the structure of Chorus and current legal proceedings refer to the Section entitled “Risk Factors” in Chorus' 2015 Annual MD&A dated February 18, 2016, and Chorus’ Annual Information Form dated February 18, 2016. Chorus is not aware of any significant changes to its risk factors from those disclosed at that time.

21 GLOSSARY OF TERMS

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

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

"**Billable Block Hours**" mean actual Block Hours flown and Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights, under the CPA;

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

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

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

"**Chorus**" means, as the context may require, one or more of Chorus Aviation Inc. and its current and former subsidiaries;

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

"**Controllable Revenue**" means revenue earned by Jazz from Air Canada for rates established under the CPA in respect of certain Controllable 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;

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

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

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

"**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;

"**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. The Fixed Margin per Covered Aircraft does not vary regardless of network size or complexity or hours flown;

"**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;

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

"**IASB**" means the International Accounting Standards Board;

"**IFRS**" means International Financial Reporting Standards;

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

"**Jazz**" means Jazz Aviation LP, a limited partnership established under the laws of the Province of Ontario on November 18, 2010. Jazz is a subsidiary of Chorus Aviation Inc.;

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

"**Jazz Group**" is currently comprised of Jazz, Jazz Aircraft Financing and Jazz Leasing;

"**Jazz Leasing**" means Jazz Leasing Inc., a corporation incorporated under the CBCA on November 28, 2013. Jazz Leasing is a subsidiary of Chorus Aviation Inc.;

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

"**Maintenance Capital Expenditures**" represent expenditures incurred to sustain operations or Chorus' productive capacity, which excludes Q400s and engine purchases;

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

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

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

"**Operating Aircraft**" means the aircraft in Chorus' fleet, less aircraft which have not yet entered commercial service;

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

"**Pass-Through Revenue**" means revenue earned from Air Canada under the CPA in payment of Pass-Through Costs;

"**Performance Incentives**" mean compensation to Chorus, under the CPA, for achieving established performance targets, being: controllable on-time performance, controllable flight completion, passengers arriving without luggage and customer service;

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

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

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

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

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

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

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

"**YVR**" means Vancouver International Airport Authority.