



Cargojet Inc.
Annual Information Form
for the year ended December 31, 2015

March 7, 2016

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EXPLANATORY NOTES

The following Annual Information Form (“AIF”) dated March 7, 2016 should be read in conjunction with the cautionary note regarding forward looking information as well as the audited consolidated financial statements and notes thereto and Management’s Discussion and Analysis of Financial Results (“MD&A”) for the years ended December 31, 2015 and 2014. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada (“GAAP”), as set out in the CPA Canada Handbook - Accounting (“CPA Handbook”), which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), except for any financial information specifically denoted otherwise. The annual financial statements, quarterly statements, press releases and additional information relating to Cargojet filed with regulatory authorities are available on SEDAR at sedar.com or at our website at www.cargojet.com.

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

Currency of Information: All currency amounts are stated in Canadian dollars, unless otherwise stated.

Cargojet and the Company: References to “Cargojet”, the “Company” and “our” refers to Cargojet Inc. and its subsidiaries.

Defined Terms: Capitalized terms used herein but not otherwise defined in the text are defined in the “Glossary of Terms” at the end of this AIF.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This AIF contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the products and services offered by Cargojet, its business strengths and relations with suppliers and customers. In certain cases, forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

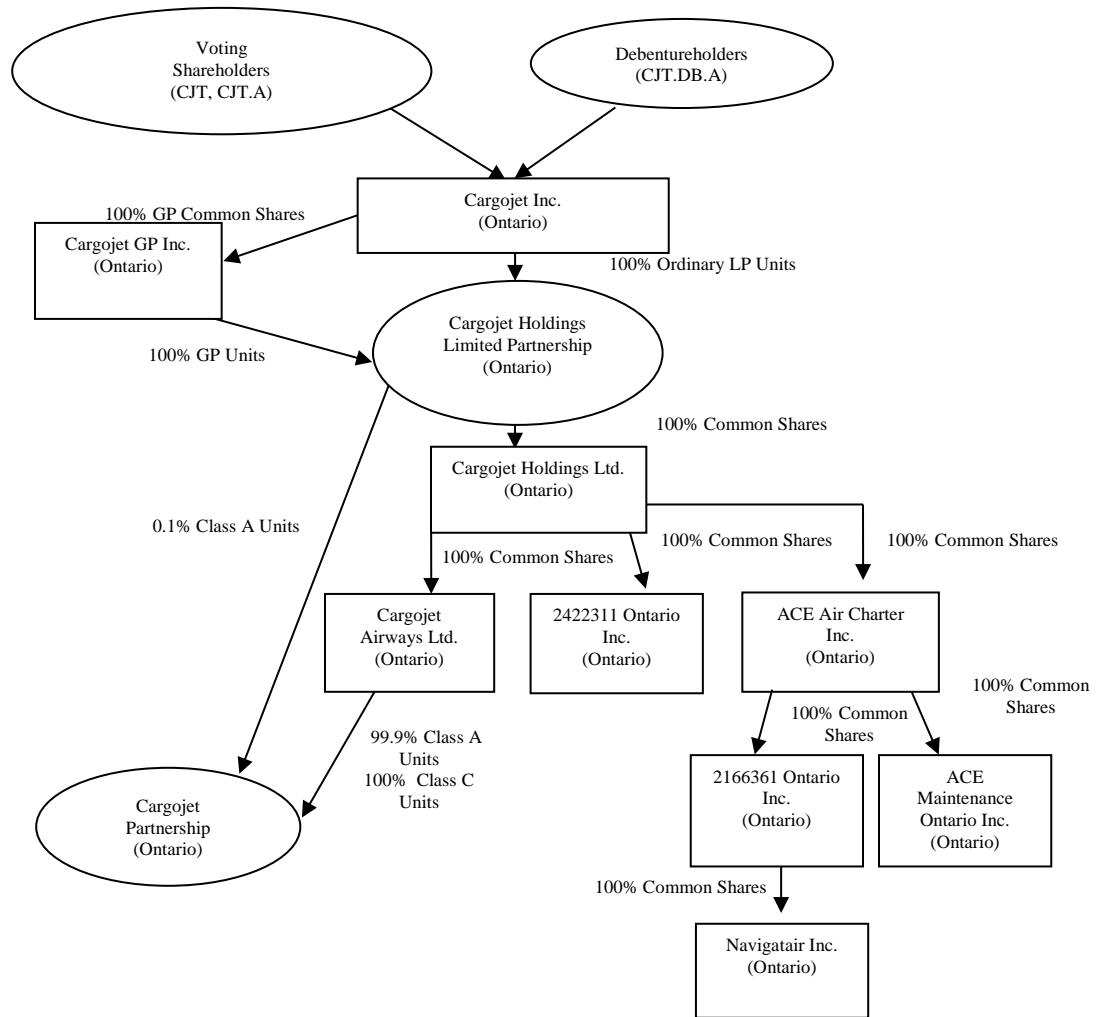
In particular, this AIF contains forward-looking information relating to the business strategy of Cargojet. Forward-looking information regarding Cargojet is based on certain key expectations and assumptions of Cargojet concerning anticipated financial performance, business prospects, strategies, regulatory developments, exchange rates, interest rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the continued and timely development of infrastructure, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, market conditions and potential timing delays. Although Cargojet considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Cargojet to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the risks related to the public financial market for the Company’s securities; the general risks associated with the airline and cargo transportation industry, including the relationship of Cargojet with its suppliers, customers, key personnel and employees and the operation of commercial aircraft; the ability of Cargojet to maintain profitability and manage growth; liquidity risks; debt financing risk; credit risk; competition; general uninsured losses; interest rate fluctuations; lack of availability of growth opportunities; potential conflicts of interest; the availability of sufficient cash flow; the failure to obtain additional financing; dilution; reliance on key personnel; changes in legislation; and delays in obtaining regulatory approvals or financing as well as those factors discussed in the section entitled “Risk Factors” herein. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is provided as of the date of this AIF, and the Company assumes no

obligation to update or revise such forward-looking information to reflect new events or circumstances except as required under applicable securities laws.

CORPORATE STRUCTURE

Cargojet Inc. was incorporated under the *Business Corporations Act* (Ontario) (the “OBCA”) on April 7, 2010 and is the successor to Cargojet Income Fund (the “Fund”), following the completion of the conversion of the Fund from an income trust to a public corporation by way of a court-approved statutory plan of arrangement (the “Arrangement”) under Section 182 of the OBCA completed on January 1, 2011. The Arrangement was approved by the Fund’s Unitholders at the special Unitholders meeting held on May 18, 2010. The head and registered office address of the Company is 350 Britannia Road East, Units 5 and 6 Mississauga, Ontario L4Z 1X9. The following chart illustrates the corporate structure of the Company (including jurisdiction of establishment or incorporation of the various entities and percentage ownership of voting securities) as at March 7, 2016.



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

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

1. Operating a domestic overnight air cargo network between fourteen major Canadian cities each business day.
2. Providing dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance ("ACMI") basis, operating between points in Canada, USA and Europe.
3. Operating scheduled international routes for multiple cargo customers between the USA and Bermuda, and between Canada and Europe.
4. Providing dedicated aircraft to customers on an *ad hoc* charter basis operating between points in Canada, the USA and other international destinations.

Cargojet operates its business utilizing its fleet of all-cargo aircraft. Cargojet's domestic overnight air cargo network consolidates cargo received from numerous customers and transports such cargo to the appropriate destination in a timely and safe manner. Cargojet continually monitors key performance indicators and uses this information to reduce costs and improve the efficiency of its services.

Cargojet's strategy is to create sustained value and profitability and is based on the following priorities:

- Business development in local and international markets.
- Growth in the revenue streams by increasing customer base.
- Revenue improvement and cost reductions.
- Excellence in corporate culture.
- Strengthening management by hiring and training.

General development of the business:

2015 was a transformational year for the business with revenues increasing to \$289M from \$192M in the previous year (50.5%) due to the start of a new contract with a major customer, continued strong demand from its existing customers on the domestic network and growth in the charter market. Full-time and part-time employees increased from less than 400 at the start of 2014 to over 700 in 2015 and the total aircraft fleet grew from 16 to 23 aircraft as at December 31, 2015 including the addition of fourteen new aircraft to the fleet. During the latter half of the year, the Company identified opportunities to significantly reduce operating costs by realigning capacity to more closely match overall customer demand. This included working closely with all customers to reach consensus on a refined overnight network that met all individual customer requirements. These changes to the Company's route and cost structures were successfully implemented by the end of Q4 of 2015 achieving a 17% reduction in network block hours.

Syndicated Operating Facility

Effective December 16, 2015, the Company entered into a new extendable revolving operating credit facility (the "facility") through its subsidiary Cargojet Airways Ltd., as borrower, with a syndicate of financial institutions (collectively, the "Lenders") replacing the previous \$60 million facility. The facility is to a maximum of \$100 million and allows for an increase of \$25 million upon request by the Company subject to approval by the Lenders. The facility has a term of three years, which can be extended annually with the consent of the Lenders, and bears interest, payable monthly, at the lead Lender's prime lending rate / US base rate plus 150 basis points to 200 basis points, dependent on the currency of the advance and certain financial ratios of the Company. No scheduled repayments of principal are required under the facility prior to maturity.

Amounts drawn on the facility may be advanced to the Company and its subsidiaries by way of intercompany loans. The facility will be used primarily to finance the working capital requirements and capital expenditures of the Company and its subsidiaries.

The facility is secured by the following:

- general security agreement constituting a first ranking security interest over all personal property of Cargojet Airways Ltd., as borrower, subject to certain permitted encumbrances (including those of aircraft financing parties);
- guarantee and postponement of claim supported by a general security agreement constituting a first ranking security interest over all personal property of the Company and its other material subsidiaries subject to certain permitted encumbrances;
- charge over real property of the Company at Hamilton airport;
- security over B727 aircraft owned by the Company; and
- assignment of insurance proceeds.

Advances under the facility are repayable without any prepayment penalties and bear interest based on the prevailing prime rate, U.S. base rate or at a banker's acceptance rate, as applicable, plus an applicable margin to those rates.

The facility is subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the Lenders, and restrictions on the Company's ability to pay dividends. The facility is also subject to the maintenance of a minimum fixed charge coverage ratio and a total adjusted leverage ratio.

Air Cargo Logistics Facility

The Company and the John C. Munro Hamilton International Airport entered into an arrangement in respect of the airport's \$12 million Air Cargo Logistics Facility, for which construction began in the third quarter of 2014. The Company contributed \$4.75 million and exchanged a building owned by it for its share of the facility. The building was completed in June 2015 and the Company took the possession of the new facility at such time. The Company occupies approximately half of the 77,000 square foot facility for both office and dedicated warehouse space. The construction of the Air Cargo Logistics Facility was funded through a joint partnership between the federal and Ontario governments and Trade Port International Corporation, the operator of the airport, with support from Hamilton's municipal government.

Acquisition of ACE Air Charter Inc. and Challenger 601 Aircraft

On January 30, 2015, Cargojet purchased all of the shares and certain debt of ACE Air Charter Inc. ("ACE") for a total of \$1 million. ACE is the parent corporation of ACE Maintenance Ontario Inc., 2166361 Ontario Inc. and Navigatair Inc. Navigatair Inc. has an aircraft operating certificate and other licenses required to operate Challenger 601 aircraft purchased by the Company. Four Challenger 601 aircraft were leased to Navigatair Inc. in 2014. The leases with Navigatair were terminated in respect of two of these aircraft. The Company then entered into a charter agreement with a third party to manage the operations of these two Challenger 601 aircraft to provide charter services to individuals and corporate clients. The Company pays a monthly management fee to this third party charterer to manage and operate these two aircraft.

Canada Post Group of Companies

On February 19, 2014, Cargojet entered into a Master Services Agreement ("MSA") with the Canada Post Group of Companies including Purolator Inc. ("CPGOC"). Pursuant to the MSA, Cargojet provides CPGOC with domestic air cargo network services ("DACNS") for an initial seven-year term with three thirty-six month renewal options held by CPGOC. 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. Adjustments to planned and available capacity were subsequently undertaken in order to more closely align capacity to actual demand and reduce operating costs. Changes to the Company's route and cost structures were successfully implemented in Q4 of 2015. The Company provides comprehensive Canada-wide air cargo services for the CPGOC, including Purolator Inc.'s national air cargo network.

The Company's domestic overnight network was expanded and enhanced significantly to handle the additional volumes and to provide a co-load network to the CPGOC. To fulfill its obligations under the MSA, the Company 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 also hired and trained flight crews, maintenance personnel and other personnel. Cargojet described these costs as “one-time CPGOC” costs in its MD&A. One-time CPGOC costs included 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 included the salaries and training costs of all personnel hired specifically to meet the requirements of the MSA.

Expansion of Charter Business (See Caution Concerning Forward Looking Statements, page 2)

Cargojet continues to grow and develop its charter business. The induction of new B767-300 converted freighter aircraft has provided Cargojet with an opportunity to expand its capacity and extend its range into new markets.

Employees

Cargojet had 667 full time employee equivalents including salaried and hourly employees as of December 31, 2015. This number is not indicative of the total number of employees at any time throughout the year as the business of Cargojet is affected by seasonal peak experienced in the fourth quarter when the hourly employees may be at maximum due to recruitment on need basis. During the year Cargojet increased its workforce by hiring key executives, skilled employees, additional pilots and hourly staff in preparation for the MSA with CPGOC. Accordingly, necessary training was given to pilots and other staff as required for the MSA. Cargojet has also established a succession plan to have a pool ready of trained managers.

Issue of 5.5% Convertible Debentures – due June 30, 2019

In April 2014, \$74.0 million of unsecured subordinated convertible debentures were issued with a term of five years (the “5.5% Debentures”). The 5.5% Debentures are governed by the 5.5% Debenture Indenture and bear a fixed interest rate of 5.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2014.

On or after June 30, 2017, but prior to June 30, 2018, the debentures are redeemable, in whole at any time or in part from time to time, at the option of the Company at a price equal to at least \$1,000 per debenture plus accrued and unpaid interest, provided that the current market price of the Voting Shares on the date on which the notice of redemption is given is at least 125% of the conversion price of \$28.75 per Voting Share. On or after June 30, 2018, but prior to the maturity date of June 30, 2019, the 5.5% Debentures are redeemable at a price equal to \$1,000 per debenture plus accrued and unpaid interest. On redemption or at maturity on June 30, 2019, the Company has the option to repay the 5.5% Debentures in either cash or freely tradable Voting Shares of the Company. The number of Voting Shares to be issued will be determined by dividing the aggregate amount of the principal amount of the 5.5% Debentures by 95% of the current market price of the Voting Shares.

Based on certain conditions, the 5.5% Debentures are convertible, at the holders’ discretion, at \$28.75 per Voting Share at any time prior to the close of business on the earliest of the business day immediately preceding the maturity date; if called for redemption, on the business day immediately preceding the date specified by the Company for redemption of the 5.5% Debentures; or if called for repurchase pursuant to a change of control, on the business day immediately preceding the payment date. The Company also has the right at any time to purchase 5.5% Debentures in the market, by tender or by private contract subject to regulatory requirements, provided, however, that if an event of default has occurred and is continuing, the Company or any of its affiliates will not have the right to purchase the 5.5% Debentures by private contract. The conversion rate of \$28.75 per Voting Share is subject to adjustment in certain circumstances, including the payment of a cash dividend or distribution to holders of Voting Shares in excess of \$0.225 per quarter (\$0.900 per annum).

In the event of a change in control, as defined in the 5.5% Debenture Indenture, the Company will be required to make an offer to the holders of 5.5% Debentures to repurchase the 5.5% Debentures at a price equal to 100% of the principal amount plus accrued and unpaid interest. In addition, if a change in control occurs in which 10% or more of the consideration consists of cash, certain equity securities or other property not traded or intended to be traded immediately following such transaction on a recognized exchange, holders of the 5.5% Debentures will be entitled to convert their 5.5% Debentures and, subject to certain limitations, receive an additional amount of Voting Shares to those that they would otherwise be entitled at the normal conversion rate. The amount of such additional Voting

Shares will depend on the effective date and the price paid per Voting Share in the transaction constituting the change in control.

Issue of 6.5% Convertible Debentures – due April 30, 2017

In March 2012, \$28.8 million of unsecured subordinated convertible debentures were issued with a term of five years (the “6.5% Debentures”). The 6.5% Debentures are governed by the 6.5% Debenture Indenture and bear a fixed interest rate of 6.5% per annum, payable semi-annually in arrears on April 30 and October 31 of each year, commencing April 30, 2012.

On or after April 30, 2015, but prior to April 30, 2016, the 6.5% Debentures are redeemable, in whole at any time or in part from time to time, at the option of the Company at a price equal to at least \$1,000 per 6.5% Debenture plus accrued and unpaid interest, provided that the current market price of the Voting Shares on the date on which the notice of redemption is given is at least 125% of the conversion price of \$11.75 per Voting Share. After April 30, 2016, but prior to the maturity date of April 30, 2017, the 6.5% Debentures are redeemable at a price equal to \$1,000 per 6.5% Debenture plus accrued and unpaid interest. On redemption or at maturity on April 30, 2017, the Company has the option to repay the 6.5% Debentures in either cash or freely tradable Voting Shares of the Company. The number of Voting Shares to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the Voting Shares.

Based on certain conditions, the 6.5% Debentures are convertible, at the holders’ discretion, at \$11.75 per Voting Share at any time prior to the close of business on the earliest of the business day immediately preceding the maturity date; if called for redemption, on the business day immediately preceding the date specified by the Company for redemption of the 6.5% Debentures; or if called for repurchase pursuant to a change of control, on the business day immediately preceding the payment date. The Company also has the right at any time to purchase 6.5% Debentures in the market, by tender or by private contract subject to regulatory requirements, provided, however, that if an event of default has occurred and is continuing, the Company or any of its affiliates will not have the right to purchase the 6.5% Debentures by private contract.

The conversion rate of \$11.75 per Voting Share is subject to adjustment in certain circumstances, including the payment of a cash dividend or distribution to holders of Voting Shares in excess of \$0.142 per quarter (\$0.568 per annum).

In the event of a change in control, as defined in the 6.5% Debenture Indenture, the Company will be required to make an offer to the holders of the 6.5% Debentures to repurchase the 6.5% Debentures at a price equal to 100% of the principal amount plus accrued and unpaid interest. In addition, if a change in control occurs in which 10% or more of the consideration consists of cash, certain equity securities or other property not traded or intended to be traded immediately following such transaction on a recognized exchange, holders of the 6.5% Debentures will be entitled to convert their 6.5% Debentures and, subject to certain limitations, receive an additional amount of Voting Shares to those that they would otherwise be entitled at the normal conversion rate. The amount of such additional Voting Shares will depend on the effective date and the price paid per Voting Share in the transaction constituting the change in control.

In 2015, the Company received requests to convert \$10,440,000 of 6.5% Debentures into Common Voting Shares and 888,502 Common Voting Shares were issued to the holders at a conversion rate of 85.1064 shares per \$1,000 debenture.

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. As of March 7, 2016, the Company completed four finance leases to acquire four B767-300 aircraft under the MLA in the aggregate amount of \$120 million and refinanced two B757-200 aircraft owned by the Company under the Loan Agreements in the aggregate amount of \$25.5 million. The Company is required to purchase the aircraft financed under the MLA at the end of the term of each advance at a predetermined price.

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. In each case, 60% of tranche A is repayable in equal monthly installments over 84 months, with the first payment being payable on the date of each advance. The balance of each tranche A is to be repaid at the end of the 84 month period. Under the MLA, the date of each advance is the date of delivery of the aircraft which is being financed. The amounts advanced under the Loan Agreements were advanced in December, 2014 and January, 2015. Interest on each tranche B is compounded monthly and payable quarterly in arrears over 48 months from the date of the advance, with the first interest payment being payable 90 days after the date of the advance. In addition, the Company must also make quarterly payments of a variable amount on account of principal owing under tranche B equal to 50% of the Company's free cash flow generated for the previous fiscal quarter, provided that any such payment shall not exceed 1/16 of the outstanding amount of the tranche B. The balance owing on account of each tranche B is payable at the end of the 48 month period. The estimated effective interest rate in respect of the MLA and Loan Agreements ranges from 7.35% to 7.37%.

Under the MLA and the Loan Agreements, the Company has paid arrangement fees in an amount equal to 0.75% of the amounts advanced and may be required to pay additional fees equal to the positive difference between the price of a certain number of Voting 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 a share based compensation option. In respect of the MLA, the number of shares used to calculate the amount payable under this option is 58,333 for each lease and the initial price per share was \$22.99. In respect of the Loan Agreements, the number of shares used to calculate the amount payable under this option for each loan is 30,000 and the initial price per share was \$25.53. In September 2015, the Company entered into a total return swap agreement with a financial institution to manage its exposure if these options are exercised. Under the agreement, the Company will pay interest to the financial institution based on Canadian LIBOR and the total value of a notional equity amount which is equal to the total cost of the underlying shares. At the settlement of the total return swap agreement, the Company will receive or remit the net difference between the total value of the notional equity amount and the total proceeds of sales of the underlying shares.

The Company also paid success fees 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.

BUSINESS OF CARGOJET

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

1. Operating a domestic overnight air cargo network between fourteen major Canadian cities each business day.
2. Providing dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance ("ACMI") basis, operating between points in Canada, USA and Europe.
3. Operating scheduled international routes for multiple cargo customers between the USA and Bermuda, and between Canada and Europe.
4. Providing dedicated aircraft to customers on an *ad hoc* charter basis operating between points in Canada, the USA and other international destinations.

Services

Overnight Network

Cargojet offers its overnight air cargo service between fourteen major cities across Canada each business night. Customers pre-purchase a guaranteed space and weight allocation on Cargojet's network and a corresponding guaranteed daily revenue amount is paid to Cargojet for this space and weight allocation. Remaining capacity is sold on an *ad hoc* basis to contract and non-contract customers. Overflow/oversell traffic is regularly sold to ensure maximum space and revenue capture.

Within its overnight network, Cargojet also provides domestic air cargo services for a number of international airlines between points in Canada that connect such airlines' gateways to Canada. This revenue helps to support

lower demand legs and provides a revenue opportunity with little incremental cost, as Cargojet provides domestic capacity to these international airlines through its existing, regularly scheduled flight network.

The following map illustrates the major cities within Canada serviced by Cargojet's overnight network.



International Air Cargo Services

Cargojet operates an international route operating 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.

Dedicated Aircraft Charter

To further enhance its revenues, Cargojet offers a specialty charter service typically in the daytime and on weekends. The charter business targets livestock shipments, military equipment movements, emergency relief supplies and virtually any large shipments requiring immediate delivery across North America, Mexico, Caribbean and Europe. During pre-Christmas peak volume seasons, Cargojet also offers dedicated aircraft to its major courier customers to handle increased United States-Canada premium overnight traffic. Aircraft charters are typically priced inclusive of all costs of operating the flight, including fuel, navigation fees, cargo handling and all other commercial activities.

Dedicated ACMI Contracts

Cargojet provides and operates dedicated aircraft on an ACMI basis. This service involves providing a dedicated aircraft on a dedicated route where the customer is responsible for all costs of the operation including fuel, navigation fees, landing fees, cargo handling and all other commercial activities. Minimum guaranteed revenues are part of the contract.

Cargojet Fleet

Cargojet initiated a fleet expansion program early in 2014 to replace four of its B727 aircraft with B757-200 aircraft due to increased customer demand on its core overnight network. The fleet was further expanded with B767-200 and B767-300 aircraft to provide the required cargo capacity to the CPGOC under the MSA commencing at the end of Q1 2015.

In 2014 Cargojet entered into an agreement to purchase four converted B767-300 freighter aircraft. As of March 7, 2016 all aircraft under this agreement have been delivered to the Company.

The table below set forth Cargojet's operating fleet as at December 31, 2013, 2014 and 2015 as well as Cargojet's planned operating fleet for 2016 (See **Caution Concerning Forward Looking Statements, page 2**):

Type of Freighter Aircraft	Leased or Owned	Average Age	Number of Aircraft in Service				Maximum Payload (lbs)	Range (miles)
			Actual			Plan		
			2013	2014	2015	2016		
B767-300 ⁽¹⁾	Finance Lease	22	-	3	5	5	116,000	6,000
B767-300 ⁽²⁾	Owned	22	-	-	2	3	116,000	6,000
B767-200 ⁽³⁾	Operating Lease	30	2	5	3	1	100,000	5,000
B757-200 ⁽⁴⁾	Owned	28	-	1	2	2	80,000	3,900
B757-200 ⁽⁵⁾	Operating Lease	26	1	3	3	3	80,000	3,900
B727-200 ⁽⁶⁾	Owned	36	11	9	7	6	60,000	1,800
Challenger 601 ⁽⁷⁾	Owned	29	-	-	1	2	6,000	3,300
Total Aircraft			14	21	23	22		

1. Cargojet took delivery one B767-300 aircraft in January 2015 financed under the MLA. Cargojet took delivery of one B767-300 aircraft in March 2015 under a 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. Cargojet took delivery of one B767-300 aircraft in April 2015 and one B767-300 aircraft in September 2015. Cargojet took delivery of another B767-300 in January 2016. These aircraft were financed by loans.
3. In 2014, Cargojet subleased one B767-200 aircraft from a Canadian airline. This sublease will expire in March 2016. In addition, two B767-200 aircraft were leased on a short term basis to meet the requirements of the MSA with CPGOC (as defined on page 5 of this AIF under "Canada Post Group of Companies"). As of the date of this AIF, these short term leases have expired. One other B767-200 aircraft lease will expire in Q1 of 2016. Another B767-200 lease has been extended to June 2018.
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 took two B727-200 aircraft out of regular service in 2015 and plans to retire one B727-200 aircraft in 2016.
7. In 2014, Cargojet purchased five Challenger 601 aircraft. The Company entered into a charter agreement with a third party to operate and manage two of these aircraft to provide the aircraft for individual and corporate charterers. One of these aircraft is currently in operation and the other is scheduled to be in operation in 2016. Two of these aircraft are being configured for cargo operations and the fifth aircraft is held for parts.

All freighter aircraft meet Transport Canada and FAA Stage III noise abatement guidelines enabling unrestricted operation across North America. Total monthly lease payments for Cargojet's aircraft leases are approximately \$1.1 million and all of the lease agreements are in good standing.

All aircraft are maintained under Transport Canada and the manufacturers' approved maintenance programs incorporating periodic service checks. Cargojet's B767-300, B767, B757 and B727 aircraft are also required to undergo comprehensive heavy maintenance checks every 24 months. Cargojet is recognized by Transport Canada as an "Approved Maintenance Organization" and all freighter aircraft maintenance service is performed in house except for the heavy maintenance checks.

Cargojet transferred the title of a Saab 340 aircraft that was under a finance lease to a third party. The Saab lease expired in April 2015.

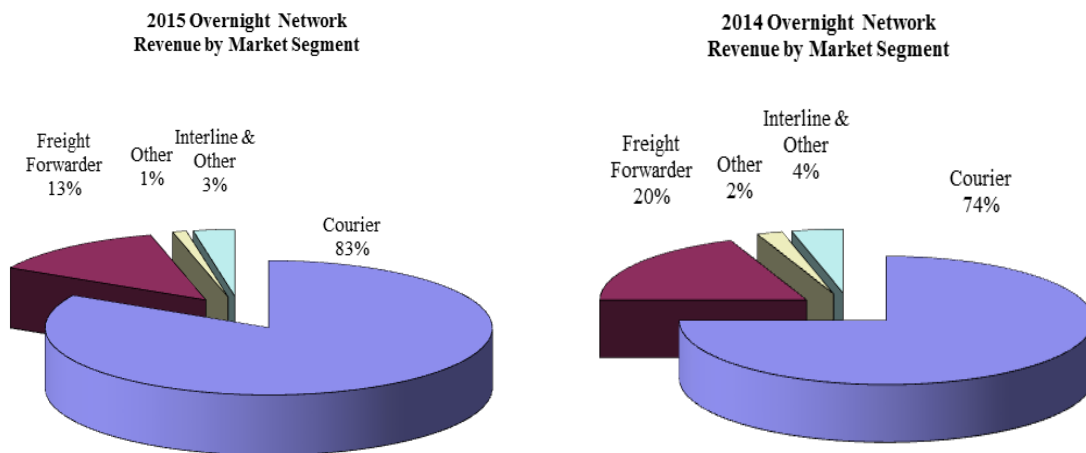
Specialized Skill and Knowledge

Cargojet operates in an industry that requires specialized skills and knowledge. Cargojet employs individuals who possess specific technical knowledge and experience in the areas of aircraft operation, aircraft maintenance, flight planning, flight dispatch, crew planning, crew training, ground handling and commercial airline cargo management. Cargojet has not experienced material difficulty in recruiting and retaining appropriate staff to carry out its operations.

Customers

A key factor in the success of Cargojet lies in its long standing relationships and long term contracts with its customer base. Cargojet's customer base is comprised of major couriers, freight forwarders, manufacturers, specialty shippers and international airlines. Cargojet also handles the time sensitive shipment needs of customers including pharmaceutical, perishable, seafood, agriculture, hi-tech, garment, precious metals and chemical companies. Cargojet's ten largest customers accounted for approximately 74% of revenues in 2015 and approximately 67% of revenues in 2014. Management believes that Cargojet is the exclusive overnight air cargo provider to most of its customers on Canadian routes.

The following charts illustrate revenue by customer segment on Cargojet's overnight co-load network for the years ended December 31, 2015 and December 31, 2014 excluding fuel and other surcharges:



Competition

Cargojet faces competition within its market from a mix of dedicated air cargo providers and passenger airlines offering air cargo services using the cargo hold of their aircraft. Cargojet's main competitor is Morningstar Air Express Inc. Canadian domestic airlines offer air cargo services on their passenger flights by using excess belly cargo capacity of their aircraft. However, their networks and service standards do not provide a competitive alternative for customers in the time sensitive overnight air cargo market. These commercial airlines do not have the capability of handling heavy, palletized cargo nor are they able to handle specialty or perishable freight.

Facilities

As Cargojet provides air cargo services across Canada, offices and locations have been strategically located at airports in each of the fourteen city centers to meet customer's needs and requirements. All of Cargojet's facilities are leased, with the exception of its aircraft hangar in Hamilton, Ontario which is owned. Eight of these facilities are bonded by Canada Customs allowing international cargo to terminate or transit through the warehouse facility. Cargojet's facilities across Canada are equipped with cargo handling equipment in addition to aircraft handling equipment. Hamilton is the main hub of Cargojet's operations and is equipped to handle all types of cargo starting with truck offload to transfer and on-load onto aircraft.

The terms of Cargojet's main facilities leases are summarized below.

Facility	Expiration Date	Remaining Renewal Option
Mississauga, ON (Cargojet head office)	August 31, 2016	None
Hamilton Cross Dock and Land Lease, ON	July 31, 2036	None
Montreal, QB	September 30, 2016	None
Ottawa, ON	April 30, 2018	None
Halifax, NS	April 30, 2018	One five year renewal option
Moncton, NB	March 31, 2019	None
Winnipeg, MB	April 30, 2020	None
Calgary, AB	October 20, 2017	None
Edmonton, AB	August 31, 2022	None
Richmond, BC	April 30, 2020	None
Saskatoon, SK	March 31, 2020	None
Regina, SK	November 30, 2025	None

Total monthly lease payments for Cargojet's material leases and offices and warehouses associated therewith are approximately \$209,000 and all of the lease agreements are in good standing.

In November 2010, Cargojet leased its existing smaller hangar to a third party for a term of five years with a purchase option at the end of the term. In October 2013, the third party opted for early lease termination and paid the lease termination fees to Cargojet. In November 2013, Cargojet leased its smaller hangar to another third party that terminated in 2015.

The Company and the John C. Munro Hamilton International Airport entered into an arrangement in respect of the airport's \$12 million Air Cargo Logistics Facility, for which construction began in the third quarter of 2014. The Company contributed \$4.75 million and exchanged a building owned by it for its share of the facility. The building was completed in June 2015 and Cargojet took the possession immediately afterwards. The Company occupies approximately half of the 77,000 square foot facility for both office and dedicated warehouse space. The Air Cargo Logistics Facility was funded through a joint partnership between the federal and Ontario governments and Trade Port International Corporation, the operator of the airport, with support from Hamilton's municipal government.

Regulation

Domestic Services

Transport Canada and the Canadian Transportation Agency (the "CTA") regulate the transportation industry in Canada. Cargojet holds Air Operators Certificates issued by Transport Canada for the operation of its aircraft. It is also licensed by the CTA to operate domestic, transborder and international all-cargo and passenger operations. Cargojet has successfully passed periodic audits by both Transport Canada and the CTA and maintains excellent relationships with both regulatory bodies. Since 1996, air navigation services in Canada have been provided by NAV Canada, a privatized company. In addition, all major Canadian airports are operated by local airport authorities that are also privatized companies.

Cargojet is also a member in good standing of the International Air Transport Association (“IATA”), the Air Transport Association of Canada (the “ATAC”), the Canadian International Freight Forwarders Association, The International Air Cargo Association (“TIACA”) and the Canadian Courier & Logistics Association.

Under the Act, there is free market entry provided a carrier can show that: (i) it is “Canadian”, defined in the Act as being controlled in fact by Canadians and having at least 75% of its voting interests owned and controlled by Canadians; (ii) it can operate safely; (iii) it is suitably insured; and (iv) it meets the minimum financial requirements set out in the *Air Transportation Regulations*.

In February 1995, a new air services agreement, the Open Skies Agreement, was implemented between Canada and the United States, replacing the previous bilateral agreement, which restricted market access. This new agreement gave Canadian air carriers unlimited route rights to provide “own aircraft” services between Canada and the United States. The carriage of local traffic between points within one country by carriers of the other country continues to be prohibited.

International Services

Scheduled international air services are regulated by the Canadian and foreign governments involved. The Minister of Transport has the authority to designate which Canadian air carriers may serve scheduled international routes. International route rights are obtained through bilateral negotiations between Canada and foreign countries. Bilateral agreements provide for the rights which may be exercised over agreed routings and the conditions under which the carriers may operate, including, among others, the number of carriers which may operate the capacity and/or flight frequencies that may be provided and the controls over tariffs to be charged. Most bilateral agreements to which Canada is a party provide for the designation of more than one Canadian carrier, while some provide for the designation of only one Canadian air carrier. In general, bilateral agreements between Canada and European countries are more liberal in terms of controls on capacity and flight frequencies than those between Canada and Asian countries.

In February 2001, the Minister of Transport announced the launch of an international air services policy review to address competition in the international market with the release of a consultation document for stakeholder review and comment. The objective of this review was to liberalize Canada’s policy for scheduled international air services, including how Canada approaches the negotiation and management of air traffic rights with other countries. In May 2002, the Minister of Transport introduced a liberalized multiple designation policy applicable to scheduled international air services by Canadian carriers (excluding services to the United States). Amendments negotiated between Canada and the United States reinforced the restriction of cabotage and does not allow United States carriers to establish domestic flight routes within Canada and Canadian carriers, including Cargojet, to establish domestic routes within the United States.

On November 27, 2006, a new international air transportation policy called the Blue Sky Policy was announced by the Government of Canada to help further connect Canadians to each other and to the world. The Government of Canada’s international air policy is encouraging the development of new markets, new services and greater competition. For travelers, this means more choices in terms of destinations, flights and routes. Canada’s 2002 multiple designation policy will continue to apply. This policy facilitates both the designation of all Canadian carriers wishing to operate scheduled services in international markets and the allocation of rights in cases where designations are limited and/or unused under our bilateral agreements.

In addition to holding valid Canadian operating certificates, Cargojet also holds a valid Foreign Air Operators Certificate issued by the U.S. Federal Aviation Authority and is licensed by the U.S. Department of Transportation to operate all cargo and passenger operations in and out of the United States. The CTA licences do not expire once issued, but are subject to revocation or suspension in certain circumstances in accordance with the provisions of the Act and regulations made thereunder. Each year, Cargojet is required to submit a declaration of continuance of qualifications to the CTA to maintain its licence. The United States of America Department of Transportation license is renewed annually in April of each year. In addition, the United States of America Federal Aviation Administration Foreign Air Operators Certificate does not expire but is subject to revocation or suspension in certain circumstances in accordance with U.S. Federal Aviation Authority regulations.

Charter Services

Charter operations are generally not covered by bilateral agreements, although charter services are covered under the Canada-U.S. Open Skies Agreement. Canadian government policy permits any Canadian carrier to operate charter services between Canada and any point in the world subject to prior approval of the Canadian and other appropriate regulatory authorities.

Security Initiatives

Cargojet maintains a security program that is aligned with Transport Canada regulations, the regulatory bodies of other countries such as the U.S. Transportation Security Administration (“TSA”) as well as IATA in conjunction with their IATA Operational Safety Audit (“IOSA”) program. Cargojet continues to be compliant with the specific standards and communication protocols required by all countries in which Cargojet operates.

Two Transport Canada meetings took place in 2015 in which cargo related enhancements were discussed. The Advisory Group on Aviation Security (AGAS) met on March 9, 2015 and the Air Cargo Security Technical Committee (ACSTC) met on April 8, 2015. The All Cargo Working Group did not meet in 2015. New amendments to Security Measures Respecting Air Cargo with an effective date of October 17, 2016 were circulated on September 29, 2015. These discussions and amendments did not pertain to cargo being transported on all-cargo air carriers. Timelines for the development and implementation of the enhancements applicable to all cargo remains at this time as previously published:

- Continued development of the framework and requirements – remainder of 2014, early to mid/late 2015
- Filing of proposed amendments on Canada Gazette, Part I for comments – late 2015/early 2016
- Filing of final amendments on Canada Gazette, Part II – 2016
- Coming into force - 2017

As requested by the Cargojet Management Safety Review Committee X-ray machines and walk through metal detectors were installed in Hamilton at the main hangar, the CMC/Pilot facility and the new cargo sort facility for the purpose of screening all employees and visitors entering and exiting the facilities. It was planned to have the equipment operated by an outside security company. The operation of the equipment is presently under review. An X-ray machine and walk through metal detector have been delivered to the Vancouver cargo facility. Installation is pending awaiting review relative to the operation of the equipment.

The TSA identifies Cargojet as a Non-US All Cargo Air Carrier and as such Cargojet is regulated under the TSA’s All Cargo International Security Program (“ACISP”) for its flights operating into and out of the United States. Subsequently, procedures have been developed to meet the requirements of the ACISP. The TSA conducts annual audits at non-U.S. locations that serve as the last point of departure to the United States as well as locations in the United States to which Cargojet operates to verify its compliance with the ACISP. In 2015 the non-U.S. locations serving as the last point of departure to the United States were Mirabel (YMX) (on behalf of DHL), Bermuda (BDA), Warsaw, Poland (WAW) (on behalf of LOT Polish Airlines) and Hamilton (YHM) (on behalf of DHL). The locations in the United States to which Cargojet operated were Cincinnati/Northern Kentucky (CVG) (on behalf of DHL), Newark, New Jersey (EWR) and John F. Kennedy New York (JFK) (on behalf of LOT Polish Airlines). Change 3 to the ACISP that came into effect February 16, 2015 contained a significant change relative to unattended aircraft at non-U.S. locations. Change 3 required that either an employee or authorized representative be constantly present at an unattended aircraft to prevent unauthorized access or all doors have a security seal applied. Security guards are presently in place at Mirabel (YMX) and Bermuda (BDA). A cost summary relative to the use of seals was completed and is under review.

Cargojet remains vigilant in its security program and utilizes its membership in ATAC, Transport Canada’s Air Cargo Security Technical Committee and the National Air Cargo Security Training & Awareness Committee to share best practice and monitor regulatory changes.

Seasonality

Traditionally, Cargojet has experienced its best operating results in the third and fourth quarters of each year. Shipping activity is usually the best in the fourth quarter as a result of the holiday season and is usually the lowest in the first quarter. Accordingly, the seasonal nature of the business of Cargojet will affect the reported quarterly financial results of operations of Cargojet.

Economic Dependence

During the twelve month period ended December 31, 2015, the Company had sales to three customers that represented 63% of the total revenues (December 31, 2014 – 57%). These sales are provided under service agreements that expire over various periods to April 2025. Two of these customers had sales in excess of 10% of total revenues during 2015 and 2014.

Employees

Cargojet currently employs approximately 667 full time equivalent employees: 51 in administration; 295 in airline operations; and 319 in cargo operations.

On October 19, 2012, 65 of the Company's pilots were certified as a union by the Canadian Industrial Relations Board ("CIRB"). As of the date hereof, 147 of the Company's pilots are certified as a union by the Canadian Industrial Relations Board. The National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW – Canada) was certified as the bargaining agent for the Company's pilots. The Company negotiated a collective agreement with the pilots' union in July 2013.

On June 1, 2015, the CIRB certified all cargo agents and load planners of the Company at the Halifax International Airport, consisting of 18 employees as at the date hereof, as a union with Unifor being certified as the bargaining agent for such employees. Effective November 10, 2015, the Company entered into a collective agreement with Unifor in respect of these employees that will expire on December 31, 2018.

None of Cargojet's other employees are unionized and Cargojet has never experienced a work stoppage. Management believes that relations with its employees are excellent.

DIVIDENDS

2015 Dividends

In total, the Company declared cash dividends of \$0.5964 per Voting Share for the financial year ended December 31, 2015. Cash dividends declared by the Company were based on all amounts received by the Company, including interest, dividends, redemption proceeds, and purchase for cancellation proceeds, returns of capital and repayments of indebtedness net of reasonable expenses, as determined by the board of directors of the Company (the "Board").

2014 Dividends

In total, the Company declared cash dividends of \$0.5964 per Voting Share for the financial year ended December 31, 2014. Cash dividends declared by the Company were based on all amounts received by the Company, including interest, dividends, redemption proceeds, and purchase for cancellation proceeds, returns of capital and repayments of indebtedness net of reasonable expenses, as determined by the Board.

2013 Dividends

On March 8, 2013 Cargojet announced a one-time special cash dividend of \$0.0520 per Voting Share in addition to the quarterly dividend rate of \$0.1491. Due to the tax position of certain subsidiaries, the entire dividend of first quarter of 2013 was an ineligible dividend within the meaning of the Income Tax Act.

In total, the Company declared cash dividends of \$0.6484 per Voting Share for the financial year ended December 31, 2013. Cash dividends declared by the Company were based on all amounts received by the Company, including interest, dividends, redemption proceeds, and purchase for cancellation proceeds, returns of capital and repayments of indebtedness net of reasonable expenses, as determined by the Board.

The Board intends to review its dividend policy periodically in the context of the Company's overall profitability, free cash flow, regulatory capital requirements and other business needs.

Under certain aircraft financing agreements, Cargojet is subject to restrictions on the declaration of dividends by the Company. Accordingly, the Company may not increase the dividend rate on its Voting Shares in respect of any particular fiscal quarter from the dividend rate declared in respect of the immediately prior fiscal quarter where the amount, if any, by which all distributions made during such prior fiscal quarter and the three immediately preceding fiscal quarters would exceed 65% of the aggregate amount of free cash flow for such period of four fiscal quarters

until the fourth fiscal quarter of 2016, increasing to 75% thereafter. The amount of the dividend declared on the Voting Shares cannot exceed \$0.225 per fiscal quarter until December 31, 2016.

DESCRIPTION OF CAPITAL STRUCTURE

Cargojet Inc. is authorized to issue an unlimited number of no par value Common Voting Shares, an unlimited number of no par value Variable Voting Shares and an unlimited number of preferred shares (the "Preferred Shares"). As at December 31, 2015, there were 10,007,289 Common Voting Shares, 101,164 Variable Voting Shares and no Preferred Shares issued and outstanding. The summary below describes the rights, privileges, restrictions and conditions attached to the Common Voting Shares, Variable Voting Shares and Preferred Shares, which is qualified in its entirety by the Articles of Incorporation of Cargojet Inc., a copy of which is available on SEDAR at www.sedar.com.

Common Voting Shares

Exercise of Voting Rights

The holders of Common Voting Shares will be entitled to receive notice of, and to attend and vote at all meetings of shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the OBCA. Each Common Voting Share shall confer the right to one vote at all meetings of shareholders.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to any class of the Company's shares ranking prior to the Common Voting Shares, holders of Common Voting Shares are entitled to receive any dividends that are declared by the Board at the times and for the amounts that the Board may, from time to time, determine. The Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends declared shall be declared in equal or equivalent amounts per share on all Voting Shares then outstanding, without preference or distinction.

Subdivision or Consolidation

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

Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to any class of shares ranking prior to the Common Voting Shares, in the case of liquidation, dissolution or winding-up of Cargojet Inc., the holders of Voting Shares are entitled to receive the Company's remaining property and are entitled to share equally, share-for-share, in all distributions of such assets.

Constraints on Share Ownership and Conversion of Common Voting Shares to Variable Voting Shares

The Common Voting Shares may only be owned and controlled by Canadians. Each issued and outstanding Common Voting Share shall be automatically converted into one Variable Voting Share if such Common Voting Share is or becomes owned or controlled, directly or indirectly, by a non-Canadian.

Variable Voting Shares

Exercise of Voting Rights

The holders of Variable Voting Shares will be entitled to receive notice of, to attend and vote at all meetings of shareholders, except those at which the holders of a specific class are entitled to vote separately as a class under the OBCA.

Variable Voting Shares will carry one vote per share held, except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Voting Shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting on any matter on which a vote is to be taken exceeds 25% of the total number of votes cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share in such circumstances shall decrease automatically without further act or formality to equal the maximum permitted

vote per Variable Voting Share such that (a) in the circumstance described in paragraph (i) above, the Variable Voting Shares as a class shall be restricted to 25% of the aggregate votes attached to all issued and outstanding Voting Shares and (b) in the circumstance described in paragraph (ii) above, the number of votes cast by all holders of Variable Voting Shares at such shareholders' meeting, shall be 25% of the total number of votes cast at such meeting.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to any other class of the Company's shares ranking prior to the Variable Voting Shares, the holders of Variable Voting Shares are entitled to receive any dividends that are declared by the Board at the times and for the amounts that the Board may, from time to time, determine. The Variable Voting Shares shall rank equally with the Common Voting Shares as to dividends on a share-for-share basis. All dividends shall be declared in equal or equivalent amounts per share on all Voting Shares then outstanding, without preference or distinction.

Subdivision or Consolidation

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

Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to the other classes of Cargojet Inc's shares ranking prior to the Variable Voting Shares, in the case of liquidation, dissolution or winding-up of the Company, the holders of Voting Shares are entitled to receive Cargojet Inc's remaining property and are entitled to share equally, share for share, in all distributions of such assets.

Constraints on Share Ownership and Conversion of Variable Voting Shares to Common Voting Shares

Variable Voting Shares may only be owned or controlled by non-Canadians. Each issued and outstanding Variable Voting Share shall be automatically converted into one Common Voting Share if (i) such Variable Voting Share is or becomes owned and controlled by a Canadian; or if (ii) a holder of a Variable Voting Share subsequently becomes a member of any class of persons, which class of shareholders is not restricted under the laws of Canada from owning shares of the Cargojet Inc. or from holding a specified percentage (or part) of all issued and outstanding shares in the capital of the Cargojet Inc.

Preferred Shares

The holders of Preferred Shares are not entitled as such to any voting rights at any meeting of the shareholders, subject to applicable law.

The Board may at any time fix the rights, privileges, restrictions and conditions attached to any series of Preferred Shares in respect of which series no Preferred Shares are then issued and outstanding, provided only that in all circumstances the Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to dividends and to the return of capital.

Unless otherwise fixed by the Board, the Preferred Shares shall be entitled to a preference over the Common Voting Shares and the Variable Voting Shares, and over any other shares of Cargojet Inc. ranking junior to the Preferred Shares, with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of Cargojet Inc., whether voluntary or involuntary, or any other distribution of the assets of Cargojet Inc. among its shareholders for the purpose of winding-up its affairs.

If any cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims, the claims of the holders of the Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards payment of claims in respect of dividends.

The Preferred Shares of any series may also be given such other preferences over the Common Voting Shares and the Variable Voting Shares and any other share ranking junior to the Preferred Shares.

MARKET FOR SECURITIES

Trading Price and Volume

During the year ended December 31, 2015, the Common Voting Shares and Variable Voting Shares were listed on the TSX under the symbol “CJT” and “CJT.A”, respectively. The following table sets forth information relating to the trading of the Common Voting Shares and Variable Voting Shares on the TSX for the periods indicated:

	Common Voting Shares			Variable Voting Shares		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
January 2015	27.95	24.69	150,835	-	-	-
February 2015	28.10	25.80	184,328	23.55	23.50	2,300
March 2015	28.00	25.05	186,480	27.25	26.65	570
April 2015	28.23	25.48	244,344	27.25	26.25	1,989
May 2015	29.10	25.02	311,864	26.75	26.20	800
June 2015	28.20	24.42	360,161	26.10	24.74	1,052
July 2015	28.57	25.54	165,411	-	-	20
August 2015	27.42	18.01	389,101	20.80	20.80	200
September 2015	22.00	19.02	426,186	21.35	20.23	800
October 2015	26.73	20.96	376,652	24.90	21.34	5,300
November 2015	26.97	23.25	242,904	25.70	25.00	300
December 2015	27.20	23.65	181,689	-	-	-

The 6.5% Debentures are listed on the TSX under the symbol “CJT.DB.A” and were issued in March 2012. The 5.5% Debentures are listed on the TSX under the symbol “CJT.DB.B” and were issued in April 2014. The following table sets forth information relating to the trading of the 6.5% Debentures and 5.5% Debentures on the TSX for the periods indicated:

	6.5% Convertible Debentures			5.5% Convertible Debentures		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
January 2015	232.00	218.06	91,000	115.04	109.75	505,000
February 2015	233.28	232.02	55,000	114.00	112.00	339,000
March 2015	237.33	217.18	68,000	114.00	110.01	947,100
April 2015	235.28	222.70	47,000	114.48	109.61	2,373,000
May 2015	244.92	222.28	185,000	116.00	109.90	2,929,000
June 2015	240.00	217.00	256,000	115.00	108.99	2,069,000
July 2015	242.00	221.01	2,222,000	113.86	110.93	591,000
August 2015	211.50	201.96	22,000	113.00	103.00	1,008,000
September 2015	184.00	168.00	172,000	105.00	103.06	441,000
October 2015	209.42	180.00	99,000	110.00	103.30	1,388,000
November 2015	216.87	215.91	23,000	111.00	107.00	2,758,000
December 2015	220.00	210.22	102,000	111.50	106.21	650,000

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holding

The following table sets out, for each of the current directors and executive officers of Cargojet, the individual's name, province and country of residence, positions with Cargojet and principal occupation. The term of office for each of the directors of Cargojet will expire at the next annual meeting of shareholders of Cargojet currently scheduled for April 7, 2016. As at the date hereof, the directors and executive officers of Cargojet as a group beneficially own, directly or indirectly, 1,728,240 Voting Shares (17.10%) of the Company. The information as to Voting Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective directors, and executive officers individually.

Name and Province and Country of Residence	Position with the Company	Principal Occupation ⁽¹⁾	Position with the Company Since	Voting Shares Beneficially Owned, Controlled or Directed ⁽⁷⁾
John P. Webster ⁽²⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Director	President and Chief Executive Officer of Scotia Mortgage Corporation	2005	4,556/0.5%
Paul V. Godfrey ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, Canada	Director	President and Chief Executive Officer of Postmedia Network since July 2010. President and Chief Executive Officer National Post from January 2009 to July 2010.	2009	23,556/0.23%
Ajay Virmani ⁽⁶⁾ Ontario, Canada	Chairman, President, Chief Executive Officer and Director	Chief Executive Officer of Cargojet	2005	1,475,696/14.6%
Jamie Porteous ⁽³⁾ Ontario, Canada	Executive Vice-President, Chief Commercial Officer and Director	Chief Commercial Officer of Cargojet since January 2015 Executive Vice- President of Cargojet	2005	174,205/1.72%
James Crane ⁽²⁾⁽³⁾⁽⁴⁾⁽⁸⁾ Texas, USA	Director	Chairman, President and Chief Executive Officer of Crane Capital Group, Inc.	2015	683/0.01%
John Kim Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Cargojet since April 1, 2010. Vice-President Finance of Cargojet from April 2008 to April 1, 2010 Vice-President Governance and Corporate Secretary from April 2010 to August 2014	2008	31,249/0.31%
George Sugar Ontario, Canada	Senior Vice-President, Flight Operations and Officer	Senior Vice-President, Flight Operations of Cargojet	2005	4,517 / 0.04%
Paul Rinaldo Ontario, Canada	Senior Vice-President Engineering and Maintenance	Senior Vice-President Engineering and Maintenance of Cargojet since January 2015 Vice-President Engineering and Maintenance of Cargojet since May 2008	2005	13,778/0.14%

Name and Province and Country of Residence	Position with the Company	Principal Occupation ⁽¹⁾	Position with the Company Since	Voting Shares Beneficially Owned, Controlled or Directed ⁽⁷⁾
Carl Turner Ontario, Canada	Vice-President Legal, Governance and Corporate Secretary	Vice-President Legal, Governance and Corporate Secretary since August 2014	2014	Nil

Notes:

- (1) Unless otherwise indicated, each of the foregoing individuals has been principally engaged in the occupations set out opposite his name for the preceding five years.
- (2) Member of the Compensation and Nominating Committee. Mr. Godfrey is Chairman of the Compensation and Nominating Committee.
- (3) Member of the Corporate Governance Committee. Mr. Crane is Chairman of the Corporate Governance Committee.
- (4) Member of the Audit Committee. Mr. Webster is Chairman of the Audit Committee.
- (5) Lead director of the Company.
- (6) Chairman of the Board.
- (7) Number of shares / % of total outstanding Voting Shares
- (8) Terence Francis resigned as a director of the Company effective March 8, 2015. The Board appointed James R. Crane to fill the vacancy on the Board resulting from the resignation of Mr. Francis effective March 8, 2015.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- i. was the subject of a cease trade order, an order similar to a cease order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an “order”) while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- ii. was subject to an order that was issued, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- i. is, at the date hereof, or has been within 10 years before the date hereof, a director or officer of any company (including the Company) that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or
- ii. has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

except as follows:

On December 21, 2006, Starjet Airways Ltd. (“SAL”) voluntarily filed an assignment in bankruptcy under the Bankruptcy and Insolvency Act. At the time of filing the assignment in bankruptcy, Mr. Ajay Virmani and Mr. Jamie Porteous were officers and directors of SAL. The Virmani Family Trust and The Porteous Family Trust were shareholders of SAL. The Fuller Landau Group Inc. acted as trustee of SAL.

Mr. Paul Godfrey was President and Chief Executive Officer of the National Post Inc., which was part of CanWest when it voluntarily entered into Companies' Creditors Arrangement Act ("CCAA") protection and successfully obtained an order from the Ontario Superior Court of Justice (Commercial Division) commencing proceedings under the CCAA on October 6, 2009. The National Post was outside creditor protection under the CCAA proceedings, and, on October 31, 2009, was transferred from the media conglomerate's holding company Canwest Media Inc. to a new subsidiary of the publishing group. The National Post was acquired by Postmedia Network in July 2010.

Mr. Paul Godfrey served on the board of directors of Mobilicity (formerly known as Data & Audio Visual Enterprises Mobilicity) from November 20, 2008 to April 30, 2013. Mobilicity sought and received CCAA protection on September 30, 2013.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest between Cargojet and any director or officer of the Company, except that certain of such directors and officers serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director or officer of such other companies.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts, and the Company will rely upon such laws in respect of any directors' or officers' conflicts or in respect of any breaches of duty by any of its directors and officers.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee's mandate is to provide assistance to the Board in fulfilling its financial reporting and control responsibility to the shareholders and the investment community.

The Audit Committee Charter is attached hereto as Schedule "A".

Composition of the Audit Committee

The Audit Committee is comprised of the three directors, all of whom are independent and financially literate. As at December 31, 2015, the members of the Audit Committee were James Crane, Paul Godfrey and John Webster. Terence Francis resigned as a director of the Company, and was replaced as a member of the Audit Committee by James Crane, effective March 8, 2015.

Relevant Experience

James Crane:

Mr. Crane is the President and Chief Executive Officer of Crane Capital Group, Inc. Mr. Crane earned a Bachelor of Science degree in Industrial Safety from Central Missouri State University in 1976. In 1984, Mr. Crane founded Eagle USA Airfreight (EGL, Inc.), a freight forwarding company, and sold it in 2007. In 2008, Mr. Crane formed Crane Worldwide Logistics (CWL), a global provider of customized transportation and logistics services. Mr. Crane is also the owner of Champion Energy Services, a retail electricity companies in the United States. Mr. Crane is also the controlling investor in the Houston Astros baseball team.

Paul Godfrey:

Mr. Godfrey currently serves as the President and Chief Executive Officer of Postmedia and the Chairman of RioCan Real Estate Investment Trust. First elected to public office in 1964, Mr. Godfrey served as Chairman of the Metropolitan Toronto Council from 1973 to 1984. In 1984, Mr. Godfrey joined the Toronto Sun as Publisher and Chief Executive Officer and served as President and Chief Executive Officer of the Sun Media Corporation from 1992 to 2000. Mr. Godfrey has also served as the President and Chief Executive Officer of the Toronto Blue Jays Baseball Club from 2000 to 2008. Mr. Godfrey previously served as a director in Astral Media Inc., a director of Data & Audio-Visual Enterprises Wireless Inc. that operated under the trade name “Mobicility” and as Chair of the Ontario Lottery and Gaming Corporation. Mr. Godfrey graduated from the University of Toronto with a Bachelor of Applied Science in Chemical Engineering.

John Webster:

Mr. Webster has been the President and Chief Executive Officer of Scotia Mortgage Corporation since 2006. Mr. Webster has also been the President and Chief Executive Officer of Maple Trust Company since 1989. Maple Trust Company was acquired by Scotia Mortgage Corporation in 2006. He has been the Chief Executive Officer and previously, the Chief Operating Officer, for regulated financial institutions for over twenty years. During such time, Mr. Webster has participated in overseeing numerous internal and external audits as a member of senior management and as a board member. Mr. Webster’s current and previous directorships include Maple Trust Company, Scotia Mortgage Corporation, Filogix Inc. and Dundee Financial Corporation. Mr. Webster received an Honours BA from Wilfred Laurier University and an LL.B and B.C.L. from McGill University.

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its external auditors or the external auditors of the Company’s subsidiary entities.

External Fees by Audit Category

	Year ended December 31, 2015	Year ended December 31, 2014
Audit Fees ⁽¹⁾	\$249,726	\$253,090
Audit Related Fees ⁽²⁾	Nil	\$ 67,410
Tax-Related Fees ⁽³⁾	\$ 48,150	\$ 75,840
All Other Fees ⁽⁴⁾	\$ 5,940	\$ 5,940
Total Fees	<u>\$303,816</u>	<u>\$402,280</u>

(1) Includes audit and review of financial statements for statutory and regulatory filings of the Company.

(2) Audit-related Fees includes professional fees billed by the Company’s auditor related to assurances and related services related to the performance of the audit or review of the financial statements not included in “Audit Fees”.

(3) Tax Fees include the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

(4) All Other Fees include an accounting support fee paid to the Canadian Public Accountability Board (CPAB).

LEGAL PROCEEDINGS

The Company is not aware of any legal proceedings or regulatory actions to which the Company is a party or of which any of the Company’s properties are subject, nor have any such proceedings or actions been pending during

the Company's most recently completed financial year. In addition, no such proceedings or actions are currently known by the Company to be contemplated.

REGULATORY ACTIONS

The Company has not been subject to any penalties or sanctions imposed against it by a court relating to securities legislation or by a securities regulatory authority, nor has the Company entered into any settlement agreements before a court relating to securities legislation with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out herein, no director, executive officer or principal security holder of the Company or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date hereof that has materially affected or will materially affect the Company or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Voting Shares is Computershare Investor Services Inc. at its principal transfer office in Toronto. The trustee for the 6.5% Debentures and 5.5% Debentures is Computershare Trust Company of Canada at its principal transfer office in Toronto.

MATERIAL CONTRACTS

The contracts that are material to the Company and that were entered into within the year ended December 31, 2015, or before such year but which are still in effect, and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 - Continuous Disclosure Obligations, are as follows:

Amended and Restated Security Holders Agreement

Except for a transfer to a party to the Amended and Restated Security Holders Agreement or a transfer pursuant to the Exchange Agreement, before a transfer of a unit of the Partnership or a common share of the GP by any party, the transferee of such unit or share, as the case may be, must agree to be bound by the Amended and Restated Security holders Agreement and upon such transfer will assume the benefits and obligations of the transferring party, except that the Virmani Family Trust, the Mills Family Trust and the Porteous Family Trust (each a "**Vendor**" and collectively, the "**Vendor Group**") may not assign its rights to any person that is not a member of the Vendor Group.

For so long as the percentage of the issued and outstanding Voting Shares, on a diluted basis, held by the Vendor Group is at least 20%, each of the Company and the GP cannot cause or permit the Partnership or any of its subsidiaries to undertake any of the following transactions without the prior written consent of the Vendor Group: (a) change the size of the board of directors of the GP; (b) the sale, assignment, lease, exchange or other disposition of all or substantially all of the assets of the Partnership or any of its subsidiaries (otherwise than in connection with an internal reorganization); (c) any amalgamation, merger, consolidation, plan of arrangement or other business combination or joint venture of the Partnership or any of its subsidiaries with any other entity (otherwise than in connection with an internal reorganization); (d) the acquisition by the Partnership or any of its subsidiaries of any material assets or any material interest in another business; (e) the issuance by the Partnership or any of its subsidiaries of additional units or other equity or equity-linked security, other than in the ordinary course of business; (f) the incurrence of indebtedness by the Partnership or any of its subsidiaries other than in the ordinary course of business; (g) any change to the constating documents of the Partnership, the GP or any of their subsidiaries; (h) any change of the lawyers, auditors or bankers of the Partnership; or (i) the adoption, by the Partnership or any of its subsidiaries, of any plan or proposal to liquidate, dissolve or reorganize or seek relief under bankruptcy or insolvency laws, other than in connection with an internal reorganization.

The Amended and Restated Security holders Agreement may only be modified, amended, altered, waived or supplemented with the written approval of each Vendor, save and except for (i) amendments to cure any ambiguity

or to correct or supplement any provisions which are defective or inconsistent with any other provision of the Amended and Restated Security holders Agreement, provided that the cure, correction or supplemental provision does not and will not adversely affect the interests of any Vendor, or (ii) amendments to ensure that the GP and the Partnership are in compliance with the Canadian Ownership and Control Provisions (as defined in the Amended and Restated Security holders Agreement) as they relate to the GP, the Partnership, their subsidiaries and their owners.

The Amended and Restated Security holders Agreement will continue in force until the percentage of the issued and outstanding Voting Shares, on a diluted basis, held by the Vendor Group is less than 10%. The Partnership Agreement will remain in effect notwithstanding any termination of the Security holders Agreement;

5.5% Debenture Indenture

On April 29, 2014, the Company closed an offering of \$67,000,000 aggregate principal amount of 5.5% Debentures due June 30, 2019. On this same date, the underwriters exercised their over-allotment option in full, resulting in the issue of an additional \$7,000,000 aggregate principal amount of 5.5% Debentures. The 5.5% Debentures are subordinated, unsecured obligations of the Company and bear interest at a rate of 5.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year. The 5.5% Debentures are convertible at any time at the option of the holders into Voting Shares at a conversion price of \$28.75 per share subject to adjustments in certain circumstances. The 6.5% Debentures will mature on April 30, 2017. The terms of the 5.5% Debentures are set out in the Debenture Indenture dated April 22, 2014 entered into between the Company and Computershare Trust Company of Canada. See “General Development of the Business – Issue of 5.5% Debentures”.

6.5% Debenture Indenture

On March 21, 2012, the Company closed an offering of \$25,000,000 aggregate principal amount of 6.5% Debentures due April 30, 2017. On this same date, the underwriters exercised their over-allotment option in full, resulting in the issue of an additional \$3,750,000 aggregate principal amount of 6.5% Debentures. The 6.5% Debentures are subordinated, unsecured obligations of the Company and bear interest at a rate of 6.5% per annum, payable semi-annually in arrears on April 30 and October 31 of each year. The 6.5% Debentures are convertible at any time at the option of the holders into Voting Shares at a conversion price of \$11.75 per share subject to adjustments in certain circumstances. The 6.5% Debentures will mature on April 30, 2017. The terms of the 6.5% Debentures are set out in the 6.5% Debenture Indenture dated March 21, 2012 entered into between the Company and Computershare Trust Company of Canada. See “General Development of the Business – Issue of 6.5% Debentures”.

INTERESTS OF EXPERTS

The auditors of the Company are Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario. Cargojet’s consolidated annual financial statements for the period ended December 31, 2015 was filed under National Instrument 51-102 – *Continuous Disclosure Obligations* in reliance on the report of Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, given on their authority as experts in auditing and accounting. Deloitte LLP has confirmed to the Company that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Additional information, including the remuneration and indebtedness of directors and officers of Cargojet and the principal holders of Cargojet’s securities, is contained in Cargojet’s information circular for its most recent annual meeting of shareholders. Additional financial information is provided in Cargojet’s financial statements and management’s discussion and analysis for the period ended December 31, 2015.

RISK FACTORS

The following are certain factors relating to the business of the Company and the industry and structure of the Company.

Risks Related to the Business

Loss of Customer Contracts

The Company's ten largest customers accounted for approximately 77% of 2015 revenues of the Company and the Company's top two customers each accounted for over 10% of the Company's 2015 revenues. The loss of any one of these contracts of the Company would cause immediate disruption and would adversely affect the Company's revenues. Any such loss could have a material adverse effect on the results of operations of the Company and there is no assurance that the contracts will be renewed for an additional term or that the commercial terms of any such renewal would be as favorable to the Company as the existing contracts. The inability of the Company to renew these contracts could have a material adverse effect on the Company's business, results of operations or financial condition.

Most of the Company's contracts with its customers are for a term of three to ten years with the ability to terminate generally upon six to eighteen months' notice or if the Company is not meeting specified performance targets. When these contracts expire, there is no assurance that the contracts will be renewed for an additional term or that the commercial terms of any such renewal would be as favourable to the Company as existing contracts. The inability of the Company to renew these contracts could have a material adverse effect on the Company's business, results of operations or financial condition.

In 2014, the Company was awarded the DACNS contract and signed the MSA with CPGOC for an initial seven-year term with three thirty-six month renewal options held by the CPGOC. The terms of contract require the Company to maintain specific on time performance metrics and provide minimum levels of dedicated cargo space. To fulfill its requirements under the contract, the Company has made material investments in its fleet, equipment and the hiring of new personnel. Under the terms of the MSA, the Company has issued a revolving letter of guarantee of \$20.0 million to the CPGOC. If the Company were unable to achieve the minimum service levels and minimum levels of cargo capacity required by the MSA, the contract may be cancelled by the CPGOC without penalty and the drawer's rights under the letter of guarantee may be exercised. The cancellation of the MSA without penalty would have a material adverse effect on the Company's business, results of operations and financial conditions.

Facilities, Finance Lease and Loan Agreement and their Restrictive Covenants

The ability of the Company to make distributions, pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness and finance leases obligations. The degree to which the Company is leveraged could have important consequences to the shareholders, including: (i) a portion of the Company's cash flow from operations will be dedicated to the payment of the principal of and interest on the indebtedness and amounts payable under the finance leases, thereby reducing funds available for future operations and distribution to the Company; (ii) certain of the Company's borrowings and finance lease obligations will be at variable rates of interest, which exposes the Company to the risk of increased interest rates; and (iii) the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited. The Company's ability to make scheduled payments of principal and interest and other amounts on, or to refinance, its indebtedness and finance lease obligations will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit the Company from refinancing the indebtedness and finance lease obligations at all or on favourable terms.

The instruments governing the Company's indebtedness and finance lease obligations contain restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, such instruments contain financial covenants that require the Company to meet certain financial ratios and financial conditions tests. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the obligations under these instruments were to be accelerated, there can be no assurance that the Company's assets would be sufficient to satisfy such obligations in full. In addition, there can be no assurance that future borrowing or equity financing will be available to the Company or available on acceptable terms, in an amount sufficient to fund the Company's refinancing needs and other obligations arising on the maturity of such instruments, including the obligations to purchase the aircraft subject to the finance leases.

Canada — US Open Skies

The current Canada — US “Open Skies” agreement provides regulation of the airline industry, including the air cargo industry, within Canada and currently provides protection of domestic national carriers in each country. The agreement allows cross-border flights between Canada and the United States but provides major restrictions on carriers from operating flight routes between two points within the other’s country. The most recent amendments negotiated between the two countries reinforced the restriction of cabotage and does not allow United States carriers to establish domestic flight routes within Canada and Canadian carriers including the Company to establish domestic routes within the United States. There is no assurance that this “Open Skies” agreement will continue in its present form in the future. Increased competition resulting from the liberalization or revocation of this agreement could affect the Company’s ability to compete for a market share, which in turn could have a material adverse effect on the Company’s business, results of operations or financial condition.

Competition

The Company competes within the industry of air-cargo courier services with other dedicated air cargo carriers. In addition, the Company competes for market share with motor carriers, express companies and other air couriers and airlines who offer cargo services on their regularly scheduled passenger flights. In addition to competition from competitors, new companies may enter the domestic air cargo industry and may be able to offer services at discounted rates. Concentrating only on the air cargo industry does not allow the Company to compete in different modes of freight transportation which may provide a cheaper alternative to air cargo. The Company’s inability to compete for a market share of the air cargo industry under these circumstances could have a material adverse effect on the Company’s business, results of operations or financial condition.

Government Regulations

The Company’s operations are subject to complex aviation, transportation, environmental, labour, employment and other laws, treaties and regulations. These laws and regulations generally require the Company to maintain and comply with a wide variety of certificates, permits, licenses and other approvals. The Company’s inability to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations, could result in substantial fines or possible revocation of its authority to conduct operations.

The Company is routinely audited by various regulatory bodies including Transport Canada and the CTA to ensure compliance with all flight operation and aircraft maintenance requirements. To date, the Company has successfully passed all audits, however, there can be no assurance that the Company will pass all audits in the future. Failure to pass such audits could result in fines or grounding of the aircraft which could have a material adverse effect on the Company’s business, results of operations or financial condition.

The Company is subject to certain federal, provincial and local laws and regulations relating to environmental protection, including those governing past or present releases of hazardous materials. Certain of these laws and regulations may impose liability on certain classes of persons for the costs of investigation or remediation of such contamination, regardless of fault or the legality of the original disposal. These persons include the present or former owner or a person in care or control of a contaminated property and companies that generated, disposed of or arranged for the disposal of hazardous substances found at the property. As a result, the Company may incur costs to clean up contamination present on, at or under its facilities, even if such contamination was present prior to the commencement of the Company’s operations at the facility and was not caused by its activities which could have a material adverse effect on the Company’s business, results of operations or financial condition.

The Company cannot provide any assurance that existing laws, agreements, treaties or regulations will not be revised or that new laws, agreements, treaties or regulations, which could have an adverse impact on the Company’s operations, will not be adopted or become applicable to the Company. For example, the Company’s aircraft currently meet Transport Canada and FAA Stage III noise abatement guidelines. Any future implementation of Stage IV noise abatement guidelines would require the Company to incur expenses to ensure its aircraft meet such guidelines which expenses could negatively impact the Company’s earnings. The Company also cannot provide any assurance that it will be able to recover any or all increased costs of compliance from its customers or that the business and financial condition of the Company will not be adversely affected by future changes in applicable laws and regulations.

Insurance

The Company's operations are subject to risks normally inherent in the air-cargo industry, including potential liability which could result from, among other circumstances, personal injury or property damage arising from disasters, accidents or incidents involving aircraft operated by the Company or its agents. The availability of, and ability to collect on, insurance coverage is subject to factors beyond the control of the Company. There can be no assurance that insurance coverage will be sufficient to cover one or more large claims, or that the applicable insurer will be solvent at the time of any covered loss. There can be no assurance that the Company will be able to obtain insurance at acceptable levels and costs in the future. The Company may become subject to liability for hazards which it cannot or may not elect to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies. The occurrence of an aircraft-related accident or mishap involving the Company could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the Company does not carry any business interruption insurance.

Maintaining Leased Aircraft and Availability of Future Aircraft

The Company currently owns and operates seven B727-200, two B757-200, and two B767-300 and has five B767-300 aircraft under finance lease. It also leases three B767-200 and three B757-200 aircraft. The Company also acquired five Challenger 601 aircraft during the year. The success of the Company will depend, in part, on its ability to replace owned aircraft when necessary and to maintain favorable leases for its leased aircraft. There can be no assurance that the Company will be able to lease or purchase aircraft in the future on acceptable terms or to maintain favorable leases for its aircraft or be able to arrange financing for its current commitment of aircraft purchases or future replacements and expansions. Such risk could have a material adverse effect on the Company's business, results of operations or financial condition. See "Business of Cargojet – Overview" and "Business of Cargojet – Cargojet Fleet".

Fixed Costs

The Company is subject to a high degree of operating leverage. Since fixed costs comprise a proportion of the operating costs of each flight route, the expenses of each flight route do not vary proportionately with the amount of shipments that the Company carries. Accordingly, a decrease in the Company's revenues could result in a disproportionately higher decrease in the Company's earnings as expenses would remain unchanged.

Fuel Prices

The Company requires significant quantities of fuel for its aircraft. Historically, fuel costs represented 25% to 35% of the Company's direct operating cost. The Company is therefore exposed to commodity price risk associated with variations in the market price for petroleum products. The price of fuel is sensitive to, among other things, the price of crude oil, which has increased dramatically over the past few years, refining costs, and the cost of delivering the fuel. Although the Company historically has implemented fuel surcharges to mitigate the earnings impact of unusually high fuel prices, competitive and other pressures may prevent the Company from passing these costs on to its customers in the future. The Company cannot provide any assurance that its supply of fuel will continue uninterrupted, that rationing will not be imposed or that the prices of, or taxes on, fuel will not increase significantly in the future. An extremely high fuel cost could adversely affect customer volumes as other cheaper modes of transportation are sought. Increases in prices that the Company is unable to pass on to its customers could have a material adverse effect on the Company's business, results of operations or financial condition.

Costs Related to Mechanical and Maintenance Problems and Replacement of Equipment and Parts

Maintenance costs will increase as our fleet ages. It includes overhaul of engines, landing gears, APUs and airframes in addition to ongoing maintenance requirements. The Company has a maintenance program schedule and monitors the maintenance of aircraft for owned and leased aircraft. Although costs related to mechanical problems and to maintenance for the Company's aircraft have been forecasted and funded pursuant to its leasing arrangements and maintenance agreements, the actual costs may be higher than those anticipated. Unexpected repairs relating to mechanical problems and to maintenance are beyond the control of the Company and may have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the ability of the Company to obtain equipment and replacement parts on satisfactory terms when required is not always certain. Any inability to obtain equipment or parts, or to obtain the required equipment or parts on satisfactory terms and on a timely basis could have a material adverse effect on the Company's business, results of operations or financial condition.

Foreign Exchange Fluctuations

The Company undertakes sales and purchase transactions including aircraft maintenance cost, lease payments, loan payments, crew training and certain operating costs in foreign currencies, and therefore is subject to gains and losses due to fluctuations in the foreign currencies. Changes in the value of the Canadian dollar relative to the United States dollar could have a negative effect on the profitability of the Company. For the year ended December 31, 2015, the Company had net cashflow exposure to the United States dollar of approximately U.S. \$39 million and to the Euro of approximately €1 million. As of the date of this AIF, the Company is exposed to fluctuations in the US-dollar exchange rate relating to three B767-300 aircraft loans and one B767-300 lease agreement. To the extent that the Company does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the United States dollar may have a material adverse effect on the Company's business, results of operations or financial condition.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that the Company's business and growth strategy will enable the Company to sustain profitability in future periods. The Company's future operating results will depend on a number of factors, including general economic conditions and consumer confidence.

There can be no assurance that the Company will be successful in achieving its strategic plan or that this strategic plan will enable the Company to grow at historical rates or to sustain profitability. Failure to successfully execute any material part of the Company's strategic plan could have a material adverse effect on the Company's business, result of operations or financial condition.

There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, results of operations or financial condition.

Industry Risk and Economic Sensitivity

The Company serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of the Company. Demand for the Company's services could be materially adversely affected by downturns in the businesses of its customers. The Company's revenues are impacted by the health of the economy in the regional markets in which the Company operates. Although the Company cannot specifically correlate the impact of macro-economic conditions on its business activities, the Company believes that a decline in economic conditions in Canada may result in decreased demand for the services the Company provides and, to the extent that this decline continues or increases in severity, the Company's business, results of operations or financial condition could be materially adversely affected.

Terrorist Activity

The terrorists' attacks of September 11, 2001 and their aftermath negatively impacted the air cargo industry. Additional terrorist attacks, the fear of such attacks or increased hostilities could further negatively impact the air cargo industry. The Company could experience a decrease in the use of its air cargo network as a means of transporting goods domestically and internationally and an increase in costs.

Dependence on Key Personnel

The Company's success will be substantially dependent on the continued services of senior management of the Company. The loss of the services of one or more key members of senior management of the Company could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the Company's continued growth depends on the ability of the Company to attract and retain skilled managers and employees and the ability of its personnel to manage the Company's growth. The inability to attract and retain key personnel could have a material adverse effect on the Company's business, results of operations or financial condition.

Labour Relations

On October 19, 2012, 65 of the Company's pilots were certified as a union by the Canadian Industrial Relations Board ("CIRB"). As of the date hereof, 147 of the Company's pilots are certified as a union by the Canadian Industrial Relations Board. The National Automobile, Aerospace, Transportation and General Workers Union of

Canada (CAW – Canada) was certified as the bargaining agent for the Company’s pilots. The Company entered into five year collective agreement with the pilots’ union in July 2013.

On June 1, 2015, the CIRB certified all cargo agents and load planners of the Company at the Halifax International Airport, consisting of 18 employees as at the date hereof, as a union with Unifor being certified as the bargaining agent for such employees. Effective November 10, 2015, the Company entered into a collective agreement with Unifor in respect of these employees that will expire on December 31, 2018.

None of Cargojet’s other employees are unionized and Cargojet has never experienced a work stoppage. The maintenance of a productive and efficient labour environment and the successful negotiation of a collective bargaining agreement cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on the Company’s business, results of operations or financial condition.

Severe Weather Patterns

The Company serves numerous industries and customers that experience significant fluctuations in demand based on economic conditions and other factors beyond the control of the Company. Demand for the Company’s services could be materially adversely affected by downturns in the businesses of its customers. Severe weather during any extended period could prevent shipments from being delivered on a timely basis and could force flight cancellations. Any extended delay in meeting time sensitive shipping deadlines could have a material adverse effect on the Company’s business, results of operations or financial condition.

Seasonal Fluctuations

Traditionally, the Company has experienced its best operating results in the third and fourth quarters of each year. Shipping activity is usually the best in the fourth quarter as a result of the holiday season and is usually the lowest in the first quarter. Accordingly, the seasonal nature of the business of the Company will affect the quarterly financial results of operation of the Company that will be reported.

Dependence on International Trade

The principal businesses of the Company are indirectly related to, and future performance is dependent upon, the volume of international trade, including cross-border trade between Canada and the US. Such trade is influenced by many factors, including North American and overseas economic and political conditions, major work stoppages, wars, terrorist acts or security operations, exchange controls, currency fluctuations and Canadian, US and foreign laws relating to duties, trade restrictions, foreign investment and taxation. There can be no assurance that trade-related events beyond the control of the Company, such as failure to reach or adopt trade agreements and an increase in trade restrictions, will not have a material adverse effect on the Company’s business, results of operations or financial condition.

Future Sales of Voting Shares by the directors and officers of Cargojet

The directors and officers of Cargojet indirectly hold in aggregate 1,728,240 Voting Shares, or approximately 17.10% of the outstanding Voting Shares. If the directors and officers of Cargojet sell substantial amounts of Voting Shares in the public market, the market price of the Voting Shares could decrease. The perception among the public that these sales will occur could also produce such an effect.

Income Tax Matters

Cargojet is subject to federal and provincial income taxes. Although the Company is of the view that all expenses to be claimed by the Company and its subsidiaries in the determination of their respective incomes under the Tax Act will be reasonable and deductible by the appropriate entity in accordance with the applicable provisions of the Tax Act, and that the allocations of income and loss of the Partnership and the Operating Partnership to be made for purposes of the Tax Act will be reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada revenue Agency (“CRA”) or the provincial taxing authority will agree. Counsel can provide no opinion with respect to the reasonableness of any expense or of the allocation of income by a partnership. If CRA or any provincial tax authority successfully challenges the deductibility of expenses or the allocation of income, Cargojet’s liability to income tax may increase.

Increase in Interest Rates

One of the factors that may influence the price of the Voting Shares in public trading markets will be the annual cash-on-cash return from dividends by the Company on the Voting Shares as compared to cash-on-cash returns on other financial instruments. Thus, an increase in market interest rates will result in higher cash-on-cash returns on other financial instruments, which could adversely affect the market price of the Voting Shares.

GLOSSARY OF TERMS

“5.5% Debentures” means the subordinated unsecured convertible debentures due June 30, 2019, bearing interest at a rate of 5.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year and convertible at any time at the option of the holders into Voting Shares at a conversion price of \$28.75 per share subject to adjustment in certain circumstances.

“5.5% Debenture Indenture” means the indenture governing the 5.5% Debentures, dated April 22, 2014, between Cargojet Inc. and Computershare Trust Company of Canada.

“6.5% Debentures” means the subordinated unsecured convertible debentures due April 30, 2017, bearing interest at a rate of 6.50% per annum, payable semi-annually in arrears on April 30 and October 31 of each year, and convertible at any time at the option of the holders into Voting Shares at a conversion price of \$11.75 per share subject to adjustment in certain circumstances.

“6.5% Debenture Indenture” means, collectively, the indenture governing the 6.5% Debentures, dated March 21, 2012, between Cargojet Inc. and Computershare Trust Company of Canada.

“ACE” means ACE Air Charter Inc.

“ACMI” is an acronym for Aircraft, Crew, Maintenance and Insurance and means the operation of a dedicated aircraft on a leased basis whereby the customer is responsible for all costs of the operation and the owner provides the aircraft and crew and is responsible for the maintenance and insurance of the aircraft. This is also referred to as a **“wet lease”**.

“Act” means the Canada Transportation Act.

“Amended and Restated Security Holders Agreement” means the amended and restated security holders agreement dated as of January 1, 2011, among the Company, the Partnership, the GP, the Virmani Family Trust, the Mills Family Trust and the Porteous Family Trust, amended and restating the Security holders Agreement;

“Arrangement” means the conversion of the Fund from an income trust to a corporation by way of a court-approved statutory plan of arrangement under Section 182 of the OBCA on January 1, 2011.

“B727-200” means Boeing 727-200 series aircraft.

“B757-200” means Boeing 757-200 ER series aircraft.

“B767-200” means Boeing 767-200 ER series aircraft.

“B767-300” means Boeing 767-300 ER series aircraft.

“Board” means the board of directors of Cargojet Inc..

“Cargojet” means the Company.

“Cargojet Partnership” means Cargojet Partnership, the operating partnership established as a general partnership under the laws of the Province of Ontario.

“Class A Units” means Class A units of Cargojet Partnership, 99.9% of which are held by Cargojet Airways Ltd. and 0.1% are held by Limited Partnership.

“Class C Units” means Class C units of Cargojet Partnership, 100% of which are held by Cargojet Airways Ltd.

“**Common Voting Shares**” means the common voting shares of the Company.

“**Company**” means Cargojet Inc., a corporation incorporated under the laws of the Province of Ontario, and its subsidiaries.

“**CPGOC**” means the Canada Post Group of Companies.

“**CRA**” means the Canada Revenue Agency.

“**CTA**” means the Canadian Transportation Agency.

“**DACNS**” means the domestic air cargo network services to be provided by the Company to CPGOC under the MSA.

“**Exchange Agreement**” means the exchange agreement dated as of June 9, 2005, among the Fund, the Trust, the Partnership, the GP and certain security holders of the Fund and/or its subsidiaries, providing for the terms of exchange and related provisions governing the Exchangeable LP Units;

“**Exchangeable LP Units**” means the Class B limited partnership units of the Partnership.

“**facility**” means the senior revolving credit facility in an aggregate principal amount of \$100 million

“**Fund**” means Cargojet Income Fund, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario.

“**GP**” means Cargojet GP Inc., a corporation incorporated under the laws of the Province of Ontario.

“**GP Common Shares**” means common shares of the GP, all of which are owned by Cargojet Inc.

“**GP Units**” means the general partnership units of the Partnership held by the GP.

“**Loan Agreements**” means the two aircraft loan agreements entered into between the Company and a Canadian equipment finance and leasing company.

“**OBCA**” means the *Business Corporations Act* (Ontario) R.S.C. 1990 c.B.16, as amended, including the regulations promulgated thereunder.

“**Ordinary LP Units**” means the Class A limited partnership units of the Partnership, all of which are owned by the Company.

“**MLA**” means the master capital lease agreement entered into between the Company and a Canadian equipment finance and leasing company.

“**MSA**” means the master service agreements entered into between the Company and CPGOC dated February 19, 2014 to provide DACNS.

“**Partnership**” means Cargojet Holdings Limited Partnership, a limited partnership established under the laws of the Province of Ontario pursuant to the Partnership Agreement.

“**Partnership Agreement**” means the limited partnership agreement dated April 28, 2005, among the GP and the Trust as initial limited partner, governing the terms of the Partnership and the relationship among the limited partners and the GP thereunder.

“**Plans**” means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts each as defined in the Tax Act.

“**Security holders Agreement**” means the security holders agreement dated as of June 9, 2005, among the Fund, the Trust, the Partnership, the GP, the Virmani Family Trust, the Mills Family Trust and the Porteous Family Trust;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder.

“**Trust**” means Cargojet Operating Trust, an unincorporated, limited purpose trust established under the laws of the Province of Ontario.

“**TSA**” means the Transportation Security Administration.

“**TSX**” means the Toronto Stock Exchange.

“**Unitholders**” means the holders of Units.

“**Variable Voting Shares**” means the variable voting shares of the Company.

“**Voting Shares**” means the Common Voting Shares and Variable Voting Shares, or as applicable, any one of them.

SCHEDULE A - CHARTER OF THE AUDIT COMMITTEE

I. Purpose

The Audit Committee's mandate is to provide assistance to the Board of Directors of Cargojet Inc. (the "Corporation") in fulfilling its financial reporting and control responsibility to the shareholders and the investment community.

II. Composition

The Audit Committee will be comprised of at least three directors of the Corporation, all of whom, subject to any exemptions set out in National Instrument 52-110 *Audit Committees* ("NI 52-110"), will be independent and financially literate. An "independent" director is a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship that could, in the view of the Board of Directors of the Corporation, be reasonably expected to interfere with the exercise of the director's independent judgement or a relationship deemed to be a material relationship pursuant to NI 52-110. A "financially literate" director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

III. Responsibilities

Responsibilities of the Audit Committee generally include, but are not limited to, the undertaking of the following tasks:

1. Making recommendations to the Board of Directors of the Corporation regarding the selection, evaluation and compensation of the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation. In making such recommendations, the Audit Committee will:
 - (a) confirm the independence of the auditors and report to the Board of Directors of the Corporation its conclusions on the independence of the auditors and the basis for these conclusions; and
 - (b) meet with the auditors and financial management to review the scope of the proposed audit for the current year, and the audit procedures to be used.
2. Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. In overseeing such work, the Audit Committee will:
 - (a) review with the external auditors any audit problems or difficulties and management's response;
 - (b) at least annually obtain and review a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, and reviewing any steps taken to deal with any such issues;
 - (c) serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control system and oversee management's reporting on internal control;
 - (d) provide open lines of communication among the external auditors, financial and senior management, and the Board of Directors of the Corporation for financial reporting and control matters;
 - (e) make inquiries of management and the external auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risks to the Corporation; and
 - (f) establish procedures to ensure that the Audit Committee meets the external auditors on a regular basis in the absence of management.
3. Pre-approving all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor, subject to any exemptions set out in NI 52-110. Notwithstanding the pre-

approval process, the Audit Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine the other non-audit services the external auditors are prohibited from providing:

- (a) bookkeeping or other services related to the accounting records or financial statements of the Corporation;
 - (b) financial information systems design and implementation;
 - (c) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - (d) actuarial services;
 - (e) internal audit outsourcing services;
 - (f) management functions or human resources;
 - (g) broker, dealer, investment adviser or investment banking services;
 - (h) legal services and expert services unrelated to the audit; and
 - (i) any other service that the Audit Committee determines to be impermissible.
4. Reviewing the Corporation's financial statements, management's discussion and analysis and annual and interim profit or loss press releases before the Corporation publicly discloses the information. In connection with such review, the Audit Committee will ensure that:
 - (a) management has reviewed the financial statements with the Audit Committee, including significant judgments affecting the financial statements;
 - (b) the members of the Audit Committee have discussed among themselves, without management or the external auditors present, the information disclosed to the Audit Committee; and
 - (c) the Audit Committee has received the assurance of both financial management and the external auditors that the Corporation's financial statements are fairly presented in conformity with International Financial Reporting Standards in all material respects.
 5. Ensuring that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 4 above, and periodically assessing the adequacy of those procedures.
 6. Establishing procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
 7. Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
 8. Annually reviewing and revising this Charter as necessary with the approval of the Board of Directors of the Corporation and the text relating to this Charter, which is required to appear in the AIF of the Corporation, as more specifically set out in Form 52-110FI Audit Committee Information Required in an AIF.

IV. Authority

The Audit Committee has the authority to:

engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;
set and pay the compensation for any advisors employed by the Audit Committee; and
communicate directly with the internal and external auditors.

V. Meetings

The Audit Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than four times a year. Meetings may be held at any time deemed appropriate by the Audit Committee. At the discretion of the Audit Committee, meetings may be held with representatives of the external auditors and appropriate members of management.

The external auditors will have direct access to the Audit Committee at their own initiative.

The Chairman of the Audit Committee will report periodically to the Board of Directors of the Corporation.