CARGOJET INC.

Management's Discussion and Analysis
Of Financial Condition and Results of Operations

For the Three Month and Six Month Periods Ended June 30, 2015

Amended and Restated – October 14, 2015

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The following is the Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Cargojet Inc. ("Cargojet" or the "Company") for the three month and six month periods ended June 30, 2015. The following also includes a discussion of and comparative operating results for the three month and six month periods ended June 30, 2014.

Cargojet is publicly listed with shares and convertible debentures traded on the Toronto Stock Exchange ("TSX"). The Company is incorporated in Ontario and domiciled in Canada and the registered office is located at 350 Britannia Road East, Units 5 and 6, Mississauga, Ontario.

The effective date of the MD&A is August 11, 2015. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company for the three month and six month periods ended June 30, 2015 and 2014 and with the audited consolidated financial statements of the Company for the years ended December 31, 2014 and 2013.

EBITDA [A], Adjusted EBITDA [B], EBITDAR [C], Adjusted EBITDAR [D] and Adjusted Free Cash Flow [E]

Non-GAAP measures like EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR and Adjusted Free Cash Flow are not earnings measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. Therefore, EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR and Adjusted Free Cash Flow may not be comparable to similar measures presented by other issuers. As of January 1, 2015, the Company added "EBITDAR" and "Adjusted EBITDAR" measures to the MD&A. EBITDAR and Adjusted EBITDAR are measures commonly used in the airline industry to evaluate results by excluding differences in the method by which an airline finances its aircraft.

These alternative measures provide a more consistent basis to compare the performance of the Company between the periods and improve comparability between other companies including other airlines. They provide additional information to users of the MD&A to enhance their understanding of the Company's financial performance. These measures are also used by the Company to guide its decisions on dividend policy, to set financial targets for its management incentive plans and to monitor the Company's compliance with debt covenant. Investors are cautioned that EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR and Adjusted Free Cash Flow should not be construed as an alternative to net income determined in accordance with IFRS as indicators of the Company's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. The calculations of EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR and Adjusted Free Cash Flow are shown on page 17 of the MD&A.

(A) Please refer to End Note [A] included at the end of this MD&A.
(B) Please refer to End Note [B] included at the end of this MD&A.
(C) Please refer to End Note [C] included at the end of this MD&A.
(D) Please refer to End Note [D] included at the end of this MD&A.
(E) Please refer to End Note [E] included at the end of this MD&A.

Key Factors Affecting the Business

The results of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of the management of the Company, see MD&A for the three and twelve month periods ended December 31, 2014 dated March 7, 2015 which was filed with SEDAR at www.sedar.com for a more complete discussion of the risks affecting the Company's business.

Caution Concerning Forward Looking Statements

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may deemed to be forward-looking statements including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "project" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect Cargojet's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Examples of the factors that can affect the results are government regulations, competition, seasonal fluctuations, international trade, weather patterns, retention of key personnel, labour relations, terrorist activity, general industry condition and economic sensitivity, the Company's ability to manage growth and profitability, fuel prices, other cost controls and foreign exchange fluctuations, and capability of maintaining its fleet. The risk and uncertainties are detailed in the "Risk Factors" section of the MD&A for the three and twelve month periods ended December 31, 2014 dated March 7, 2015 which was filed with SEDAR at www.sedar.com and the Company is not aware of any significant changes to its risk factors from those disclosed at that time.

Forward looking statements are based on a number of material factors, expectations or assumptions of the Company which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. The statements are based on the following factors: the continued and timely development of infrastructure, continued availability of debt financing and cash flow, future commodity prices, currency, exchange and interest rates; regulatory framework regarding taxes and environmental matters in the jurisdictions in which the Company operates.

This document contains forward-looking statements that reflect management’s current expectations related to matters such as future financial performance and liquidity and capital resources of the Company. Specific forward-looking statements in this document include, but are not limited to, statements with respect to:

- Fleet Overview – Page 7,
- Recent Events - Purolator and Canada Post DACNS – Page 9,
- Recent Events – Aircraft finance leases and loans – Page 10,
- Results of operations for six month period ended June 30, 2015 - Liquidity and capital resources – Page 29,
- Off balance sheet arrangements – Page 33, and
- Outlook – Page 34.

Overview

Financial Information and Operating Statistics Highlights
(Canadian dollars in million, except where indicated)

	Three Month Period Ended June 30,			Six Month Period Ended June 30,		
	2015	2014	Change	**2015**	2014	Change
Financial information						
Revenue	**$75.2**	$44.3	$30.9	**$129.3**	$88.1	$41.3
Direct expenses	**$67.9**	$39.1	$28.8	**$121.0**	$79.0	$42.0
Gross margin	**$7.3**	$5.2	$2.1	**$8.3**	$9.0	($0.7)
Gross margin - %	**9.7%**	11.7%	-2.0%	**6.4%**	10.3%	(3.8)%
Selling, general & administrative expenses	**$8.6**	$4.8	$3.8	**$16.0**	$9.9	$6.1
Other general & administrative expenses	**$6.6**	$1.3	$5.3	**$11.4**	$1.9	$9.4
Loss before income taxes	**($7.9)**	($1.0)	($6.9)	**($19.1)**	($2.9)	($16.2)
Income taxes	**$1.8**	$0.3	$1.5	**$4.7**	$0.6	$4.1
Net loss	**($6.1)**	($0.7)	($5.4)	**($14.4)**	($2.3)	($12.1)
loss per share - $CAD						
Basic	**($0.64)**	($0.08)	($0.56)	**($1.54)**	($0.26)	($1.28)
Diluted	**($0.64)**	($0.08)	($0.56)	**($1.54)**	($0.26)	($1.28)
EBITDA[(1)]	**$6.3**	$3.3	$3.0	**$5.3**	$4.8	$0.5
EBITDA margin - %	**8.4%**	7.4%	1.0%	**4.1%**	5.5%	(1.4)%
Adjusted EBITDA[(1)]	**$6.6**	$3.4	$3.2	**$5.8**	$5.0	$0.8
Adjusted EBITDA margin - %	**8.8%**	7.8%	1.0%	**4.5%**	5.6%	-1.1%
EBITDAR[(1)]	**$15.4**	$8.2	$7.2	**$23.4**	$13.9	$9.5
EBITDAR margin - %	**20.5%**	18.4%	2.1%	**18.1%**	15.8%	2.3%
Adjusted EBITDAR[(1)]	**$15.7**	$8.3	$7.4	**$23.9**	$14.0	$9.9
Adjusted EBITDAR margin - %	**20.9%**	18.7%	2.2%	**18.5%**	15.9%	2.6%
Adjusted free cash flow[(1)]	**$0.5**	($0.8)	$1.3	**($8.0)**	($3.9)	($4.1)
Operating statistics						
Operating days[(2)]	**50**	50	-	**99**	99	-
Average cargo revenue per operating day[(3)]	**$1.10**	$0.71	$0.39	**$1.02**	$0.69	$0.33
Block hours	**6,165**	3,273	2,892	**10,790**	6,854	3,936
Aircraft in operating fleet						
B727-200	**9**	9	-	**9**	9	-
B757-200	**5**	3	2	**5**	3	2
B767-200	**4**	3	1	**4**	3	1
B767-300	**6**	-	6	**6**	-	6
	24	15	9	**24**	15	9
Average Volumes per operating day (lbs.)	**1,129,456**	652,167	477,289	**1,882,812**	1,281,850	600,962
Average number of full-time equivalent employees	**655**	407	248	**655**	407	248

1. EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR and Adjusted free cash flow are non-GAAP financial measures and are not earning measures recognized by IFRS. Please refer to page 1 of this MD&A for detailed discussion.
2. Operating days refer to the Company's overnight air cargo network operations that run primarily on Monday to Thursday with a reduced network operating on Friday.
3. Average cargo revenue per operating day refers to total overnight, ACMI and charter revenues earned by the Company per operating day.

Corporate Overview

The Company is Canada's leading provider of time sensitive overnight air cargo services. Its main air cargo business is comprised of the following:

- Operating a domestic overnight air cargo co-load network between fourteen major Canadian cities;
- Providing dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance ("ACMI") basis, operating between points in Canada and the USA;
- Operating scheduled international routes for multiple cargo customers between the USA and Bermuda; and
- Providing specialty charter service across North America, to the Caribbean and to Europe.

The Company operates its business across North America transporting time sensitive air cargo each business night utilizing its fleet of all-cargo aircraft. The Company's domestic overnight air cargo co-load network consolidates cargo received from customers and transports such cargo to the appropriate destination in a timely and safe manner. The Company continually monitors key performance indicators and uses this information to reduce costs and improve the efficiency of its services.

Fleet Overview

The Company initiated a fleet expansion program early in 2014 to replace four of its Boeing 727-200 ("B727") aircraft with Boeing 757-200ER ("B757") aircraft due to increased customer demand on its core overnight network. The fleet was further expanded with Boeing 767-200ER ("B767-200") and Boeing 767-300ER ("B767-300") aircraft to provide the required cargo capacity to the CPGOC.

See Caution Concerning Forward Looking Statements, page 4

The table below sets forth the Company's operating fleet as at December 31, 2013, 2014 and as at June 30, 2015 as well as the Company's planned operating fleet as at December 31, 2015:

Type of Freighter Aircraft	Leased or Owned	Average Age	Number of Aircraft in Service				Maximum Payload (lbs.)	Range (miles)
			Actual			Plan		
			2013	2014	June 30, 2015	Remainder of 2015		
B767-300[(1) (2)]	Finance Lease	21	-	3	5	5	125,000	6,000
B767-300[(2)]	Owned	21	-	-	1	3	125,000	6,000
B767-200[(3)]	Operating Lease	30	2	5	4	3	100,000	5,000
B757-200[(4)]	Owned	27	-	1	2	2	80,000	3,900
B757-200[(5)]	Operating Lease	25	1	3	3	3	80,000	3,900
B727-200[(6)]	Owned	35	11	9	9	7	60,000	1,800
Challenger 601[(7)]	Owned	28	-	-	-	4	6,000	3,300
Total Aircraft			14	21	24	26		

1. During 2015, Cargojet took delivery of one B767-300 aircraft in January, 2015 under finance lease. Cargojet also took delivery of one B767-300 aircraft in March, 2015 under an operating lease with a term of six years and a purchase option in favour of Cargojet to purchase the aircraft after three years at a pre-determined price and was classified as finance lease.
2. In 2014, Cargojet entered into an agreement to purchase four converted B767-300 aircraft and took delivery of one aircraft under finance lease in 2014 and a second B767-300 aircraft in April 2015. The second aircraft was financed by a new loan facility. Cargojet is scheduled to take delivery of the two remaining aircraft in August and November, 2015. The financing of these two aircraft will be completed with a US based lender with whom the Company has secured a loan facility of up to USD $82.5 million.
3. In 2014, Cargojet assumed the lease of one B767-200 aircraft from a Canadian airline. This sublease expires in June 2018. In addition, two B767-200 aircraft were leased on a short term basis to meet the requirements of the MSA with CPGOC. As of the date of this MD&A, these short term leases have expired. Two other B767-200 aircraft are currently under long term operating leases that expire in Q1 of 2016.
4. In 2014, Cargojet purchased one previously leased B757-200 aircraft and purchased an additional B757-200 that underwent conversion from a passenger aircraft to freighter aircraft and became operational in early 2015.
5. In 2014, Cargojet leased two additional B757-200 aircraft and extended the lease of its existing B757-200 aircraft. The leases of the B757-200 aircraft expire respectively at the end of 2017, in 2020 and 2022.
6. Cargojet plans to take two B727-200 aircraft out of regular service in 2015.
7. In 2014, Cargojet purchased five Challenger 601 aircraft. Four of the five aircraft are in various stages of maintenance and modification and are expected to be operational in Q3. One aircraft is being held for parts only.

Recent Events

Purolator and Canada Post DACNS

See Caution Concerning Forward Looking Statements, page 4

In 2014, the Company was awarded the Domestic Air Cargo Network Services ("DACNS") contract and signed a Master Services Agreement ("MSA") with the Canada Post Group of Companies ("CPGOC") for an initial seven-year term with three thirty-six month renewal options held by the CPGOC. Based on the estimated volumes provided by the CPGOC in its tender documents and the prices quoted by the Company in the MSA, projected revenues are estimated to be approximately $1.0 billion dollars during the initial seven-year agreement.

The Company started providing preliminary services under the CPGOC contract in the middle of March 2015. The full services under the contract began on April 1, 2015. The Company provides comprehensive Canada-wide air cargo services for the CPGOC, including Purolator's national air cargo network. The Company's domestic overnight network has been expanded and enhanced significantly to handle the additional volumes and provide a virtual dedicated air cargo network to the CPGOC. To fulfill its obligations under the MSA, the Company has added B767-200 and B767-300 aircraft to its fleet and purchased additional ground support equipment, aircraft containers, maintenance tooling and other equipment. The Company has also hired and trained flight crews, maintenance personnel and other personnel. Cargojet describes these costs as "one-time CPGOC" costs in this MD&A. One-time CPGOC costs include the lease costs of aircraft that were acquired to meet the MSA capacity requirements and also the costs of heavy maintenance ("c-checks") for B727 aircraft that are required for services under the MSA, that have been replaced by B757 in the Company's current domestic overnight network. One-time CPGOC costs also include the salaries and training costs of all personnel hired specifically to meet the requirements of the MSA.

Acquisition of Property, plant and equipment

During the six month period ended June 30, 2015, the Company invested $135,104,822 (2014 – $85,731,286) on the acquisition of property, plant and equipment. Additions included the acquisition and modification of newly purchased/leased aircraft of $85,151,430 (2014 - $245,807), engines of $37,177,290 (2014 - $669,661), cross-dock facilities of $7,641,695 (2014 - $nil), rotable assets of $4,059,483 (2014 - $1,262,584), ground equipment of $5,766,012 (2014 - $6,208) and other property, plant and equipment of $12,731,347 (2014 - $83,647,076). As at June 30, 2015, assets of $17,913,770 (2014 - $80,140,633) are under development and accordingly, were classified as "property, plant and equipment under development" due to pending completion of the process to ready the assets for use.

Aircraft Finance Leases and Loans

In 2014, the Company entered into a Master Capital Lease Agreement ("MLA") and two aircraft loan agreements (the "Loan Agreements") with a Canadian equipment leasing and financing company. During the six month period ended June 30, 2015, the Company completed the fourth finance lease of a B767-300 aircraft under this MLA. The Company also secured loans with the same Canadian equipment leasing and financing company to refinance the acquisition of two B757 aircraft. As at the date of this MD&A the Company had combined liabilities of $120 million under the MLA and $25.5 million under the Loan Agreements. The Company is required to purchase the aircraft financed under the MLA at the end of the term of each lease at a predetermined price. The MLA and the Loan Agreements are subject to certain financial covenants. The Company was in compliance with all covenants as at June 30, 2015.

The amounts advanced under the MLA and the Loan Agreements were advanced in two tranches, A and B, with tranche A under the MLA being 84% of the amounts advanced thereunder and under the Loan Agreements being 91% of the amounts advanced thereunder and tranche B in each case being equal to the balance of the amounts advanced. The estimated effective interest rate in respect of the MLA and Loan Agreements ranges from 7.23% to 8.04%.

Under the MLA and the Loan Agreements, the Company is required to pay arrangement fees in an amount equal to 0.75% of the amounts advanced and additional fees equal to the positive difference between the price of a certain number of Cargojet shares on the TSX on the date of or immediately prior to the date of the MLA or the Loan Agreements as the case may be and the twenty day volume weighted average closing price for such share as of the date preceding the date on which the lessor demands the payment by a written notice, provided that such notice can only be given on a day after the first anniversary of the applicable agreement and before the fourth anniversary of such agreement. The additional fees have been accounted for as cash settled share based compensation option. The Company has also agreed to pay success fees in the amount equal to 1.5% of the amount advanced under the MLA and the Loan Agreements to an independent investment banking firm for its services towards completion of these transactions.

See Caution Concerning Forward Looking Statements, page 4

The Company also has a finance lease arrangement for a Boeing 767-300 aircraft that includes a bargain purchase option. The estimated effective interest rate for the lease facility availed during the period is 7.20%. The lease is expected to mature on the early exercisable date of the bargain purchase option in March 2018.

The Company executed a separate loan agreement on March 31, 2015 with a US based lender for USD $27.5 million to acquire a B767-300 aircraft. The loan matures in April 2022 and is secured by the aircraft and all its components and records. The funds under the loan were received on April 8, 2015. The estimated effective interest rate for this loan agreement is 8.17%.

See Caution Concerning Forward Looking Statements, page 4

During the quarter, the Company secured a loan facility of up to USD $82.5 million with a US based lender to acquire additional B767-300 aircraft. As of the date of this MD&A, the Company expects to utilize USD $55.0 million of the facility to acquire two B767-300 aircraft that will be delivered by the end of 2015. The loans will be secured by purchased aircraft and all of their components and records.

ACE Air Charter Inc. ("ACE")

On January 30, 2015, the Company acquired all of the outstanding shares of ACE, thus obtaining control. Cash consideration paid for the acquisition in the first quarter was $1,000,000. The Company determined that the transaction represented a business combination with Company being identified as an acquirer. The Company accounted for the combination under the acquisition method as per International Financial Reporting Standards ("IFRS").

The Company acquired intangibles assets comprised of an air operator certificate and certain licenses. The Company recognized goodwill on this acquisition because of the recognition of a deferred tax liability for the difference between the assigned values and the tax base of the licenses acquired. The Company's purchase price allocation for the acquisition is as follows:

	$
Goodwill	265,000
License	1,000,000
Deferred tax liability	(265,000)
Consideration paid	1,000,000

The purchase price allocation is preliminary and based on the Company's management's best estimates. The final purchase price allocation is subject to adjustment pending compilation of additional information related to the transaction.

Share Based Compensation

In 2014, the Company adopted a restricted share unit ("RSU") plan and a stock option plan as part of its long term incentive plan.

During the six month period ended June 30, 2015, in accordance with the plan, the Company granted 147,150 RSUs (six month period ended June 30, 2014 – nil) to certain key executives. Each RSU granted to key executives was equal to one common share. Each RSU had an average value of $26.83 calculated as the volume weighted average closing price of the common voting shares of the Company for the five trading days prior to the grant date. A total of 38,488 RSUs vested immediately. For the six month period ended June 30, 2015, the Company recorded share based compensation expense of $1,048,382 with respect to the vested RSUs. Of the remaining 108,662 RSUs granted, 47,332 will vest in each of the first quarters of 2016 and 2017 and 13,998 RSUs will vest in the first quarter of 2018. Share based compensation expense of $177,339 related to unvested RSUs is included in the condensed consolidated interim statement of loss for the three and six month period ended June 30, 2015. Unrecognized share based compensation expense as at June 30, 2015 related to these RSUs was $2,721,794 (June 30, 2014 – $nil) and will be amortized on a prorated basis in the consolidated statement of income or loss over the vesting period.

During the six month period ended June 30, 2015, the Company also granted 6,701 RSUs to non-employee directors. Each RSU granted to non-employee directors was equal to one common share and had an average value of $27.38 per RSU calculated as the volume weighted average closing price of the common voting shares of the Company for the five trading days prior to the grant dates. The value of RSUs granted to non-employee directors was determined by reference to the market value for similar services. All 6,701 RSUs vested immediately. For the six month period ended June 30, 2015, the Company recorded share based compensation expense of $183,054 with respect to the vested RSUs.

During the six month period ended on June 30, 2015, the Company granted 172,399 stock options at an average exercise price of $25.46 which had a fair value of $858,547 or $4.98 for each option (six month period ended June 30, 2014 - $nil). Each share option granted can be converted to one common share at the exercised price. The exercise price was calculated as the volume weighted average closing price of the common voting shares of the Company for the five trading days prior to the grant date. The options were valued using the Black Scholes option valuation model.

Inputs into the Black Scholes option valuation model were as follows:

Grant date share price	$25.27
Exercise price	$25.46
Expected volatility	22.6%
Option life	5 years
Dividend yield	2.4%
Risk free rate	0.94%

Stock options have a five-year term and vest in each of the first quarters of 2016, 2017 and 2018. Each stock option is exercisable into one common share of the Company at the exercise price specified in the terms of the option agreement. The option based compensation expense will be amortized on a prorated basis in the consolidated statement of income or loss over the vesting period. The Company recognized an expense of $24,505 (June 30, 2014 – $nil) in respect of the amortization of options over the vesting period. The unrecognized value as at June 30, 2015 related to these options was $834,042 (June 30, 2014 – $nil) and will be amortized on a prorated basis in the consolidated statement of income or loss over the vesting period.

Revenues

The Company’s revenues are primarily generated from its overnight air cargo service between fourteen major Canadian cities each business night. Customers pre-purchase a guaranteed space and weight allocation on the Company’s network and a corresponding guaranteed daily revenue amount is paid to the Company for this space and weight allocation. Remaining capacity is sold on an *adhoc* basis to contract and non-contract customers. Although a significant portion of overnight revenues are fixed due to guaranteed customer allocations, Cargojet’s revenues will generally rise and fall with the overall level of customer volume typically expressed in pounds.

Revenues and shipping volumes from the Company’s overnight air cargo service are seasonal. Customer demand is highest in the fourth quarter of each year due primarily to the increase in retail activity during the holiday season in December. In comparison, the first quarter of each year is typically lower than the other quarters due to the decline in retail activity immediately following the peak demand in December.

The Company's overnight air cargo service operates primarily on Monday to Thursday with a reduced network operating on Friday and on certain weekdays that are adjacent to certain statutory holidays. The Company defines the term "operating day" to refer to the days on which the full overnight air cargo network is in operations. Typically, each fiscal year will have between 197 and 199 operating days depending on the timing of certain statutory holidays and leap years. The variance in number of operating days between quarters and year over year will have an impact on comparative quarterly revenues.

The Company also generates revenue from a variety of other air cargo services:

The Company provides domestic air cargo services for a number of international airlines between points in Canada that connect such airlines' gateways to Canada. This helps to support lower demand legs and provides a revenue opportunity with little or no incremental cost, as the flights are operating on regular schedules.

The Company provides dedicated aircraft to customers on an *adhoc* and scheduled basis typically in the daytime and on weekends. *Adhoc* flights are sold under a one-time agreement while scheduled flights are sold under longer term agreements. The *adhoc* charter business targets livestock shipments, military equipment, emergency relief supplies and virtually any large shipment requiring immediate delivery across North America, to the Caribbean and to Europe. Scheduled charter business provides dedicated aircraft for recurring flights as required by the customer. *Adhoc* and scheduled flights are sold either on an "all in" basis or on an ACMI basis:

- Under an all in *adhoc* or scheduled charter agreement, the customer will pay a single, all inclusive fixed amount per flight. All costs of the flight including fuel, navigation fees and landing fees are borne by the Company and recognized in its financial statements as direct expenses.

- Under an ACMI *adhoc* or scheduled charter agreement, the customer is responsible for all commercial activities and the Company is paid a fixed amount to operate the flight priced as a rate per block hour (see definition of "block hours" in Expenses on page 14). Variable flight costs such as fuel, navigation fees and landing fees are borne by the customer.

- The Company operates an international route between Newark, New Jersey, USA and Hamilton, Bermuda. This provides a five-day per week air cargo service for multiple customers and is patterned after the domestic business that Cargojet has built in Canada. Customer contracts contain minimum daily revenue guarantees and the ability to pass through increases in fuel costs.

Expenses

Direct expenses consist of fixed and variable expenses that are largely driven by the size of the Company's aircraft fleet and the volume of flight activity required by the level of customer demand. Fixed costs include aircraft lease costs, building lease costs, salaries for full-time employees in maintenance, flight operations, and commercial operations, depreciation and amortization, and insurance. Variable costs that are directly related to the volume of flight activity include fuel expense, navigation fees, landing fees and variable aircraft lease reserves related to engines, auxiliary power units, and landing gear.

Flight activity is measured in "block time" and is expressed in "block hours". Block time represents the total duration of a flight from the time the aircraft releases its brakes when it initially moves from the airport parking area prior to flight, to the time the brakes are set when it arrives at the airport parking area after the completion of the flight.

Administrative expenses are primarily costs associated with executive and corporate management and the overhead of the Company's business that include functions such as load scheduling, flight operations coordination, aircraft maintenance planning and engineering, client relations, administration, accounting, human resources and information systems. Administrative expenses include management bonuses, legal, audit and other consulting fees, bank charges, and data and communication expenses.

Results of Operations and Supplementary Financial Information
(in thousands)

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2015	2014	**2015**	2014
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$	$	$	$
Revenue	**75,224**	44,335	**129,303**	88,051
Direct expenses	**67,895**	39,143	**121,001**	79,023
	7,329	5,192	**8,302**	9,028
General and administrative	**8,206**	4,607	**15,341**	9,584
Sales and marketing	**322**	171	**637**	291
Finance costs	**5,870**	1,413	**10,093**	2,106
Finance income	**(9)**	(57)	**(31)**	(83)
Other losses	**800**	-	**1,335**	-
	15,188	6,135	**27,375**	11,899
Loss before income taxes	**(7,860)**	(943)	**(19,073)**	(2,871)
Recovery of income taxes				
Deferred	**(1,772)**	(253)	**(4,688)**	(606)
	(1,772)	(253)	**(4,688)**	(606)
Net loss	**(6,088)**	(689)	**(14,385)**	(2,265)
Loss per share				
Basic	**(0.64)**	(0.08)	**(1.54)**	(0.26)
Diluted	**(0.64)**	(0.08)	**(1.54)**	(0.26)
Average number of shares - basic (in thousands of shares)(1)	**9,482**	8,949	**9,354**	8,634
Average number of shares - diluted (in thousands of shares)(1)	**9,482**	8,949	**9,354**	8,634

1 Average number of shares includes treasury shares.

Summary of Most Recently Completed Consolidated Quarterly Results

	Three Month Periods Ended							
	June 30 2015 (unaudited)	March 31 2015 (unaudited)	December 31 2014 (unaudited)	September 30 2014 (unaudited)	June 30 2014 (unaudited)	March 31 2014 (unaudited)	December 31 2013 (unaudited)	September 30 2013 (unaudited)
Revenue (in thousands)	$ 75,224	$ 54,078	$ 57,120	$ 47,227	$ 44,335	$ 43,716	$ 48,519	$ 43,416
Net (loss) income from continuing operations (in thousands)	$ (6,088)	$ (8,298)	$ (4,984)	$ (2,276)	$ (689)	$ (1,575)	$ 2,394	$ 225
(Loss) earnings per Share								
From continuing operations								
- Basic	$ (0.64)	$ (0.90)	$ (0.54)	$ (0.25)	$ (0.08)	$ (0.19)	$ 0.30	$ 0.03
- Diluted	$ (0.64)	$ (0.90)	$ (0.54)	$ (0.25)	$ (0.08)	$ (0.19)	$ 0.27	$ 0.03
Average number of shares - basic (in thousands of shares)[1]	9,482	9,224	9,150	9,090	8,951	8,314	7,993	7,993
Average number of shares - diluted (in thousands of shares)[1]	9,482	9,224	9,150	9,090	8,951	8,314	10,440	7,993

1 Average number of shares includes treasury shares.

Calculation of EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR, Standardized Free Cash Flow and Adjusted Free Cash Flow

(in thousands)

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2015	2014	**2015**	2014
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	$	$	**$**	$
Calculation of EBITDA and Adjusted EBITDA				
Net loss	**(6,088)**	(689)	**(14,385)**	(2,265)
Add:				
Interest	**5,861**	1,356	**10,062**	2,023
Recovery of deferred income taxes	**(1,772)**	(253)	**(4,688)**	(606)
Depreciation and amortization of property, plant and equipment	**8,295**	2,858	**14,321**	5,673
EBITDA	**6,297**	3,271	**5,310**	4,825
Add:				
Gain on disposal of property, plant and equipment	**(419)**	-	**(471)**	-
Unrealized foreign exchange gain	**(483)**	168	**(810)**	135
Unrealized loss on forward foreign exchange contracts	**1,117**	-	**1,810**	-
Change in fair value on cash settled share based payment arrangement	**102**	-	**(4)**	-
Adjusted EBITDA(1)	**6,614**	3,439	**5,835**	4,960
Calculation of EBITDAR and Adjusted EBITDAR				
EBITDA	**6,297**	3,271	**5,310**	4,825
Aircraft rent	**9,111**	4,894	**18,071**	9,084
EBITDAR(2)	**15,408**	8,165	**23,381**	13,909
Add:				
Gain on disposal of property, plant and equipment	**(419)**	-	**(471)**	-
Unrealized foreign exchange gain	**(483)**	168	**(810)**	135
Unrealized loss on forward foreign exchange contracts	**1,117**	-	**1,810**	-
Change in fair value on cash settled share based payment arrangement	**102**	-	**(4)**	-
Adjusted EBITDAR(2)	**15,725**	8,333	**23,906**	14,044
Calculation of Standardized Free Cash Flow and Adjusted Free Cash Flow				
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**7,516**	3,428	**(859)**	(3,447)
Less: Maintenance capital expenditures(3)(1)	**(2,834)**	(3,004)	**(7,449)**	(5,160)
Add: Proceeds from disposal of property, plant and equipment	**55**	-	**107**	-
Standardized free cash flow	**4,737**	424	**(8,201)**	(8,607)
Less: Changes in non-cash working capital items and deposits	**(4,279)**	(1,189)	**193**	4,745
Adjusted free cash flow	**458**	(765)	**(8,008)**	(3,862)

1. As of January 1, 2015, the Company excluded heavy maintenance expenditures and deposits from the calculation of adjusted EBITDA. Heavy maintenance expenditures and deposits of $3,691,369 (June 30, 2014 - $1,346,024) are classified as maintenance capital expenditures.
2. As of January 1, 2015, the Company reported EBITDAR and adjusted EBITDAR that are non-IFRS measurements used in airline industry to enable the comparison of results by excluding amounts due to the differences in the method of financing aircraft.
3. Refer to the definition of maintenance capital expenditure in End Note (E).

Review of Operations for the Three Month Periods ended June 30, 2015 and 2014
NET INCOME FOR THE THREE MONTH PERIODS ENDED JUNE 30, 2015 AND 2014
Canadian dollars in million, except per share figures)

	Q2		CHANGE	
	2015	2014	**$**	**%**
	(unaudited)	(unaudited)		
	$	$		
Core Overnight Revenues	**49.0**	30.9	18.1	58.7%
ACMI Revenue	**2.6**	1.6	1.0	61.3%
All-in Charter Revenue	**3.5**	2.8	0.7	23.7%
Total overnight, ACMI and charter revenues	**55.1**	35.3	19.8	56.1%
Total Revenue - FBO	**0.1**	0.2	(0.1)	-50.0%
Total fuel and other cost pass through	**19.5**	8.3	11.2	135.4%
Fuel surcharge and other passthrough revenue	**19.6**	8.5	11.1	131.1%
Lease and other revenue	**0.5**	0.5	-	-
Total revenue	**75.2**	44.3	30.9	69.6%
Operating Days	**50.0**	50.0	-	-
Average cargo revenue per operating day	**1.10**	0.71	0.39	55.8%
Direct expenses				
Fuel Costs	**19.9**	14.6	5.3	36.4%
Depreciation	**6.4**	1.6	4.8	291.5%
Aircraft Cost	**10.2**	5.8	4.4	76.1%
Heavy Maintenance Amortization	**1.6**	1.0	0.6	59.2%
Maintenance Cost	**5.2**	2.9	2.3	80.1%
Crew Costs	**5.8**	3.5	2.4	68.3%
Commercial and Other Costs	**18.7**	9.7	9.0	92.8%
Total direct expenses	**67.9**	39.1	28.8	73.6%
Gross margin	**7.3**	5.2	2.1	39.3%
SG&A & Marketing				
Sales Costs	**0.3**	0.2	0.1	50.0%
General and Administrative Costs	**8.0**	4.4	3.6	81.8%
Depreciation	**0.2**	0.2	-	-
Total SG&A Marketing expenses	**8.5**	4.8	3.7	77.1%
Other SG&A				
Other losses	**0.8**	-	0.8	
Finance costs	**5.9**	1.5	4.4	
Finance income	**-**	0.1	(0.1)	
Total other SG&A	**6.7**	1.5	5.2	
LOSS BEFORE INCOME TAXES	**(7.9)**	(1.1)	(6.8)	
Income Taxes	**(1.8)**	(0.3)	(1.5)	
Net loss	**(6.1)**	(0.8)	(5.3)	
loss per share - $ CAD				
Basic	**(0.64)**	(0.08)		
Diluted	**(0.64)**	(0.08)		

Highlights for the Three Month Periods ended June 30, 2015 and 2014

- Total revenue for the three month period ended June 30, 2015 was $75.2 million as compared to $44.3 million for the same period in 2014, representing an increase of $30.9 million or 69.6%.

- Average cargo revenue excluding fuel surcharges and other cost pass-through revenues for the three month period ended June 30, 2015 was $1.10 million per operating day as compared to $0.71 million for the same period in 2014, representing an increase of $0.39 million or 55.8%.

- Adjusted EBITDA for the three month period ended June 30, 2015 was $6.6 million as compared to $3.4 million for the same period in 2014, an increase of $3.2 million or 94.1%.

- Adjusted EBITDAR for the three month period ended June 30, 2015 was $15.7 million as compared to $8.3 million for the same period in 2014, an increase of $7.4 million or 89.2%.

- Adjusted free cash flow was an inflow of $0.5 million for the three month period ended June 30, 2015 as compared to an outflow of $0.8 million for the same period in 2014.

Revenue

Total revenue for the three month period ended June 30, 2015 was $75.2 million, as compared to $44.3 million for the same period in 2014, representing an increase of $30.9 million or 69.6%. The increase in total revenue was due primarily to the $18.1 increase in core overnight revenues, $0.7 million increase in all-in charter, $1.0 million increase in ACMI revenues and $11.1 million increase in fuel surcharge and other cost pass through revenues.

Revenue related to the core overnight business excluding fuel surcharges and other cost pass-through revenues for the three month period ended June 30, 2015 was $49.0 million as compared to $30.9 million for the same period in 2014, an increase of $18.1 million or 58.7%. The increase was primarily due to the 73.2% increase in volumes from the new CPGOC contract and other existing customers. The full services under the CPGOC contract began on April 1, 2015. The increase in shipping volumes during the period and the price increases implemented in 2014 resulted in a 55.8% increase in revenue per operating day.

ACMI scheduled and adhoc charter revenue for the three month period ended June 30, 2015 was $2.6 million, as compared to $1.6 million for the same period in 2014, an increase of $1.0 million or 61.3%. The increase of $1.5 million was due to additional ACMI block hours flown to Northern Canada and to Europe. Adhoc ACMI revenues decreased by $0.5 million due to lower customer demand.

All-in scheduled and adhoc charter revenue for the three month period ended June 30, 2015 was $3.5 million as compared to $2.8 million for the same period in 2014, an increase of $0.7 million or 23.7%. The increase in all-in charter revenue was due to Cargojet's higher fleet capacity and continued strong charter demand.

Fuel surcharges and other cost pass-through revenues were $19.6 million for the three month period ended June 30, 2015 as compared to $8.5 million for the same period in 2014. During the quarter, fuel surcharges increased due to an increase in shipping volumes from the new CPGOC contract and the existing customers which increased revenues that attracted fuel surcharges. The increase in fuel surcharges was partially offset by the 24.8% decline in fuel prices. Fuel surcharges and other cost pass-through revenues include fuel sales to third parties of $0.1 million for the six month period ended June 30, 2015 as compared to $0.2 million for the same period in 2014.

Other revenues consist primarily of hangar rental revenues, maintenance revenues for aircraft line maintenance provided to other airlines, and revenues related to the lease of regional aircraft. Other revenues of $0.5 million remained same for the three month period ended June 30, 2015 and 2014.

Direct Expenses

Total direct expenses were $67.9 million for the three month period ended June 30, 2015 as compared to $39.1 million for the six month period ended June 30, 2014. As a percentage of revenue, direct expenses increased from 88.2% in 2014 to 90.3% for the same period in 2015. The overall increase in direct expenses was due primarily to a $5.3 million increase in fuel costs, a $2.3 million increase in maintenance costs, a $4.4 million increase in aircraft costs, a $2.4 million increase in crew costs, a $4.8 million increase in depreciation, a $0.6 million increase in heavy maintenance amortization and a $9.0 million increase in commercial costs. For the three month period ended June 30, 2015 direct expenses included $4.3 million of one-time startup costs related to the CPGOC contract as compared to $2.2 million for the same period in 2014.

Fuel costs were $19.9 million for the three month period ended June 30, 2015 as compared to $14.6 million for the same period in 2014. The $5.3 million or 36.4% increase in fuel costs was due primarily to a 88.5% increase in block hours due to the start of full CPGOC services from April 1, 2015. The increase in fuel costs were partially offset by the 24.8% decline in fuel prices and replacement of 4 B727 aircraft with 4 B757 aircraft on the overnight network. The B757 aircraft are significantly more fuel efficient than the B727 aircraft. Any changes in fuel cost experienced by the Company due to changes in fuel prices are passed on to customers as an increase or decrease in their fuel surcharges.

Depreciation expense was $6.4 million for the three month period ended June 30, 2015 as compared to $1.6 million for the same period in 2014. The $4.8 million or 291.5% increase in depreciation expenses was due primarily to the addition of new B767 and B757 aircraft.

Aircraft costs were $10.2 million for the three month period ended June 30, 2015 as compared to $5.8 million in 2014, representing an increase of $4.4 million or 76.1%. The increase was due primarily to higher lease costs of $3.1 million related to the expansion of the B757 and B767 fleet, an increase of $1.1 million in the variable lease reserve costs due to the increase in block hours flown using leased B767 and B757 aircraft and the effect of variances in the US Dollar exchange rate. For the three month period ended June 30, 2015 aircraft costs included $3.9 million of one-time startup costs related to the CPGOC contract as compared to $0.1 million for the same period in 2014. All operating aircraft leases are paid in US Dollars.

Heavy maintenance amortization costs were $1.6 million for the three month period ended June 30, 2015 as compared to $1.0 million for the same period in 2014, representing an increase of $0.6 million or 59.2%. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized over a period of 24 months until the next scheduled heavy maintenance.

Maintenance costs were $5.2 million for the three month period ended June 30, 2015 as compared to $2.9 million in 2014, representing an increase of $2.3 million or 80.1%. $1.6 million of the increase was due primarily to the expansion of the fleet and higher block hours. $0.7 million of the increase was due to the additional hiring of maintenance personnel. For the three month period ended June 30, 2015 maintenance costs included $nil of one-time startup costs related to the CPGOC contract as compared to $0.1 million for the same period in 2014.

Total crew costs including salaries, training and positioning were $5.8 million for the three month period ended June 30, 2015 as compared to $3.5 million in 2014, representing an increase of $2.4 million or 68.3%. This increase was due primarily to additional crew, training and positioning costs required by the expanded overnight network. For the three month period ended June 30, 2015 crew costs included $0.4 million of one-time startup costs related to the CPGOC contract as compared to $0.8 million for the same period in 2014.

Commercial and other direct operating costs were $18.7 million for the three month period ended June 30, 2015 as compared to $9.7 million for the same period in 2014, representing an increase of $9.0 million or 92.8%. $1.3 million of the increase was due primarily to the hiring of new staff. $7.7 million of the increase was due primarily to the higher navigation costs due to higher block hours, landing charges and ground handling costs due to increased number of flights and the higher utilization of wide body aircraft for CPGOC contract and higher aircraft insurance costs due to B767 and B757 fleet expansion. For the three month period ended June 30, 2015 commercial costs included $nil of one-time startup costs related to the CPGOC contract as compared to $0.1 million for the same period in 2014.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the three month period ended June 30, 2015 were $8.5 million as compared to $4.8 million for the same period in 2014, representing an increase of $3.7 million or 77.1%. The increase in SG&A was due primarily to the cost of additional staff related to the new CPGOC contract of $1.4 million, share based bonuses of $1.6 million and increases in data and communications costs, sales expenditures and marketing costs. For the three month period ended June 30, 2015 SG&A expenses included $nil of one-time startup costs related to the CPGOC contract as compared to $0.1 million for the same period in 2014.

Adjusted EBITDA

Adjusted EBITDA for the three month period ended June 30, 2015 was $6.6 million as compared to $3.4 million for the same period in 2014. The increase in Adjusted EBITDA of $3.2 million or 94.1% was due primarily to the following:

- Increase in core overnight revenues and fuel surcharges due to the full service startup of the CPGOC contract on April 1st , 2015 partially offset by:
- Higher operating costs due to higher block hours and increase in fleet size required by the CPGOC contract
- The effect of exchange fluctuations on net USD denominated expenditures,
- The increase in the CPGOC startup costs related to aircraft leases and crew training

Adjusted EBITDAR

Adjusted EBITDAR for the three month period ended June 30, 2015 was $15.7 million as compared to $8.3 million for the same period in 2014, representing an increase of $7.4 million or 89.2%. The increase in adjusted EBITDAR during the period was due primarily to changes in Adjusted EBITDA and the new B767 and B757 aircraft leases executed by the Company in 2014.

Net Finance Costs

Net finance costs were $5.9 million for the three month period ended June 30, 2015 as compared to $1.4 million for the same period in 2014. During the quarter, the Company capitalized $0.4 million of interest costs relating to funds borrowed specifically or generally to acquire and/or modify certain assets. The capitalization rate used to determine the amount of interest costs eligible for capitalization was equal to the effective interest rate applicable to the specific borrowings, ranging from 7.23% to 8.77%.

Current Income Taxes

The provision for current income taxes for the three month period ended June 30, 2015 was $nil and remained same for the same period in 2014.

Deferred Income Taxes

The deferred income taxes recognized for the three month period ended June 30, 2015 was a recovery of $1.8 million as compared to a recovery of $0.3 million for the same period in 2014. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

Adjusted Free Cash Flow

Adjusted free cash flow was an inflow of $0.5 million for the three month period ended June 30, 2015, as compared to an outflow of $0.8 million for the same period in 2014, representing an increase of $1.3 million. The increase in adjusted free cash flow was due primarily to the increase in adjusted EBITDA, changes in non-cash working capital items and deposits and lower maintenance capital expenditures.

Dividends

Total dividends declared for the three month period ended June 30, 2015 were $1,425,692 or $0.1491 per share. In comparison, total dividends declared for the three month period ended June 30, 2014 were $1,353,796 or $0.1491 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		**$**	**$**
March 20, 2015	April 03, 2015	-	9,453,907	0.1491	1,409,579
June 19, 2015	July 03, 2015	1,425,692	9,561,988	0.1491	-
		1,425,692	-	-	1,409,579

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		**$**	**$**
March 20, 2014	April 04, 2014	-	8,844,639	0.1491	1,318,736
June 20, 2014	July 03, 2014	1,353,796	9,079,785	0.1491	-
		1,353,796	-	-	1,318,736

Liquidity and Capital Resources

Cash generated by operating activities after net changes in non-cash working capital balances for the three month period ended June 30, 2015 was $7.5 million as compared to cash used in operating activities of $3.4 million for the same period in 2014. The $4.1 million increase in cash was due primarily to the increase in revenue activities and the change in non-cash working capital items and deposits.

Cash generated by financing activities during the three month period ended June 30, 2015 was $36.8 million and was comprised of net proceeds from borrowings of $41.5 million partially offset by the repayment of obligations under finance lease of $3.3 million and dividends paid to shareholders of $1.4 million.

Cash used in investing activities during the three month period ended June 30, 2015 was $44.5 million and was primarily comprised of property, plant and equipment additions.

Capital Expenditures

The property, plant and equipment additions of $44.5 million in the current period were primarily comprised of additions to aircraft, engines, hangar and cross-dock facilities, ground equipment, heavy maintenance and other equipment.

Review of Operations for the Six Month Periods ended June 30, 2015 and 2014
NET INCOME FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014
Canadian dollars in million, except per share figures)

	YTD		CHANGE	
	2015	2014	**$**	**%**
	(unaudited)	(unaudited)		
	$	$		
Core Overnight Revenues	**87.6**	60.0	27.6	46.0%
ACMI Revenue	**5.9**	3.2	2.7	83.9%
All-in Charter Revenue	**7.4**	5.6	1.8	32.2%
Total overnight, ACMI and charter revenues	**100.9**	68.7	32.1	46.7%
Total Revenue - FBO	**0.2**	0.8	(0.6)	(75.0)%
Total fuel and other cost pass through	**27.3**	17.6	9.7	55.1%
Fuel surcharge and other passthrough revenue	**27.5**	18.4	9.1	49.4%
Lease and other revenue	**0.9**	0.9	-	0.0%
Total revenue	**129.3**	88.1	41.2	46.8%
Operating Days	**99**	99	-	-
Average cargo revenue per operating day	**1.02**	0.69	0.33	47.8%
Direct expenses				
Fuel Costs	**32.4**	30.8	1.6	5.3%
Depreciation	**10.9**	3.2	7.7	238.4%
Aircraft Cost	**19.4**	10.2	9.2	90.3%
Heavy Maintenance Amortization	**3.0**	2.1	0.9	40.5%
Maintenance Cost	**10.8**	5.8	5.0	87.2%
Crew Costs	**10.7**	6.4	4.3	66.5%
Commercial and Other Costs	**33.8**	20.5	13.3	65.0%
Total direct expenses	**121.0**	79.0	42.0	53.2%
Gross margin	**8.3**	9.1	(0.8)	(9.4)%
SG&A & Marketing				
Sales Costs	**0.7**	0.3	0.4	137.9%
General and Administrative Costs	**14.9**	9.4	5.5	58.7%
Depreciation	**0.4**	0.3	0.1	46.7%
Total SG&A Marketing expenses	**16.0**	10.0	6.0	60.0%
Other SG&A				
Other losses	**1.3**	-	1.3	
Finance costs	**10.1**	2.1	8.0	
Finance income	**-**	(0.1)	0.1	
Total other SG&A	**11.4**	2.0	9.4	
LOSS BEFORE INCOME TAXES	**(19.1)**	(2.9)	(16.2)	
Income Taxes	**(4.7)**	(0.6)	(4.1)	
Net loss	**(14.4)**	(2.3)	(12.1)	
loss per share - $ CAD				
Basic	**(1.54)**	(0.26)		
Diluted	**(1.54)**	(0.26)		

Highlights for the Six Month Periods ended June 30, 2015 and 2014

- Total revenue for the six month period ended June 30, 2015 was $129.3 million as compared to $88.1 million for the same period in 2014, representing an increase of $41.2 million or 46.8%.

- Average cargo revenue excluding fuel surcharges and other cost pass-through revenues for the six month period ended June 30, 2015 was $1.02 million per operating day as compared to $0.69 million for the same period in 2014, representing an increase of $0.33 million per operating day or 47.8%.

- Adjusted EBITDA for the six month period ended June 30, 2015 was $5.8 million as compared to $5.0 million for the same period in 2014, an increase of $0.8 million or 16.0%.

- Adjusted EBITDAR for the six month period ended June 30, 2015 was $23.9 million as compared to $14.0 million for the same period in 2014, an increase of $9.9 million or 70.7%.

- Adjusted free cash flow was an outflow of $8.0 million for the six month period ended June 30, 2015 as compared to an outflow of $3.9 million for the same period in 2014.

Revenue

Total revenue for the six month period ended June 30, 2015 was $129.3 million, as compared to $88.1 million for the same period in 2014, representing an increase of $41.2 million or 46.8%. The increase in total revenue was due primarily to the $27.6 increase in core overnight revenues, $1.8 million increase in all-in charter revenues, $2.7 million increase in ACMI revenues and $9.1 million increase in fuel surcharge and other cost pass through revenues.

Revenue related to the core overnight business excluding fuel surcharges and other cost pass-through revenues for the six month period ended June 30, 2015 was $87.6 million as compared to $60.0 million for the same period in 2014, an increase of $27.6 million or 46.0%. The increase was primarily due to the 46.9% increase in volumes from the new CPGOC contract and other existing customers. The full services under the CPGOC contract began on April 1, 2015. The increase in shipping volumes in 2015 and the price increases implemented in 2014 resulted in a 47.8% increase in revenue per operating day.

ACMI scheduled and adhoc charter revenue for the six month period ended June 30, 2015 was $5.9 million, as compared to $3.2 million for the same period in 2014, an increase of $2.7 million or 83.9%. The increase of $3.0 million was due to additional ACMI block hours flown to Northern Canada and to Europe. Adhoc ACMI revenues decreased by $0.3 million due to lower customer demand.

All-in scheduled and adhoc charter revenue for the six month period ended June 30, 2015 was $7.4 million as compared to $5.6 million for the same period in 2014, an increase of $1.8 million or 32.2%. The increase in all-in charter revenue was due to Cargojet's higher fleet capacity and continued strong charter demand.

Fuel surcharges and other cost pass-through revenues were $27.5 million for the six month period ended June 30, 2015 as compared to $18.4 million for the same period in 2014. During the quarter, fuel surcharges increased due to an increase in shipping volumes from the new CPGOC contract and the increase in shipping volumes and revenues that attracted fuel surcharges. The increase in fuel surcharges was partially offset by the 28.9% decline in fuel prices. Fuel surcharges and other cost pass-through revenues include fuel sales to third parties of $0.2 million for the six month period ended June 30, 2015 as compared to $0.8 million for the same period in 2014.

Other revenues consist primarily of hangar rental revenues, maintenance revenues for aircraft line maintenance provided to other airlines, and revenues related to the lease of regional aircraft. Other revenues for the six month period ended June 30, 2015 were $0.9 million and remained unchanged from 2014.

Direct Expenses

Total direct expenses were $121.0 million for the six month period ended June 30, 2015 as compared to $79.0 million for the six month period ended June 30, 2014. As a percentage of revenue, direct expenses increased from 89.7% in 2014 to 93.6% for the same period in 2015. The overall increase in direct expenses was due primarily to a $5.0 million increase in maintenance costs, a $9.2 million increase in aircraft costs, a $4.3 million increase in crew costs, a $7.7 million increase in depreciation, a $0.9 million increase in heavy maintenance amortization, a $13.3 million increase in commercial costs and a $1.6 million increase in fuel costs. For the six month period ended June 30, 2015 direct expenses included $11.5 million of one-time startup costs related to the CPGOC contract as compared to $1.3 million for the same period in 2014.

Fuel costs were $32.4 million for the six month period ended June 30, 2015 as compared to $30.8 million for the same period in 2014. The $1.6 million or 5.3% increase in fuel costs was due primarily to a 57.7% increase in block hours due to the start of full CPGOC services partially offset by the 28.9% decline in fuel prices and replacement of 4 B727 aircraft with 4 B757 aircraft on the overnight network. The B757 aircraft are significantly more fuel efficient than the B727 aircraft. Any changes in fuel cost experienced by the Company due to changes in fuel prices are passed on to customers as an increase or decrease in their fuel surcharges.

Depreciation expense was $10.9 million for the six month period ended June 30, 2015 as compared to $3.2 million for the same period in 2014. The $7.7 million or 238.4% increase in depreciation expenses was due primarily to the addition of new B767 and B757 aircraft.

Aircraft costs were $19.4 million for the six month period ended June 30, 2015 as compared to $10.2 million in 2014, representing an increase of $9.2 million or 90.3%. The increase in aircraft costs was due primarily to higher lease costs of $6.4 million related to the expansion of the B757 and B767 fleet, an increase of $2.5 million in the variable lease reserve costs due to the increase in block hours flown using leased B757 aircraft and the effect of variances in the US Dollar exchange rate. For the six month period ended June 30, 2015 aircraft costs included $ 7.7 million of one-time startup costs related to the CPGOC contract as compared to $0.1 million for the same period in 2014. All operating aircraft leases are paid in US Dollars.

Heavy maintenance amortization costs were $3.0 million for the six month period ended June 30, 2015 as compared to $2.1 million for the same period in 2014, representing an increase of $0.9 million or 40.5%. Heavy maintenance of aircraft occurs at regular and predetermined intervals and the costs related to these are deferred by the Company and amortized over a period of 24 months until the next scheduled heavy maintenance.

Maintenance costs were $10.8 million for the six month period ended June 30, 2015 as compared to $5.8 million in 2014, representing an increase of $5.0 million or 87.2%. $3.7 million of the increase was due primarily to the expansion of the fleet, higher block hours and an unscheduled aircraft repair cost. $1.3 million of the increase was due to the additional hiring of maintenance personnel. For the six month period ended June 30, 2015 maintenance costs included $ 0.6 million of one-time startup costs related to the CPGOC contract as compared to $0.1 million for the same period in 2014.

Total crew costs including salaries, training and positioning were $10.7 million for the six month period ended June 30, 2015 as compared to $6.4 million in 2014, representing an increase of $4.3 million or 66.5%. This increase was due primarily to additional crew, training and positioning costs required by the expanded overnight network. For the six month period ended June 30, 2015 crew costs included $ 1.9 million of one-time startup costs related to the CPGOC contract as compared to $1.0 million for the same period in 2014.

Commercial and other direct operating costs were $33.8 million for the six month period ended June 30, 2015 as compared to $20.5 million for the same period in 2014, representing an increase of $13.3 million or 65.0%. $1.9 million of the increase was due primarily to the hiring of new staff. $11.4 million of the increase was due primarily to the $4.2 million higher navigation costs due to additional block hours, $5.6 million higher landing costs, ground handling costs and deicing costs due to additional cycles and use of wide body aircraft, $1.1 million of ground handling and cartage costs and $0.5 million of aircraft insurance due to increase in fleet size. For the six month period ended June 30, 2015 commercial costs included $1.3 million of one-time startup costs related to the CPGOC contract as compared to $0.1 million for the same period in 2014.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the six month period ended June 30, 2015 were $16.0 million as compared to $10.0 million for the same period in 2014, representing an increase of $6.0 million or 60.0%. The increase in SG&A was due primarily to the cost of additional staff related to the new CPGOC contract and an increase in management salaries and allowances of $2.8 million, unrealized foreign exchange losses of $2.0 million on FX contracts due to rate fluctuations, $1.2 million increase in share based bonuses awarded during the period and $0.3 million increases in the cost of uniforms, data and communications, sales expenditures and marketing costs. For the six month period ended June 30, 2015 SG&A expenses included $0.9 million of one-time startup costs related to the CPGOC contract as compared to $0.3 million for the same period in 2014.

Adjusted EBITDA

Adjusted EBITDA for the six month period ended June 30, 2015 was $5.8 million as compared to $5.0 million for the same period in 2014. The increase in Adjusted EBITDA of $0.8 million or 16.0% was due primarily to the following:

- The increase in core overnight volumes of existing customers, the full service startup under the CPGOC contract on April 1st , 2015, an increase in ACMI revenues and higher charter activities and the increase in fuel surcharges due to higher block hours partially offset by:
- The higher operating costs due to higher block hours and increase in fleet size required by the CPGOC contract
- The effect of exchange fluctuations on net USD denominated expenditures, and
- The increase in CPGOC startup costs related to aircraft leases and additional payroll and training of crew, maintenance and commercial staff.

Adjusted EBITDAR

Adjusted EBITDAR for the six month period ended June 30, 2015 was $23.9 million as compared to $14.0 million for the same period in 2014, representing an increase of $9.9 million or 70.7%. The increase in adjusted EBITDAR during the period was due primarily to changes in Adjusted EBITDA and the new B767 and B757 aircraft leases executed by the Company in 2014.

Net Finance Costs

Net finance costs were $10.2 million for the six month period ended June 30, 2015 as compared to $2.0 million for the same period in 2014. During the year, the Company capitalized $1.2 million of interest costs relating to funds borrowed specifically or generally to acquire and/or modify certain assets. The capitalization rate used to determine the amount of interest costs eligible for capitalization was equal to the effective interest rate applicable to the specific borrowings, ranging from 7.23% to 8.77%.

Current Income Taxes

The provision for current income taxes for the six month period ended June 30, 2015 was $nil and remained same for the same period in 2014.

Deferred Income Taxes

The deferred income taxes recognized for the six month period ended June 30, 2015 was a recovery of $4.7 million as compared to a recovery of $0.6 million for the same period in 2014. Deferred taxes result from the change in temporary differences between the financial reporting and tax bases of certain balance sheet items for the period.

Adjusted Free Cash Flow

Adjusted free cash flow was an outflow of $8.0 million for the six month period ended June 30, 2015, as compared to an outflow of $3.9 million for the same period in 2014, representing a decrease of $4.1 million. The decrease in adjusted free cash flow was due primarily to changes in non-cash working capital items and deposits and higher maintenance capital expenditures partially offset by the increase in adjusted EBITDA.

Dividends

Total dividends declared for the six month period ended June 30, 2015 were $2,835,271 or $0.1491 per share. In comparison, total dividends declared for the six month period ended June 30, 2014 were $2,672,532 or $0.1491 per share.

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		**$**	**$**
December 19, 2014	January 03, 2015	-	9,174,427	0.1491	1,367,907
March 20, 2015	April 03, 2015	1,409,579	9,453,907	0.1491	1,409,579
June 19, 2015	July 03, 2015	1,425,692	9,561,988	0.1491	-
		2,835,271	-	-	2,777,486

Record Date	Date Dividends Paid/Payable	Declared	Number of Shares	Per Share	Paid
		$		**$**	**$**
December 20, 2013	January 06, 2014	-	7,993,416	0.1491	1,191,819
March 20, 2014	April 04, 2014	1,318,736	8,844,639	0.1491	1,318,736
June 20, 2014	July 03, 2014	1,353,796	9,079,785	0.1491	-
		2,672,532	-	-	2,510,555

Liquidity and Capital Resources

Cash used in operating activities after net changes in non-cash working capital balances for the six month period ended June 30, 2015 was $0.9 million as compared to cash used in operating activities of $3.4 million for the same period in 2014. The $2.5 million increase in cash was due primarily to the change in non-cash working capital items and deposits.

Cash generated by financing activities during the six month period ended June 30, 2015 was $69.5 million and was comprised of net proceeds from borrowings of $77.4 million partially offset by the repayment of obligations under finance lease of $5.1 million and dividends paid to shareholders of $2.8 million.

Cash used in investing activities during the six month period ended June 30, 2015 was $68.7 million and was primarily comprised of property, plant and equipment additions.

The Company has a revolving credit facility with a Canadian chartered bank. The credit facility is to a maximum of $60.0 million and bears interest at bank prime plus 1.50% on the utilized facility and standby fees of 0.69% on the unutilized facility position and is repayable on maturity, December 30, 2016. The credit facility is subject to customary terms and conditions for borrowers of this nature, including, for example, limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders. The credit facility is subject to the maintenance of certain financial covenants. The Company was in compliance with all covenants as at June 30, 2015.

The credit facility is secured by the following:

- general security agreement over all assets of the Company;

- guarantee and postponement of claim supported by a general security agreement constituting a first ranking security interest in all personal property of certain subsidiaries of the Company including a first ranking security interest in all present and future assets of Cargojet Airways Ltd. located in the province of Quebec; and
- assignment of insurance proceeds, payable to the bank.

As at the date of this MD&A, the Company has executed agreements to acquire eight B767-300 series aircraft and two B757 series aircraft. As at the date of this MD&A, the Company has taken delivery of five B767-300 series aircraft under finance lease arrangements, one B767-300 series aircraft under a loan arrangement and two B757 series aircraft under loan arrangements. The Company has firm commitments for the delivery of two additional B767-300 series aircraft in 2015 as follows:

- Q3 2015, one B767-300 series aircraft
- Q4 2015, one B767-300 series aircraft

Note: See Caution Concerning Forward Looking Statements, page 2
The total value of these two B767-300 series aircraft is approximately $70 million. The Company has secured a loan facility of up to USD $82.5 million with a US based lender to acquire these additional B767-300 aircraft. As of the date of this MD&A, the Company expects to utilize USD $55.0 million of the facility to acquire the two B767-300 aircraft that will be delivered by the end of 2015. The loans will be secured by purchased aircraft and all of their components and records.

Note: See Caution Concerning Forward Looking Statements, page 2
The Company had a working capital deficit as at June 30, 2015, representing the difference between total current assets and current liabilities, of $13.3 million, compared to a working capital deficit of $6.7 million as at December 31, 2014. The decrease of $6.6 million is primarily due to the increase in the current portion of the finance leases and borrowings and the timing of the collection of trade and other receivables and settlement of trade and other payables. During the period, the Company also incurred cash losses due to one-time startup CPGOC costs. Management anticipates that the cash flow from operations and the unutilized balance of the Company's credit facility will be adequate to manage the operations of the Company. There are no provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment based on current or expected results. There are no circumstances that management is aware of that would impair the Company's ability to undertake any transaction which is essential to the Company's operations.

Capital Expenditures

The property, plant and equipment additions of $135.1 million in the current period were primarily comprised of additions to aircraft, engines, hangar and cross-dock facilities, ground equipment, heavy maintenance and other equipment.

Financial Condition

The following is a comparison of the financial position of the Company as at June 30, 2015 to the financial position of the Company as at December 31, 2014.

Accounts Receivable

Accounts receivable as at June 30, 2015 amounted to $24.4 million as compared to $19.1 million as at December 31, 2014. The increase of $5.3 million was due to the increase in revenue activities and the timing of cash collections from the customers. The quality of the Company's net receivable balances and its current collections, in management's opinion, remain excellent.

Property, Plant and Equipment

As at June 30, 2015, property, plant and equipment were $324.1 million as compared to $203.9 million as at December 31, 2014. The $120.2 million net increase in property, plant and equipment was primarily due to additions of $135.1 million partially offset by amortization and disposal of $14.9 million.

Trade and Other Payables

Trade and other payables as at June 30, 2015 were $28.4 million as compared to $23.3 million as at December 31, 2014. The increase of $5.1 million was due primarily to the increase in operating activities and the timing of supplier payments.

Finance Leases

The finance leases are in respect of the lease of five Boeing 767-300 aircraft. Total finance leases excluding the current portion were $143.1 million as at June 30, 2015 as compared to $87.6 as at December 31, 2014.

Provisions

Provisions excluding the current portion as at June 30, 2015 were $2.1 million as compared to $1.3 million as at December 31, 2014 and were comprised of maintenance liabilities for leased aircraft estimated to be incurred at the end of their lease terms.

Summary of Contractual Obligations

	Payments due by period					
As at June 30, 2015	Total	2015	2016	2017	2018	Thereafter
(in thousands)	$	$	$	$	$	$
Finance leases	156,258	7,938	11,208	12,103	47,036	77,973
Provisions	2,073	-	-	-	-	2,073
Borrowings	91,914	1,273	35,478	4,850	6,730	43,583
Convertible Debentures	84,850	-	-	10,850	-	74,000
Operating leases	54,844	10,541	11,878	8,943	8,520	14,962
	389,939	19,752	58,564	36,746	62,286	212,591

Off-Balance Sheet Arrangements

The Company's primary off-balance sheet arrangements are as follows:

(a) The Company has provided indemnities under lease agreements for the use of various operating facilities and leased aircraft. Under the terms of these agreements, the Company agrees to indemnify the lessors of aircraft and facilities for various items including, but not limited to, all liabilities, losses, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnities have been provided to all directors and officers of the Company for various items including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated.

(c) In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

See Caution Concerning Forward Looking Statements, page 4

(d) The Company participates in six Fuel Facility Corporations ("FFC") along with other airlines that contract for fuel services at various major airports in Canada. Each FFC operates on a cost recovery basis. The purpose of the FFC is to own and finance the system that distributes fuel to the contracting airlines, including leasing the required land rights. The aggregate debt of these FFC and any liabilities of environmental remediation costs are not considered part of the Financial Statements of the Company and are not consolidated. The airlines that participate in FFC guarantee on a pro-rata basis of this debt based on system usage. There is no major change in the total assets and total debts of these FFC as disclosed in the MD&A for the three and twelve month periods ended December 31, 2014. The Company's pro rata share of the FFC's assets and debt is 2.2%. The Company views the potential for losses in respect of the FFC as remote.

The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, the Company has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

Major Customers

During the six month period ended June 30, 2015, the Company had sales to three customers that represented 68.9% of the total revenues (June 30, 2014 – 53.1%). These sales are provided under service agreements that expire over various periods to March 2022.

Contingencies

The Company has provided irrevocable standby letters of credit totaling approximately $29.7 million as at June 30, 2015 out of which a letter of credit of $20.0 million is provided to the CPGOC under the terms of the MSA. The other guarantees are provided to financial institutions as security for its corporate credit cards, and to a number of vendors as a security for the Company's ongoing leases and purchases.

Related Party Transactions

At June 30, 2015, the Company had no transactions with related parties except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship agreements.

Risk Factors

Risks Related to the Business

A detailed description of risk factors associated with the Company's business is given in the "Risk Factors" section of the MD&A for the three and twelve month periods ended December 31, 2014 dated March 7, 2015 which was filed with SEDAR at www.sedar.com. The Company is not aware of any significant changes to its risk factors from those disclosed at that time.

Outlook

Note: See Caution Concerning Forward Looking Statements, page 4

On February 18, 2014, the Company was awarded the Domestic Air Cargo Network Services ("DACNS") contract and signed a MSA with the Canada Post Group of Companies ("CPGOC") for an initial seven-year term with three thirty-six month renewal options. Full services under the CPGOC contract began on April 1, 2015.

During the period ended June 30, 2015, the Company experienced growth in all of its revenue streams, thereby increasing its total overnight, charter and ACMI business by 46.8% as compared to the same period in 2014.The increase was primarily due to the start of the CPGOC contract and the continued development and strengthening of its relationships with existing and new customers. The Company experienced growth in its total overnight shipping volumes in the current quarter and each of the previous eight quarters. The Company continues to retain all of its major customers and expects that demand on its core overnight network will further improve with a stronger economy. The Company has added aircraft, staff and network capacity to accommodate the growing demand in its overnight core network and to operate the new CPGOC contract.

The Company proactively manages its fleet capacity and maintains its strong on-time performance. Management expects to achieve organic growth within its existing customer base and to obtain new customers for both its domestic and international routes as the Company continues its efforts to build on its competitive market position.

The Company also continues to recover fuel price increases through fuel surcharges. Any fuel cost increases due to higher fuel prices are passed on to customers as an increase in fuel surcharge and billed to customers on a cost recovery basis only. Similarly, any cost savings due to lower fuel prices are passed on to customers as a decrease in fuel surcharge. Management is confident that the Company will continue to fully recover any future increases in fuel costs. The new CPGOC contract also has a variable price component that will allow Company to recover costs related to fuel prices increases.

Management's principal objective is to maximize free cash flow available for dividends by continuing to provide quality air cargo services, increasing the range of these services, focusing on improving efficiencies and cost controls, and growing the business organically and through strategic and accretive acquisitions. Management continuously reviews and evaluates all of the foregoing initiatives especially those that can improve cash flow.

Future strategic initiatives may be financed from working capital, cash flow from operations, borrowing or the issuance of shares. Any decisions regarding the above, including further increases or decreases in dividends, will be considered and determined as appropriate by the Board of Directors of the Company.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. By their nature, judgments and estimates may change in light of new facts and circumstances in the internal and external environment. The critical accounting judgment and estimations used in preparation of the Company's unaudited financial statements are described in the "Critical accounting judgments and key sources of estimation uncertainty" section of the MD&A for the three and twelve month periods ended December 31, 2014 dated March 7, 2015 which was filed with SEDAR at www.sedar.com.

Outstanding Share Data

Company's common voting shares are listed under the symbol "CJT", variable voting shares under the symbol "CJT.A" and convertible debentures are listed under the symbol "CJT.DB.A" and "CJT.DB.B" on the Toronto Stock Exchange ("TSX"). The following table sets out the common shares outstanding and securities convertible into common shares as of June 30, 2015:

Capital	Authorize Principal	Outstanding	Common Shares underlying Convertible securities
Common Voting Shares	Unlimited	9,460,671	-
Variable Voting Shares	Unlimited	101,317	-
Convertible Debentures - 6.5%	$ 10,850,000	-	923,404
Convertible Debentures - 5.5%	$ 74,000,000	-	2,573,913

Information Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures within the Company are designed to provide reasonable assurance that appropriate and timely decisions are made regarding public disclosure. This is accomplished through the establishment of systems that identify and communicate relevant information to persons responsible for preparing public disclosure items, in accordance with the Disclosure Policy adopted jointly by the Directors of the Company.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

This MD&A was reviewed by the Disclosure Officers of the Company (individuals authorized to communicate with the public about information concerning the Company), the Audit Committee and the Board of Directors of the Company, all of whom approved it prior to its publication.

An evaluation of the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting, as defined under the rules of the Canadian Securities Administrators, was conducted at June 30, 2015 by management. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures and internal controls over financial reporting of the Company are effective.

Financial Reporting Update

Standards, amendments and interpretations issued and not yet adopted

Financial instruments: In July 2014, the IASB issued IFRS 9 (2014), *Financial Instruments* ("IFRS 9"), which replaces *IAS 39*, *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income ("OCI") instead of net income unless this would create an accounting mismatch. IFRS 9 sets a new general hedge accounting model. The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures as it provides more opportunities to apply hedge accounting. The standard introduced a new expected loss impairment model. The standard is applied retrospectively with some exceptions related to the hedge accounting requirements and the restatement of prior periods for classification and measurement including impairment. The standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Revenue from contracts with customers: On May 28, 2014, the IASB and the FASB jointly issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), a converged standard on the recognition of revenue from contracts with customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Application of the standard is mandatory and applies to nearly all contracts with customers: the primary exceptions are leases, financial instruments and insurance contracts. The IASB standard is available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2017 and is to be applied using the retrospective or the modified transition approach. The standard will address accounting for loyalty programs, warranties and breakage. Management is currently assessing the impact of this standard.

Except as noted below, the Company has followed the same basis of presentation, accounting policies and method of computation for these financial statements as disclosed in the annual audited consolidated financial statements for the year ended December 31, 2014.

Accounting policies: Share based payments

Restricted share units

Restricted share units are granted to non-employee directors and certain key executives which are measured at the market value of the Company's voting shares on the date of the grant based on the units granted to the non-employee directors and certain key executives. The cost of the restricted share units are recognized as a compensation expense with a corresponding increase in equity over the related service period provided to the Company as vested.

Stock options

Stock options are granted to non-employee directors and certain key executives which are measured at the market value of the Company's voting shares on the date of the grant based on the options granted to the non-employee directors and certain key executives. The cost of the stock options are recognized as a compensation expense with a corresponding increase in equity over the related service period provided to the Company as vested.

End Notes

(A) "EBITDA" is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is calculated as net income or loss excluding the following: depreciation, and aircraft heavy maintenance amortization, interest on long-term debt, deferred income taxes and provision for current income taxes. EBITDA is a term used by the Company that does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other issuers. EBITDA is a measure of the Company's operating profitability and by definition, excludes certain items as detailed above. These items are viewed by management as non-cash (in the case of depreciation and amortization of aircraft heavy maintenance expenditures,), or non-operating (in the case of interest on long-term debt and provision for current income taxes). The underlying reasons for exclusion of each item are as follows:

Depreciation - as a non-cash item, depreciation has no impact on the determination of EBITDA.

Interest on long-term debt - interest on long-term debt is a function of the Company's treasury/financing activities and represents a different class of expense than those included in EBITDA.

Deferred income taxes - the calculation of deferred income taxes is a function of temporary differences between the financial reporting and the tax basis of balance sheet items for calculating tax expense and is separate from the daily operations of the Company.

Provision for current income taxes – the provision for current income taxes is a non-operating item and represents a different class of expense than those included in EBITDA.

Aircraft heavy maintenance amortization - aircraft heavy maintenance amortization represents a non-cash item and is excluded from EBITDA.

(B) "Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation, amortization, and other adjustments. Adjusted EBITDA is calculated as net income or loss excluding the following: depreciation, aircraft heavy maintenance amortization, interest on long-term debt, deferred income taxes, provision for current income taxes, gain or loss on disposal of property, plant and equipment, amortization of maintenance deposits, impairment of property plant and equipment and unrealized foreign exchange gains or losses. Adjusted EBITDA is the term used by the Company that does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other issuers. Adjusted EBITDA is measure of the Company's operating profitability and by definition, excludes certain items as detailed above. These items are viewed by management as non-cash (in the case of depreciation, and aircraft heavy maintenance amortization, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of intangible assets, amortization of maintenance deposits, unrealized foreign exchange gains and losses and deferred income taxes), or non-operating (in the case of interest on long-term debt and provision for current income taxes). The underlying reasons for exclusion of each item are as follows:

Depreciation - as a non-cash item, depreciation has no impact on the determination of adjusted EBITDA.

Interest on long-term debt - interest on long-term debt is a function of the Company's treasury/financing activities and represents a different class of expense than those included in adjusted EBITDA.

Deferred income taxes - the calculation of deferred income taxes is a function of temporary differences between the financial reporting and the tax basis of balance sheet items for calculating tax expense and is separate from the daily operations of the Company.

Provision for current income taxes – the provision for current income taxes is a non-operating item and represents a different class of expense than those included in adjusted EBITDA.

Gain or loss on disposal of property, plant and equipment - the gain or loss arising from the disposal of property, plant and equipment is a non-cash item and has no impact on the determination of adjusted EBITDA.

Unrealized foreign exchange loss (gain) - the unrealized gain or loss arising from the valuation of the foreign exchange balances at the period end is a non-cash item and has no impact on the determination of adjusted EBITDA.

Aircraft heavy maintenance amortization - aircraft heavy maintenance amortization represents a non-cash item and is excluded from adjusted EBITDA.

Gain or loss on forward foreign exchange contracts- the gain or loss arising from the forward foreign exchange contracts is a non-cash item and has no impact on the determination of adjusted EBITDA.

Gain or loss on fair value of cash settled share based payment arrangement - the gain or loss arising from the fair value of cash settled share based payment arrangement is a non-cash item and has no impact on the determination of adjusted EBITDA.

(C) "EBITDAR" is defined as earnings before interest, taxes, depreciation amortization and aircraft rent. EBITDAR is calculated as EBITDA excluding aircraft rents. EBITDAR is a measure commonly used in the airline industry to evaluate results by excluding differences in the method by which an airline finances its aircraft.

(D) "Adjusted EBITDAR" is defined as earnings before interest, taxes, depreciation amortization, other adjustments and aircraft rent. Adjusted EBITDAR is calculated as Adjusted EBITDA excluding aircraft rents. Adjusted EBITDAR is a measure commonly used in the airline industry to evaluate results by excluding differences in the method by which an airline finances its aircraft.

(E) Adjusted Free Cash Flow is a term, which does not have a standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other Companies. The objective of presenting this non-IFRS measure is to calculate the amount, which is available for dividend distributions to shareholders. Adjusted Free Cash Flow is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. All references in the Management's Discussion and Analysis to "Adjusted Free Cash Flow" have the meaning set out in this note.

In November 2010, the Canadian Institute of Chartered Accountants ("CICA") issued a consultation guidance titled *Reporting Supplementary Financial Measures, General Principles (*"The Guidance"*)*. The Guidance approved the continuation of previously published guidance on EBITDA and free cash flow as they continue to be relevant in the post IFRS environment. Standardized Free Cash Flow is defined as "Cash flows from operating activities as reported in the IFRS financial statements, including operating cash flows provided from or used in discontinued operations; total maintenance capital expenditures minus proceeds from the disposition of capital assets other than those of discontinued operations, as reported in the IFRS financial statements; and dividends, when stipulated, unless deducted in arriving at cash flows from operating activities."

The Company has adopted a measurement called Adjusted Free Cash Flow to supplement net earnings as a measure of operating performance. Adjusted Free Cash Flow is defined by the Company as Standardized Free Cash Flow as defined by the CICA, less operating cash flows provided from or used in discontinued operations, changes in working capital, plus the provision for current income taxes.

The underlying reasons for the inclusion and exclusion of each item are as follows:

Changes in working capital - Changes in non-cash working capital items and deposits represent timing differences in the Company's working capital from year to year. These items are expected to be recoverable or payable shortly from the balance sheet date. Since it only represents short-term timing differences, it should be excluded from standardized free cash flow to determine a more representative measure of cash that is available for dividend distributions.

Provision for current income taxes – The expected cash outflows from the provision of current income tax is deducted to determine cash that is available for dividend distributions as it has priority over dividend distribution.

Maintenance capital expenditures - These are defined as any fixed assets acquired during a reporting period to maintain the Company's aircraft fleet and other assets at the level required to continue operating the existing business. They also include any capital expenditure required to extend the operational life of the fleet including heavy maintenance. Maintenance capital expenditures exclude any capital expenditures that result in new and additional capacity required to grow operational revenue and cash flows.