# ANNUAL INFORMATION FORM

## FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

**March 7, 2022**

**The Most Awarded Air Cargo Airline in Canada**

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# EXPLANATORY NOTES

Unless otherwise stated, the information in this annual information form (the "**Annual Information Form**") is current as at December 31, 2021. Unless otherwise noted or the context otherwise indicates, "Cargojet", the "Company" and "our" refers to Cargojet Inc. and its subsidiaries. All currency amounts in this Annual Information Form are stated in Canadian dollars, unless otherwise indicated.

## Forward-Looking Information

Certain statements made in this Annual Information Form are "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 Company's current and future business strategies, plans, expectations, intentions, products and services, results, performance, planned 2022, 2023 and 2024 operating fleet, and relations with suppliers, customers and employees. 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 statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved", including references to assumptions.

Forward-looking information, by its nature, is based on current estimates and certain material expectations and assumptions made by Cargojet, including those described herein and is subject to important risks and uncertainties. Forward-looking information cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Forward-looking information in this Annual Information Form includes without limitation, anticipated financial performance, business prospects, operations plans including fleet optimization, strategies, regulatory developments, exchange rates, interest rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the continued and timely investment in and development of infrastructure, the availability and cost of labour and services, the anticipated impact of competition, including new competitors, on Cargojet's business, the ability to obtain financing on acceptable terms, and market conditions and potential timing delays, among other variables. Although Cargojet considers these estimates, expectations and assumptions to be reasonable based on current information and in light of its experience and perception of historical trends, current conditions and expected future development, there can be no assurance that such estimates, expectations and assumptions will prove to be correct.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance, achievements, future events or developments to differ materially from those expressed or implied by such forward-looking information, including, without limitation, the following factors, which are discussed in greater detail in the "Risk Factors" section of this Annual Information Form: the impact of the COVID-19 global pandemic on our operations and financial results, loss of key contracts, restrictions of existing indebtedness and finance lease obligations reducing flexibility, the Canada - US "Open Skies" agreement, competition, ability to realize the anticipated financial and strategic benefits of the agreements with Amazon, government regulations relating to aviation, transportation, environmental, labour, employment and other laws, treaties and regulations, availability of adequate insurance and the associated cost, the Company's dependence on technology and threats to the Company's cyber security, maintaining leased and owned aircraft and availability of future aircraft (and financing therefor), fixed costs, fuel prices and availability, costs related to mechanical and maintenance problems and replacement of equipment and parts, foreign exchange fluctuations, the ability of the Company to maintain profitability and manage growth, industry risk and economic sensitivity, dependence on key personnel and skilled labour, labour relations, severe weather patterns or natural or manmade disasters, seasonal fluctuations, dependence of the Company on international trade, future sales of Voting Shares by directors and officers of the Company, income tax matters, increase in interest rates, potential future legal proceedings, the loss of interline partnerships and alliances, the Company's dependence on key supplies and suppliers, terrorism, ability to maintain dividends, and potential volatility of the price of our Voting Shares. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. While these factors should be considered carefully, they are not intended to represent a complete list of the factors that could affect us and there may be other factors beyond the Company's control that cause actions, events or results not to be as anticipated, estimated or intended.

The purpose of the forward-looking information is to provide the reader with a description of management's current expectations regarding the Company's financial performance and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking information. 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. Forward-looking information is provided as of the date of this Annual Information Form (or as of the date otherwise stated to be made) and are subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether to reflect new information, future events or otherwise, except as required under applicable securities laws. The forward-looking information contained in this Annual Information Form is expressly qualified by this cautionary statement.

## Presentation of Financial Information

All references in this Annual Information Form to "Fiscal 2021", "Fiscal 2020" and "Fiscal 2019" are to the Company's fiscal years ended December 31, 2021, 2020 and 2019, respectively.

This Annual Information Form should be read in conjunction with the audited consolidated annual financial statements and notes thereto and related management's discussion and analysis of financial condition and results of operations for Fiscal 2021 and Fiscal 2020. The audited consolidated annual financial statements have been prepared in accordance with generally accepted accounting principles in Canada, as set out in the CPA Canada Handbook - Accounting, which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board, except for any financial information specifically denoted otherwise. The annual financial statements, quarterly financial statements, press releases and additional information relating to Cargojet filed with regulatory authorities are available under the Company's profile on SEDAR at www.sedar.com and at our corporate website at www.cargojet.com.

## CORPORATE STRUCTURE

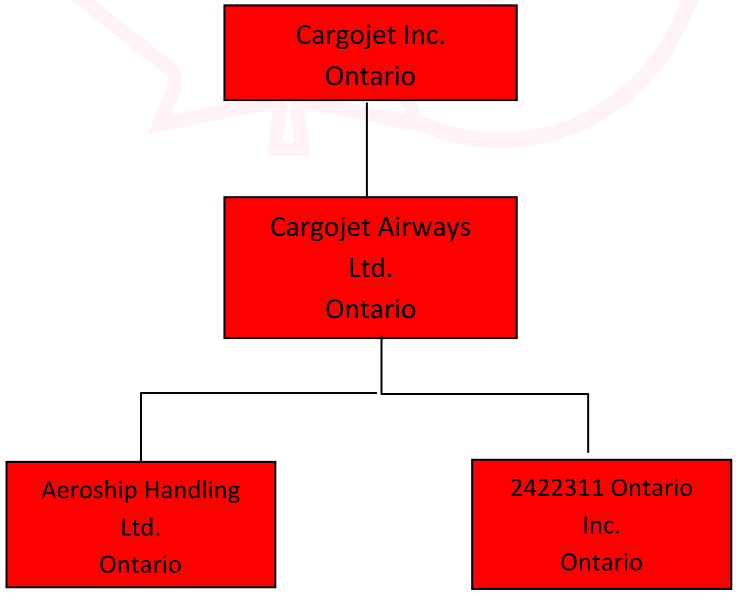
### Name, Address and Incorporation

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 under Section 182 of the OBCA completed on January 1, 2011.

The head and registered office address of the Company is 2281 North Sheridan Way, Mississauga, Ontario L5K 2S3. 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 of the date hereof.

### Intercorporate Relationships

On January 1, 2020, the Company completed an internal corporate reorganization to simplify its corporate structure. The following diagram illustrates the operating material subsidiaries of the Company, each of which is wholly-owned, as of the date hereof.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History and Recent Developments

Cargojet is Canada's leading provider of time sensitive premium overnight air cargo services and carries over 25,000,000 pounds of cargo weekly. Cargojet's business is comprised of the following:

1. Operating a domestic 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, North America, South America and Europe.
3. Operating scheduled international routes for multiple cargo customers between the USA and Bermuda, and between Canada, UK and Germany.
4. Providing dedicated aircraft to customers on an *adhoc* charter basis operating between points in Canada, the USA and other international destinations.

Cargojet operates its business utilizing its fleet of all-cargo and passenger aircraft. Cargojet's domestic 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, and
- Strengthening management by hiring and training to enhance and improve company culture. New management personnel are provided with a comprehensive orientation and education program aimed at familiarizing themselves with the Company's industry, strategic plans, significant risk management issues and financial standing, and the nature and operation of the Company's business.

**In 2021:**

- continued high demand for Cargojet's domestic and international air cargo services. Revenues increased to $757.8 million from $668.5 million in the previous year (13.3%) primarily due to the continued strong demand from our existing customers on the domestic network and growth in our ACMI business.

- In October 2021, Cargojet began operating two new scheduled domestic ACMI routes and in November 2021, it began one new scheduled ACMI route between Canada and the UK. Under these arrangements Cargojet operates flights with three dedicated B767-300 aircraft.
- In April 2021, the Company entered into a new transportation agreement with Amazon Canada Fulfillment Services, ULC to expand its existing commercial relationship by operating two B767-300BDSF aircraft as part of Amazon Air network on Crew, Maintenance and Insurance ("CMI") basis within Canada operating since July 2021. The agreement has a four year term with three two-year renewal options;
- On August 10, 2021, the Company acquired a 25% minority interest in a cargo airline, 21 Air LLC, with its corporate office in Miami, Florida to build a more diversified and robust global footprint;
- On February 1, 2021, successfully completed a bought deal public offering of 1,713,500 Voting Shares at a price of $213.25 per share for aggregate gross proceeds of $365 million (including closing of the over-allotment option);
- On February 5, 2021, amended its syndicated committed revolving credit facility to amend the applicable margin and to extend the maturity date to February 2026. The syndicated committed revolving credit facility was further amended and restated on February 7, 2022 to, amongst other things, further extend the maturity date to February 2027 and to reflect the transition from LIBOR to SOFR;
- strengthened its balance sheet with an overall reduction of $265.2 million in net debt in Fiscal 2021;
- achieved record Adjusted EBITDA[(1)] of $293.1 million, an increase of $11.4 million or 4.0% over Fiscal 2020.
- achieved Net income of $167.4 or $9.73 earning per share compared to a Net loss of $87.8 million or $5.63 loss per share in 2020.

(1) Adjusted EBITDA is a non-GAAP measure. See the section "End Notes" of Cargojet's management's discussion and analysis for Fiscal 2021 for an explanation of the composition of this measure, as well as its use and purposes. See "Non-GAAP Financial Measures" in Cargojet's management's discussion and analysis for Fiscal 2021 for reconciliations of this measure. This information is incorporated by reference into this Annual Information Form. The MD&A is available on SEDAR at www.sedar.com.

**In 2020:**

- the COVID-19 pandemic has generally increased demand for Cargojet's domestic and international air cargo services. Revenues increased to $668.5 million in Fiscal 2020 from $486.6 million in the previous year (37.4%) primarily due to the continued strong demand from our existing customers on the domestic network and growth in the ACMI business.
- on December 8, 2020, Cargojet began operating three new scheduled ACMI routes between Canada to USA continuing to Mexico and Europe. Under this arrangement Cargojet operates flights with three dedicated B767-300 aircraft.

- completed the court approval process to increase permitted foreign ownership levels to the levels permitted under the *Canada Transportation Act*.
- completed a bought deal offering of 5.25% listed senior unsecured hybrid debentures for gross proceeds to the Company of $115 million.
- amended its syndicated committed revolving credit facility to, among other things, increase the revolving credit limit from $510 to $600 million.

**In 2019:**

- On October 31, 2019 the Company issued a redemption notice pursuant to the 4.65% convertible debenture indenture dated September 15, 2016 (the "**4.65% Debenture Indenture**") to redeem all of the then outstanding 4.65% Debentures on December 31, 2019.
- On September 30, 2019, Cargojet began operating a new scheduled ACMI route to USA and Mexico. Under this arrangement Cargojet operates six (6) flights per week with a dedicated B767-300 aircraft.
- On August 23, 2019, Cargojet entered into a new strategic agreement with Amazon in connection with Amazon and Cargojet's existing commercial agreement for overnight air cargo services and charters and Amazon's utilization of those services to support fast delivery for Amazon customers in Canada. See "*Strategic Partnerships – Strategic Agreement with Amazon*".
- On May 8, 2019, Cargojet's Common Voting Shares and Variable Voting Shares began trading on the Toronto Stock Exchange (the "**TSX**") under a single ticker designated "CJT" and were designated for purposes of trading on the TSX and reporting in brokerage accounts under the single designation of "Common and Variable Voting Shares" of Cargojet. This change was intended to facilitate investment by non-Canadians and improve the liquidity of the Variable Voting Shares.
- Effective January 31, 2019, Cargojet purchased all assets and assumed all lease arrangements of a ground handling and ground support company at Mirabel International Airport in Quebec in accordance with its objective to have more efficient, reliable and secure services for its network.

**The COVID-19 Pandemic**

The COVID-19 pandemic has created a global health crisis that has resulted in widespread disruption to economic activity, across North America and internationally. Various restrictions have at times been imposed by federal, provincial and local governments and by enterprises to attempt to slow and limit the spread of COVID-19 including travel restrictions and bans, border shutdowns, restrictions on public gatherings, stay at home orders, advisories, and quarantining periods. However, the Company's business is deemed an essential service in order to keep supply chains moving and has continually been allowed to continue operating at normal levels. The travel restrictions imposed also do not apply to all-cargo flights or to aircrew.

The Company has taken numerous steps to safeguard the health of its employees while continuing to operate safely and maintain employment and economic activity, including:

- adopted new cleaning procedures on all flights, including disinfectant spraying on all aircraft and sanitizing high touch areas, cargo containers, packages and facilities;

- provided pay protection to employees who have tested positive for COVID-19, must quarantine due to exposure or travel-related requirements or have self-identified as being at high-risk for illness from COVID-19 according to the Centers for Disease Control and Prevention ("**CDC**") guidelines;

- provided financial support to employees facing unexpected child-care needs due to school closures, higher prices of daily essentials, shortages and worries about groceries and other daily costs through temporary daily cash allowances and enhanced health benefits;

- implemented significant workforce social distancing and protection measures, including allowing working from home during this period where possible;

- increased cleaning of its facilities using appropriate methods and products; and

- mandatory temperature checks for employees entering its facilities, provided face masks, gloves and shields where required.

The COVID-19 pandemic has generally increased demand for Cargojet's domestic air cargo services due to the dramatic increase in e-commerce activity, and has significantly increased demand and improved pricing for its international air cargo services due to the reduction of passenger aircraft operating on international routes and the increase in health-related volumes. Business-to-business volumes have largely recovered since the onset of the pandemic. The Company continues to operate all of its aircraft on domestic and international routes and has seen a surge in charter and ACMI activity. The Company has and will continue to increase its aircraft fleet and adjust its network, as well as flight and maintenance schedules, to increase aircraft capacity to meet increased overnight, transborder and international supply chain demands. The Company has retained and is strengthening relationships with its existing customers and is establishing new relationships with national and international carriers to establish new ACMI routes to the United States, Mexico and Europe and new ad hoc charters.

## BUSINESS OF CARGOJET

Cargojet is Canada's leading provider of time sensitive overnight premium air cargo services and carries over 25,000,000 pounds of cargo weekly. Cargojet operates its network across North America each business night, utilizing a modern fleet of aircraft. Due to COVID-19, the resulting grounding of airline fleets and cancellation of flights and continued disruptions of the supply chain, certain passenger airlines have publicly disclosed that they have and will continue to expand their air cargo business. To gain market share, these potential competitors may offer similar services to Cargojet at discounted rates. Cargojet believes that it has a leading position in an industry benefiting from positive economic tailwinds, including the rapid growth of e-commerce. Another key factor in the success of Cargojet lies in its long-standing customer relationships and long-term contracts (approximately 75% of domestic volumes are under long-term contract). Cargojet provides service to over 400 customers that are comprised of Canada's major courier companies, retailers, freight forwarders, manufacturers, specialty shippers and international airlines. The Company has a successful track record of completing accretive acquisitions and strategic partnerships and the pursuit of such future opportunities continues to be a core component of Cargojet's overall growth strategy. Cargojet continues to focus its strategies on developing opportunities in both the domestic and global markets, while improving margins through optimization of fleet, network and operational controls.

## Services

**Overnight Network**

Cargojet offers its overnight air cargo service between sixteen 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. See "*Customers*" below.

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. See also "*General Development of the Business*".

### 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, South America, 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. See also "*General Development of the Business*".

### Cargojet Fleet

The table below sets forth Cargojet's operating fleet as at December 31, 2019, 2020 and 2021, as well as Cargojet's planned operating fleet for 2022, 2023 and 2024:

| Type of Aircraft | Leased or Owned | Average Age | Number of Aircraft in Service | | | | | | Maximum Payload (lbs.) | Range (miles) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Actual December 31 | | | Plan December 31, | | | | |
| | | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | | |
| B767-300[1] Freighter | Leased | 27 | 8 | 8 | 4 | 4 | 3 | 3 | 125,000 | 6,000 |
| B767-300[2] Freighter | Owned | 28 | 4 | 6 | 12 | 15 | 17 | 17 | 125,000 | 6,000 |
| B767-200[3] Freighter | Owned | 20 | - | 2 | 2 | 2 | 4 | 4 | 100,000 | 5,000 |
| B767-200[4] Freighter | Leased | 36 | 1 | 1 | 1 | 1 | - | - | 100,000 | 5,000 |
| B757-200[5] Freighter | Owned | 29 | 8 | 8 | 9 | 14 | 15 | 15 | 80,000 | 3,900 |
| B767-200[6] Passenger | Owned | 25 | 1 | 1 | 1 | 1 | 1 | 1 | 100,000 | 5,000 |
| B777-200[7] Freighter | Owned | 12 | - | - | - | - | 1 | 3 | 233,000 | 8,555 |
| B777-300[7] Freighter | Owned | 16 | - | - | - | - | ‘- | 2 | 222,000 | 7,370 |
| Challenger 601[8] Passenger | Owned | 34 | 2 | 2 | 2 | 2 | 2 | 2 | 6,000 | 3,300 |
| Total Aircraft[9] | | | 24 | 28 | 31 | 39 | 43 | 47 | | |

Notes:

1. a) Four B767-300 aircraft were financed under a single Master Capital Lease Agreement (“MLA”). In February 2021 Cargojet exercised the purchase option for the four B767-300 aircraft under MLA and accordingly these aircraft were included as owned in Fiscal 2021.

   b) A fifth aircraft was acquired in October 2017, under a lease agreement 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. Cargojet exercised the purchase option in October 2020 and was included as owned from Q4 2020.

   c) In December 2017, Cargojet purchased a B767-300 aircraft as feed stock for cargo conversion in 2018. In March 2018, Cargojet entered into a sale lease-back arrangement to facilitate the cargo conversion and financing of this aircraft, under terms similar to its other leased aircraft that was leased with terms of six years with a purchase option in favour of Cargojet after three years at a pre-determined price. Cargojet exercised the purchase option in March 2021.

   d) In April 2018, Cargojet purchased one B767-300 aircraft under a lease term of five years and a purchase option in favour of Cargojet to purchase the aircraft at the end of three years at a pre-determined price. Cargojet exercised the purchase option in October 2021.

   e) In October 2018, Cargojet purchased one B767-300 converted freighter aircraft under a lease term of five years and a purchase option in favour of Cargojet to purchase the aircraft at the end of the lease term at a pre-determined price. Currently, Cargojet expects to exercise the purchase option in November 2023.

   f) In July 2020, Cargojet purchased an additional B767-300 aircraft converted to cargo specification under a lease term of seven years and a purchase option in favour of Cargojet to purchase the aircraft at the end of the lease term at a pre-determined price. This aircraft was delivered to Cargojet in October 2020.

g) In June 2021 and July 2021 Cargojet acquired two B767-300 aircraft under a lease agreement to operate on a Crew, Maintenance and Insurance ("CMI") basis for a third party, both agreements expiring in March 2027. These aircraft are included in the table above.

2. The twelve B767-300 aircraft in operation at December 31, 2021 are owned by Cargojet. In February 2021 Cargojet exercised the purchase options for the four B767-300 aircraft under MLA, for one B767-300 in March 2021 that was in a sale and lease back arrangement and for one B767-300 in October 2021 that was under a finance lease. In October 2019, Cargojet purchased an additional B767-300 aircraft and two spare engines. This aircraft was converted and delivered to Cargojet in September 2020. In October 2020, Cargojet exercised a purchase option for a B767-300 aircraft which was previously under a finance lease and accordingly the aircraft is included as owned. In November 2020, Cargojet purchased one B767-300 aircraft, in December 2020, one B767-300 airframe and in July 2021, two B767-300 airframe as feed stock for future conversions. These aircraft have been scheduled for cargo conversion. Three of these aircraft are expected to be delivered in 2022 and one in 2023. They are included in the table above based on their expected dates for entry into operations.
3. In August 2018, Cargojet purchased two B767-200 aircraft as feed stock for future conversion and engine replacements. Both of the aircraft were converted and redelivered into operation in February 2020 and April 2020. In July 2019, Cargojet purchased one B767-200 converted freighter aircraft which is currently under lease to third party along with a spare engine. This aircraft has not been included in the table above. In October 2020, Cargojet purchased two B767-200 aircraft as feed stock for future conversion. These aircraft have been scheduled for cargo conversion with the expected delivery dates of Q2 2023 and Q3 2023, respectively, and are included in the table above based on their expected dates for entry into operations.
4. The B767-200 aircraft in operation as at December 31, 2021 is under a lease that was extended to February 28, 2023.
5. The nine B757-200 aircraft in operation as at December 31, 2021 are owned by Cargojet. In November 2017, Cargojet purchased an additional B757-200. Cargojet plans to operate this aircraft through a third party as a passenger charter but eventually to convert the aircraft to a cargo aircraft. This aircraft is not currently operational and has not been included in the table above. In November 2021, Cargojet executed agreement for the purchase of three converted B757-200 aircraft, with expected delivery dates of Q1 2022, Q3 2022 and Q4 2022.In January 2022 Cargojet signed a LOI for the purchase of two converted B757-200 aircraft with expected delivery dates of Q2 2022 and Q3 2022. Six B757-200 are included in the table based on their expected dates of entry in operation.
6. Cargojet purchased one B767-200 aircraft in July 2018. Cargojet has entered into a charter agreement with a third party to operate and manage this aircraft to provide the aircraft for passenger charter services. This aircraft entered operations in Q2 2019.
7. In October 2021 Cargojet executed an agreement for the purchase and conversion of two B777-200 aircraft with an option to buy two more B777-300. Cargojet exercised this option in February 2022. These aircraft are expected to be delivered in Q4 2023, Q1 2024, Q3 2024 and Q4 2024. These aircraft are included in the table above based on their expected delivery dates for entry into operations. In February 2022, Cargojet also entered into another agreement for the purchase of four B777-300 feedstock and reserved conversion slots for these aircraft. Two B777-200 aircraft are included in the table above based on their expected dates for entry into operation.
8. Cargojet has entered into a charter agreement with a third party to operate and manage two aircraft to provide passenger charter services.

All aircraft meet Transport Canada and FAA Stage III noise abatement guidelines enabling unrestricted operation across North America.

All aircraft are maintained under Transport Canada and the manufacturers' approved maintenance programs incorporating periodic service checks. Cargojet's B757-200, B767-200, B767-300, B777-200, and B777-300 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 aircraft maintenance service is performed in house except for the heavy maintenance checks.

### 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.

## Strategic Partnerships

### Strategic Agreement with Amazon

On August 23, 2019, Cargojet entered into a strategic agreement with Amazon.com NV Investment Holdings LLC (the "**Warrantholder**"), an affiliate of Amazon.com.ca, Inc. ("**Amazon**"), as a key air cargo carrier for Amazon's middle mile transportation in Canada. The strategic agreement is in connection with Amazon's and Cargojet's existing commercial agreement for overnight air cargo services and charters and Amazon's utilization of those services to support fast delivery for Amazon customers in Canada. Under the strategic agreement, the Company issued warrants (the "**Warrants**") to the Warrantholder to purchase Variable Voting Shares of the Company that vest, subject to certain conditions and terms, based on the achievement of certain commercial milestones related to Amazon's business with the Company. In connection with the issuance of the Warrants, Amazon was granted certain rights, including customary anti-dilution protections, registration and information rights, and is subject to customary voting and resale restrictions and standstill provisions. See "*Financial Overview – Warrants*" and "*Material Contracts – Warrant Certificate*". In April 2021, Cargojet entered into a new transportation agreement with Amazon Canada Fulfillment Services, ULC to expand its existing commercial relationship with Amazon by operating two B767-300BDSF aircraft as part of Amazon Air network on CMI basis within Canada operating since July 2021. The agreement has a four year term with three two-year renewal options.

### Canada Post Group of Companies

The Company provides comprehensive Canada-wide air cargo services for the CPGOC (as defined below), including Purolator Inc.'s national air cargo network. 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 36-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 the fourth quarter of 2015. On October 23, 2017, Cargojet and CPGOC agreed to extend the term of the

MSA. Pursuant to the extension, the parties elected to exercise the first 36 month renewal term. As a result, the current term of the MSA now continues until March 31, 2025.

**Expansion of ACMI Services with DHL Express**

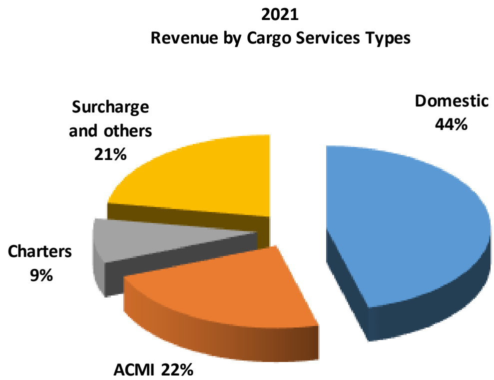
In October 2021, Cargojet began operating two new scheduled domestic ACMI routes and in November 2021, it began one new scheduled ACMI route between Canada and Europe. The new routes are operated by three dedicated B767-300F Cargojet freighter aircraft between Hamilton, Ontario; Calgary, Alberta; Vancouver, British Columbia, and the United Kingdom. This brings the total dedicated ACMI aircraft operated by Cargojet for DHL Express to twelve aircraft.

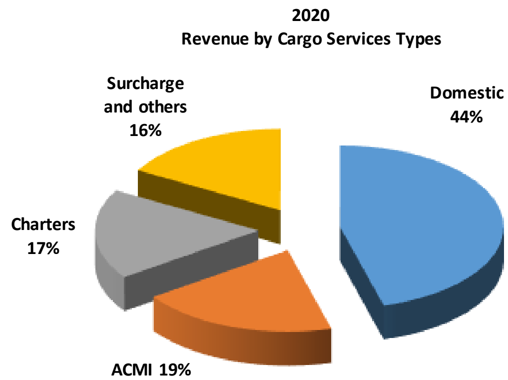
## Customers

A key factor in the success of Cargojet lies in its long-standing customer relationships and long-term contracts with its customer base (approximately 75% of domestic volumes are under long-term contract). Cargojet provides service to over 400 customers that are comprised of Canada's major courier companies, retailers, freight forwarders, manufacturers, specialty shippers and international airlines. Cargojet continues to focus its strategies on developing opportunities in both the domestic and global markets, while improving margins through optimization of fleet, network and operational controls. 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 79% of revenues in Fiscal 2021 and 74% of revenues in Fiscal 2020. Management believes that Cargojet is the exclusive overnight air cargo provider to most of its customers on Canadian routes.

During the twelve-month period ended December 31, 2021, the Company had sales to three customers that represented 60.3% of the total revenues (December 31, 2020 – 54.2%). These sales are provided under service agreements that expire over various periods to April 2025. All of these customers had sales in excess of 10% of total revenues during Fiscal 2021 and Fiscal 2020.

The following charts illustrate revenue by types of cargo services on Cargojet's network for Fiscal 2021 and Fiscal 2020, and fuel and other surcharges:




## Competition

Cargojet faces competition within its market from a mix of dedicated air cargo providers and motor carriers, express companies and passenger airlines offering air cargo services primarily using the cargo hold of their aircraft. Canadian domestic airlines have historically offered air cargo services on their passenger flights by using excess belly cargo capacity of their aircraft. Certain commercial airlines have operated all-cargo flights in response to COVID-19, but we believe this is primarily related to PPE shipments and fulfilling existing contractual obligations to customers for whom those airlines previously shipped in the belly of its passenger aircraft on international routes. As a result of demand for air cargo services being elevated due to, among other things, the ongoing COVID-19 pandemic, management believes there is increased competition for ACMI and charter services in the growing market. However, Cargojet believes that passenger airlines' networks and service offerings do not provide a competitive alternative for customers in the time sensitive overnight air cargo market. Cargojet's primary business model consists of a network that enables next day service for courier industry only, facilitated by long-term contracts with major customers in the domestic market. Management believes that Cargojet carries approximately 90% of Canada's overnight domestic air cargo volume (which is distinctive from other types of air cargo services such as ACMI and charters). Cargojet believes that it currently has only one other direct competitor in the Canadian air cargo services industry that operates (on behalf of an international carrier) scheduled all-cargo services coast-to-coast within Canada. See "*Risk Factors – Competition – The Company operates in a highly competitive environment and faces increasing competition in North America and internationally*".

## Facilities

As Cargojet provides air cargo services across Canada, offices and locations have been strategically located at airports in each of the 16 city centers to meet customer's needs and requirements. All of Cargojet's facilities are leased, with the exception of its aircraft hangars 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 new head office) | April 30, 2032 | None |
| Hamilton Cross Dock and Land Lease, ON | July 31, 2036 | None |
| Hamilton, ON | October 1, 2022 | Two five-year renewal options |
| Ottawa, ON | April 30, 2022 | One one-year renewal option |
| Montreal, QB | May 31, 2024 | Three five-year renewal options |
| Mirabel, QB | November 30, 2024 | None |
| Halifax, NS | April 30, 2023 | None |
| Moncton, NB | November 30, 2026 | None |
| Winnipeg, MB | April 30, 2025 | None |
| Calgary, AB | October 20, 2022 | None |
| Edmonton, AB | February 28, 2033 | None |
| Hangar, Richmond, BC | March 31, 2027 | None |
| Airport Property, Richmond, BC | November 30, 2023 | None |
| Warehouse, Richmond, BC | March 31, 2025 | One five-year renewal option |
| Saskatoon, SK | March 31, 2025 | One five-year renewal option |
| St. John's, NL | January 5, 2037 | Two five-year renewal options |
| Regina, SK | March 31, 2022 | One three-year renewal option |

The Company expects to invest in a new hangar and additional land based facility infrastructure across Canada. The infrastructure investments will support additional e-commerce volumes, driven by the ongoing pandemic, that are expected to establish a new higher baseline going forward. The COVID-19 pandemic has generally increased demand for Cargojet's domestic air cargo services due to the dramatic increase in e-commerce activity.

In Fiscal 2019, the Company acquired an aircraft hangar of approximately 4,129 square meters and associated space at the John C. Munro Hamilton International Airport for consideration of $6.7 million.

## 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 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 private company. In addition, all major Canadian airports are operated by local airport authorities that are also private companies.

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

Under the *Canada Transportation Act* (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" (as discussed in greater detail below); (ii) it can operate safely; (iii) it is suitably insured; and (iv) it meets the minimum financial requirements set out in the *Air Transportation Regulations*.

On June 27, 2018, certain provisions of the *Transportation Modernization Act (Canada)* (the "**TMA**") became effective and amended, among other things, the definition of "Canadian" under section 55(1) of the Act to increase foreign ownership limits in Canadian air carriers from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian airline. Following court and shareholder approval for a plan of arrangement under section 182 of the OBCA, Cargojet amended its articles of incorporation to increase the foreign ownership limits on its Voting Shares (as defined herein) in conformity with the definition of "Canadian" under the Act, as amended by the TMA. The amended articles became effective on April 2, 2020. For more information, see "*Description of Capital Structure – Variable Voting Shares – Exercise of Voting Rights*".

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 a lesser number 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, Transport Canada's 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 valid U.S. operating authority in the form of Part 129 Operations Specifications issued by the U.S. Federal Aviation Administration and a Permit issued by the U.S. Department of Transportation to operate all-cargo operations in and out of the United States. The CTA licenses 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 license. Operating authority from the United States does not expire but is subject to revocation or suspension in certain limited circumstances.

**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 is committed to the security of its operations, employees and assets. The Company works with other stakeholders in the aviation industry, as well as regulators, airports, industry associations, service providers and other third parties, to ensure that appropriate security measures are implemented in an efficient and effective manner.

Cargojet maintains a Security Program that is in compliance with Transport Canada regulations, the regulatory bodies of other countries such as the U.S. Transportation Security Administration ("**TSA**"), as well as IATA's 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.

The Transport Canada Aviation Security Directorate is putting in place a Working Group to support the review of the Air Carrier Security Measures ("**ACSM**") and the development of the Air Carrier Security Program. Cargojet has been included in the ACSM Review Working Group.

The primary goal of this engagement exercise is to obtain stakeholders' input on how best to update and streamline the ACSM from an industry perspective. A full review will ensure that the revised ACSM is up to date, risk based, and easy to understand, while at the same time, decreasing the regulatory burden on the industry with regards to compliance.

From December 2021 to early March 2022, Transport Canada's Aviation Security will be engaging with selected external stakeholder representatives through organized discussions as per a 5 Pillar-based approach that will cover the following topics in the different sessions: Security of Passengers, Carry-On Baggage, Requirements for In-Flight Security Officer (IFSO), Foreign In-Flight Security Officer (FIFSO), Security of Checked-In Baggage, Security of Aircraft, Aviation Security Training, Threat Assessment, Cargo Security, Mail Security, Security of Catering Provisions, In-Flight Supplies, Diplomatic Baggage, Liquids, gels, aerosols and STEBs, Canada to U.S Flights.

**Transport Canada Air Cargo Security Program**

Phase 1 - International and Transborder All-Cargo Flights: Transport Canada implemented screening requirements for cargo transported on international and transborder all-cargo flights effective 1 July 2021. As of this date, cargo needs to be secured using an approved Transport Canada screening method. The new screening requirements require 100% screening for explosives.

In order to be compliant, Cargojet's Security Department has been monitoring the affected flights and has engaged canine screening as required.

Phase 2 - Domestic All-Cargo Flights: Through the working group Transport Canada will work towards establishing enhancements to the security of cargo transported on domestic All-Cargo flights by 2023.

**TSA All-Cargo International Security Program ("ACISP")**

Amendment TSA ACISP Change 10 (Standard Screening Procedures for Air Cargo): The TSA has determined that certain cargo security measures required by Transport Canada, under the provisions of Canadian law, provide a commensurate level of security as those required by the TSA ACISP.

TSA Proposed changes to the ACISP - Change 12 (11 Mar 2021): The ACISP change addressed an International Civil Aviation Organization ("**ICAO**") Standard requiring foreign air carriers to comply with additional cargo screening requirements for all-cargo flights departing from the United States to non-U.S. locations. Cargojet is compliant with its obligations.

**Pre-Load Air Cargo Targeting ("PACT")**

Transport Canada is starting the PACT pilot to improve the security and screening capability of the supply chain used to transport cargo into Canada.

PACT is supported by the ICAO, World Customs Organization and the global air cargo industry. It adds another layer of security to the cargo transport system.

Cargojet has voluntarily applied to participate in the pilot.

Cargojet's participation started on 25 March 2021. The CMC team has started to report cargo shipments to Transport Canada under the PACT Pilot.

**Partners in Protection ("PIP")**

PIP is a cooperative program between private industry and the Canada Border Services Agency ("**CBSA**") aimed at enhancing border and trade chain security.

The CBSA has signed Mutual Recognition Agreements recognizing the compatibility of its PIP program with various foreign Authorized Economic Operator programs, to include U.S. Customs and Border Protection – Customs Trade Partnership Against Terrorism ("**C-TPAT**") program in June 2008. In 2018 Cargojet became a participant of the C-TPAT Program.

PIP is also a requirement for the Customs Low Value Shipment Program, and therefore Cargojet applied to become a PIP participant through the completion of the Security Profile using the Trusted Trader Portal web application. Cargojet's PIP application is under review by CBSA.

## 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.

**Employees**

As at December 31, 2021, Cargojet employed approximately 1496 employees: 238 in administration; 321 in airline operations; 133 in Maintenance; and 804 in cargo operations. 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 or in any future period when the hourly employees may be at maximum due to recruitment on a needs basis. On average, during Fiscal 2021, Cargojet employed approximately 1,237 employees: 148 in administration; 235 in airline operations; 140 in Maintenance; and 714 in cargo operations. Cargojet has implemented a succession plan requirement across the Company to ensure that there is a ready and capable pool of employees to perform in the event of turnover, retirements or other employee attrition.

On September 17, 2021, the Canadian Industrial Relations Board ("**CIRB**") certified the Air Line Pilots Association ("**ALPA**") as the representative of Company's pilots replacing UNIFOR. On May 21, 2019, the Company and UNIFOR agreed to bring in changes in the terms of the agreement to meet the requirements of the Transportation Canada fatigue regulations. The changes include the extension of the contract for three more years until June 30, 2026, workload scheduling and introduction of a new incentive program. Previously, in July 2018, the Company renewed its five year collective agreement with the pilots. The contract was ratified on July 28, 2018 and became effective as of July 1, 2018 and contains no-strike/no-lockout provision covering re–negotiation at the end of the 5 year term. The terms and conditions of the contract will remain in place and in effect. On October 19, 2012, the National Automobile, Aerospace, Transportation and General Workers Union of Canada ("**CAW – Canada**") became certified by Cargojet's pilots as their bargaining union by the CIRB.

None of Cargojet's other employees are unionized and Cargojet has never experienced a work stoppage. Management believes that it maintains a strong and positive relationship with its employees.

## Industry Recognition

In October 2021, Cargojet announced the renewal of its IATA Operational Safety Audit ("**IOSA**") registration. IOSA is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. IOSA uses internationally recognized quality audit principles to conduct audits in a standardized and consistent manner. Cargojet is very proud to be the only Canadian air cargo carrier that is a full member of IATA.

Cargojet continues to receive industry recognition for performance. In Fiscal 2021, Cargojet was once again, for the nineteenth year, awarded the Shipper's Carrier of Choice Award by Canadian Shipper magazine. Cargojet is the only Canadian Air Cargo carrier to receive this honour.

In September 2021, Cargojet announced the successful recertification of its ISO 9001 Quality Standard Accreditation, for the nineteenth consecutive year. Cargojet is the only air cargo carrier in Canada with this accreditation. This accreditation reinforces the continuity of the value added, safe, on time and reliable service Cargojet provides to its customers on a daily basis. Cargojet is very proud to be the only Canadian air cargo carrier that is a full member of IATA.

# FINANCIAL OVERVIEW

## Amendments to the Credit Facility

The Company, through its subsidiary Cargojet Airways Ltd., as borrower, has a committed $600 million credit facility (the "**Credit Facility**") with a syndicate of financial institutions (collectively, the "**Lenders**"), in respect of which Royal Bank of Canada acts as administrative Agent. On May 13, 2020, the Company amended its revolving operating credit facility by increasing the maximum credit available from $400 million to $510 million. On July 16, 2020, the Company further amended its revolving operating credit facility by increasing the maximum credit available from $510 million to $600 million and extending the maturity to July 16, 2025. On February 5, 2021, the Company further amended its revolving credit facility by extending the maturity date to February 5, 2026 and an amendment to the applicable margin. On February 7, 2022, the Company amended and restated its revolving credit facility in order to extend the maturity date to February 7, 2027, reflect the transition from LIBOR to SOFR, and waive the requirement for Cargojet Airways Ltd. to enter into new aircraft security agreements, subject to the continued satisfaction of certain financial conditions. The amendment also allows the Company to request that the Lenders increase the aggregate commitments under the credit facility by up to $100 million for an aggregate availability of up to $700 million.

The Credit Facility can be extended annually with the consent of the Lenders, and bears interest, payable monthly (in the case of prime/base rate loans) or at the end of the applicable interest period (in the case of the SOFR/Bankers' Acceptances), at the Royal Bank's (the administrative agent) prime lending rate / US base rate plus a spread ranging from 20 basis points to 150 basis points, or at SOFR/Bankers' Acceptances for a relevant interest period plus a spread ranging from 120 basis points to 250 basis points, as applicable, in each case, dependent on the currency of the advance and certain financial ratios of the Company. No scheduled repayments of the principal amount are required under the Credit Facility prior to maturity.

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

The Credit Facility is secured by, *inter alia*, the following: (i) 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); (ii) 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; (iii) charge over real property of the Company at the John C. Munro Hamilton International Airport; (iv) security over certain aircraft owned by the Company or its material subsidiaries which are not subject to the security interest of other aircraft financing parties; and (v) assignment of insurance proceeds.

Advances under the Credit Facility are repayable without any prepayment penalties.

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

## Warrants

As part of the strategic agreement with Amazon, the Company has issued to the Warrantholder the Warrants, in two tranches. The first tranche of the Warrants entitles the Warrantholder to acquire up to 1,589,231 Variable Voting Shares of the Company, representing 9.9% of the Common Voting Shares and

Variable Voting Shares (collectively, the "**Voting Shares**"), including vested options and outstanding restricted share units, on a post-exercise basis as of the date of issuance of the Warrants, subject to satisfaction of vesting conditions and certain anti-dilution adjustments (the "**First Tranche Warrants**"). The exercise price of the First Tranche Warrants of $91.78 is based on the 30-day volume weighted average trading price ("**VWAP**") of the Voting Shares immediately prior to the date of the issuance of the Warrants. 401,331 First Tranche Warrants vested immediately on issuance of the Warrants, and the remaining First Tranche Warrants vest in specified increments over a period of six and a half years, with vesting tied to the delivery by Amazon of up to $400 million in business volumes during the same term.

The second tranche of the Warrants entitles the Warrantholder to acquire up to 802,650 Variable Voting Shares of the Company, representing 5.0% of the Voting Shares on a fully-diluted and post-exercise basis as of the date of issuance of the Warrants, subject to satisfaction of vesting conditions and certain anti-dilution adjustments (the "**Second Tranche Warrants**"). The exercise price of the Second Tranche Warrants of $186.57 is based on the 30-day VWAP of the Voting Shares on the second anniversary of the date of issuance of the Warrants. The Second Tranche Warrants will vest in specified increments over a period of seven and a half years, with vesting tied to the delivery by Amazon of up to an additional $200 million in business volumes during the same term.

The First Tranche Warrants and the Second Tranche Warrants together represent a right to acquire in the aggregate up to 2,391,881 Variable Voting Shares of the Company, representing 14.9% of the Voting Shares on a fully-diluted and post-exercise basis as of the date of issuance of the Warrants, assuming full vesting. See "*Material Contracts –Warrant Certificate*" and "*Strategic Partnerships – Strategic Agreement with Amazon*".

## 5.25% Hybrid Debentures due June 30, 2026

In July 2020, the Company issued $115,000,000 of 5.25% listed senior unsecured hybrid debentures (the "**5.25% 2026 Debentures**"). The 5.25% 2026 Debentures are direct, senior unsecured obligations of the Company and rank subordinate to all existing and future senior secured and other secured indebtedness of the Company, and rank *pari passu* to all existing and future senior unsecured, and other unsecured and unsubordinated indebtedness of the Company. The 5.25% 2026 Debentures rank *pari passu* with the Company's 5.75% listed senior unsecured hybrid debentures due April 30, 2024 and 5.75% listed senior unsecured hybrid debentures due April 30, 2025.

The 5.25% 2026 Debentures bear interest at a rate of 5.25% per annum, payable semiannually in arrears on June 30 and December 31 of each year. The 5.25% 2026 Debentures will mature on June 30, 2026.

The 5.25% 2026 Debentures will not be redeemable by the Company prior to June 30, 2023. On or after June 30, 2023 and prior to June 30, 2024, the 5.25% 2026 Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to 103.9375% of the principal amount of the 5.25% 2026 Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. On and after June 30, 2024 and prior to June 30, 2025, the 5.25% 2026 Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to 102.625% of the principal amount of the 5.25% 2026 Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. On and after June 30, 2025 and prior to the Maturity Date, the 5.25% 2026 Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days and not less than 40 days prior notice at a price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. The Company has the option to satisfy its obligations to repay the principal amount of the 5.25% 2026 Debentures, plus accrued and unpaid interest, due at redemption or maturity by issuing and delivering that number of freely tradeable Common Voting Shares and/or Variable Voting Shares, as applicable, in accordance with the terms of the indenture governing the 5.25% 2026 Debentures. See "*Material Contracts – 5.25% 2026 Debenture Indenture*" for more information on the 5.25% 2026 Debentures.

## 5.75% Hybrid Debentures due April 30, 2025

In April 2019, the Company issued $115,000,000 of 5.75% listed senior unsecured hybrid debentures (the "**5.75% 2025 Debentures**"). The 5.75% 2025 Debentures are direct, senior unsecured obligations of the Company and rank subordinate to all existing and future senior secured and other secured indebtedness of the Company, and rank *pari passu* to all existing and future senior unsecured, and other unsecured and unsubordinated indebtedness of the Company. The 5.75% 2025 Debentures rank *pari passu* with the Company's 5.25% 2026 Debentures and 5.75% listed senior unsecured hybrid debentures due April 30, 2024 (the "**5.75% 2024 Debentures**").

The 5.75% 2025 Debentures bear interest at a rate of 5.75% per annum, payable semiannually in arrears on April 30 and October 31 of each year. The 5.75% 2025 Debentures will mature on April 30, 2025.

The 5.75% 2025 Debentures will not be redeemable by the Company prior to April 30, 2023. On or after April 30, 2023 and prior to April 30, 2024, the 5.75% 2025 Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to 102.875% of the principal amount of the 5.75% 2025 Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. On and after April 30, 2024 and prior to the Maturity Date, the 5.75% 2025 Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days and not less than 40 days prior notice at a price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. The Company has the option to satisfy its obligations to repay the principal amount of the 5.75% 2025 Debentures, plus accrued and unpaid interest, due at redemption or maturity by issuing and delivering that number of freely tradeable Common Voting Shares and/or Variable Voting Shares, as applicable, in accordance with the terms of the indenture governing the 5.75% 2025 Debentures. See "*Material Contracts – 5.75% 2025 Debenture Indenture*" for more information on the 5.75% 2025 Debentures.

## 5.75% Hybrid Debentures due April 30, 2024

In November 2018, the Company issued $86,250,000 of 5.75% 2024 Debentures. The 5.75% 2024 Debentures are direct, senior unsecured obligations of the Company and rank subordinate to all existing and future senior secured and other secured indebtedness of the Company, and rank *pari passu* to all existing and future senior unsecured, and other unsecured and unsubordinated indebtedness of the Company. The 5.75% 2024 Debentures rank *pari passu* with the Company's 5.75% 2025 Debentures and 5.25% 2026 Debentures.

The 5.75% 2024 Debentures bear interest at a rate of 5.75% per annum, payable semiannually in arrears on April 30 and October 31 of each year. The 5.75% 2024 Debentures will mature on April 30, 2024.

The 5.75% 2024 Debentures will not be redeemable by the Company prior to April 30, 2022. On or after April 30, 2022 and prior to April 30, 2023, the 5.75% 2024 Debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to 102.875% of the principal amount of the 5.75% 2024 Debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. On and after April 30, 2023 and prior to the Maturity Date, the 5.75% 2024 Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days and not less than 40 days prior notice at a price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. The Company has the option to satisfy its obligations to repay the principal amount of the 5.75% 2024 Debentures, plus accrued and unpaid interest, due at redemption or maturity by issuing and delivering that number of freely tradeable Common Voting Shares and/or Variable Voting Shares, as applicable, in accordance with the terms of the indenture governing the 5.75% 2024 Debentures. See *"Material Contracts – 5.75% 2024 Debenture Indenture*" for more information on the 5.75% 2024 Debentures.

## 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. 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 B757-300 aircraft owned by the Company under the Loan Agreements in the aggregate amount of $25.5 million.

On February 5, 2021, the Company purchased each of the aircrafts financed under the MLA at a price equal to the amounts payable under the MLA during the remainder of the term.

The Company entered into a finance lease arrangement in October 2017 for one Boeing 767-300 aircraft that included a bargain purchase option. On November 2, 2020, the Company exercised the bargain purchase option and paid the entire outstanding amount thereof.

During 2018, the Company entered into a finance lease arrangement and a sale and lease back arrangement for one Boeing 767-300 aircraft that included a bargain purchase option. The Company exercised the bargain purchase option in March 2021. The estimated effective interest rate for this lease was 6.5%.

In October 2018, Cargojet purchased one B767-300 aircraft under a lease term of five years and a purchase option in favour of Cargojet to purchase the aircraft at the end of three years at a pre-determined price. Cargojet exercised the purchase option in October 2021.

In 2018, the Company also entered into finance lease arrangements for an additional Boeing 767-300 aircraft that included bargain purchase options. The lease for the first aircraft is deemed to mature on the exercise date of the bargain purchase option in November 2023 and the effective interest rate is 5.95%.

In Fiscal 2020, the Company entered into finance lease arrangement that include a bargain purchase option in October 2027 at a predetermined price and the effective interest rate of the lease is 6.7%.

## DIVIDENDS

The Company declared aggregate cash dividends of $1.0400 per Voting Share for Fiscal 2021, $0.9360 per Voting Share for Fiscal 2020 and $0.9360 per Voting Share for Fiscal 2019. 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**").

The declaration and payment of future dividends will be at the discretion of the Board, are subject to restrictions under our Credit Facility and may be affected by various other factors, including our earnings, levels of indebtedness, financial condition and legal or contractual restrictions. Subject to financial results, capital requirements, available cash flow and any other factors that the Board may consider relevant, it is the intention of the Board of Directors to declare a quarterly dividend on an ongoing basis. The amount and timing of the payment of any dividends are not guaranteed and are subject to the discretion of the Board. See "*Risk Factors — Financial Risks — Declaration of Dividends – There can be no assurance that dividends will be distributed on a regular basis or at all*". Cargojet has no immediate plan to change its dividend policy.

The Company's Credit Facility restricts its ability to declare dividends in certain circumstances. For instance, the Company may not declare or pay dividends or other distributions if a default exists under the Credit Facility and the Company may not increase the dividend rate on its common 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 85% of the aggregate amount of free cash flow for such period of four fiscal quarters as defined under the terms of credit agreement.

## DESCRIPTION OF CAPITAL STRUCTURE

Cargojet Inc. is authorized to issue an unlimited number of no par value Common Voting Shares and an unlimited number of no par value Variable Voting Shares. The Common Voting Shares and Variable Voting Shares are traded on the TSX under the single ticker "CJT". As at December 31, 2021, there were 17,324,258 Voting Shares issued and outstanding, consisting of the Company's Common Voting Shares and Variable Voting Shares.

The summary below describes the rights, privileges, restrictions and conditions attached to the Common Voting Shares and Variable Voting Shares. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, the Articles of Incorporation and Arrangement of Cargojet Inc. (the "**Articles**"), a copy of which is available under the Company's profile on SEDAR at www.sedar.com and on the Company's corporate website at www.cargojet.com.

The amendments to the Articles of the Company, as described under "*Foreign Ownership Limits*" below, were approved by shareholders at the annual and special meeting of the Company held on March 30, 2020 and became effective on April 2, 2020. Among other things, the amendments removed preferred shares from the authorized capital of the Company. There are no preferred shares of the Company issued and outstanding.

### Foreign Ownership Limits

The *Canada Transportation Act* (the "**CTA**") requires that national holders of a domestic air service license and, with certain exceptions, scheduled international and non-scheduled international air service licenses, such as Cargojet, be "Canadian". In 2018, certain provisions of the *Transportation Modernization Act* (Canada) became effective and amended, among other things, the definition of "Canadian" under section 55(1) of the CTA to increase foreign ownership limits in Canadian air carriers from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian airline (the "**CTA Amendments**").

The CTA Amendments increased the overall maximum level of non-Canadian ownership and control of voting interests in an air carrier to 49%, while also introducing and prescribing maximum ownership levels of 25% respectively for:

- any single non-Canadian holder, either individually or in affiliation with any other person; and
- any one or more non-Canadian holders authorized to provide an air service in any jurisdiction (in the aggregate), either individually or in affiliation with any other person.

In response to these new legislative thresholds, the Company received court and shareholder approval in Fiscal 2020 for a plan of arrangement under section 182 of the OBCA to effect the CTA Amendments to the Company's Articles to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of "Canadian" in the recently amended CTA. In particular, the Company amended its Articles to:

- increase the current single 25% proportional voting limitation with respect to the Variable

Voting Shares as a class to 49%;
- add a 25% voting limitation to any single non-Canadian holder, either individually or in affiliation with any other person; and
- add a 25% aggregate voting limitation to all non-Canadian holders authorized to provide an air service, either individually or in affiliation with any other person.

The amendments to the Articles became effective on April 2, 2020.

## 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 Common Voting Shares and Variable 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 Cargojet shares ranking prior to the Common Voting Shares, in the case of liquidation, dissolution or winding-up of Cargojet, 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**

Each Common Voting Share may only be held, beneficially owned and controlled, directly or indirectly, by Canadians. An issued and outstanding Common Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of the Company or the holder, if such Common Voting Share becomes held, beneficially owned or controlled, directly or indirectly, other than by way of security only, by a person who is not a 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.

Each Variable Voting Share confers the right to one vote unless:

(i) the number of Variable Voting Shares held by any single non-Canadian, either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding Voting Shares of Cargojet, or the total number of votes that would be cast by or on behalf of any single non-Canadian holder of Variable Voting Shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Cargojet);

(ii) the number of Variable Voting Shares held collectively by one or more non-Canadians authorized to provide air service in any jurisdiction ("**Non-Canadian Air Carrier**"), either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding Voting Shares of Cargojet, or the total number of votes that would be cast by or on behalf of one or more Non-Canadian Air Carrier holders of Variable Voting Shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restriction in (i) above if required, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Cargojet); or

(iii) the number of Variable Voting Shares, as a percentage of the total number of issued and outstanding Voting Shares of Cargojet, or the total number of votes that would be cast by or on behalf of holders of Variable Voting Shares at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restrictions in (i) and (ii) above if required, exceeds 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Cargojet).

If either of the thresholds in (i) or (ii) above would otherwise be exceeded at any time, the vote attached to each of their Variable Voting Shares will decrease proportionately and automatically without further act or formality such that the Variable Voting Shares held, as applicable, by any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, do not carry more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Cargojet) of the aggregate votes attached to all issued and outstanding Voting Shares of Cargojet and the total number of votes cast, as applicable, by or on behalf of any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, at any meeting do not exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Cargojet) of the total number of votes cast at such meeting. For greater certainty, a single Non-Canadian Air Carrier would also constitute a single non-Canadian holder for purposes of the voting restriction in (i) above.

If the threshold in (iii) above would otherwise be exceeded at any time, the vote attached to each Variable Voting Share will decrease proportionately and automatically without further act or formality such that the Variable Voting Shares do not carry more than 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Cargojet) of the aggregate votes attached to all issued and outstanding Voting Shares of Cargojet and the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Cargojet) 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'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**

Each Variable Voting Share may only be held, beneficially owned or controlled, directly or indirectly, by non-Canadians. An issued and outstanding Variable Voting Share shall be converted into one Common Voting Share, automatically and without any further act of the Company or the holder if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, other than by way of security only, by a Canadian.

## MARKET FOR SECURITIES

### Trading Price and Volume

Effective May 8, 2019, Cargojet's Common Voting Shares and Variable Voting Shares began trading on the TSX under a single ticker designated "CJT" and were designated for purposes of trading on the TSX and reporting in brokerage accounts under the single designation of "Common and Variable Voting Shares" of Cargojet. During Fiscal 2021, the Voting Shares, the 5.75% 2024 Debentures, the 5.75% 2025 Debentures and the 5.25% 2026 Debentures were listed on the TSX under the symbols "CJT", "CJT.DB.D", "CJT.DB.E" and "CJT.DB.F" respectively.

The following tables set forth the monthly ranges of high and low closing prices on the TSX, as well as total monthly volumes on the TSX, of the Common and Variable Voting Shares, the Voting Shares, the 5.75% 2024 Debentures, the 5.75% 2025 Debentures and the 5.25% 2026 Debentures for the periods indicated:

| | Voting Shares[1] | | | 5.75% Hybrid Debentures (2024) | | |
|---|---|---|---|---|---|---|
| 2021 | High ($) | Low ($) | Volume | High ($) | Low ($) | Volume |
| January | 214.01 | 207.86 | 1,574,927 | 103.50 | 103.24 | 864,000 |
| February | 209.49 | 202.56 | 1,625,122 | 103.32 | 103.10 | 1,058,000 |
| March | 173.83 | 166.92 | 3,503,786 | 103.70 | 103.54 | 1,633,250 |
| April | 180.00 | 174.68 | 1,381,709 | 104.15 | 103.89 | 1,024,000 |
| May | 181.95 | 176.81 | 1,808,290 | 104.07 | 103.80 | 1,305,000 |
| June | 179.02 | 174.11 | 3,005,386 | 104.38 | 104.12 | 749,000 |
| July | 186.31 | 181.36 | 1,554,356 | 104.76 | 104.48 | 806,000 |
| August | 195.47 | 190.92 | 1,586,131 | 104.59 | 104.39 | 385,000 |
| September | 204.68 | 199.40 | 1,627,419 | 104.56 | 104.42 | 747,000 |
| October | 198.79 | 193.84 | 1,293,653 | 103.94 | 103.76 | 597,000 |
| November | 183.86 | 178.33 | 1,946,482 | 103.34 | 103.06 | 1,208,000 |
| December | 168.34 | 163.99 | 1,863,919 | 102.50 | 102.16 | 625,000 |

| 2021 | 5.75% Hybrid Debentures (2025) High ($) | Low ($) | Volume | 5.25% Hybrid Debentures (2026) High ($) | Low ($) | Volume |
|---|---|---|---|---|---|---|
| January | 103.62 | 103.10 | 1,648,000 | 103.15 | 102.82 | 1,385,000.00 |
| February | 103.25 | 103.02 | 4,248,000 | 103.12 | 102.85 | 1,640,000.00 |
| March | 103.59 | 103.15 | 3,632,000 | 103.39 | 103.06 | 3,421,000.00 |
| April | 103.96 | 103.68 | 869,000 | 103.99 | 103.59 | 1,384,000.00 |
| May | 104.34 | 103.92 | 1,099,000 | 104.13 | 103.73 | 1,264,000.00 |
| June | 104.80 | 104.40 | 1,049,000 | 104.32 | 104.06 | 986,000.00 |
| July | 104.87 | 104.59 | 1,506,000 | 104.62 | 104.28 | 1,692,000.00 |
| August | 105.00 | 104.73 | 873,000 | 104.65 | 104.52 | 433,000.00 |
| September | 105.40 | 105.31 | 322,000 | 104.64 | 104.11 | 1,152,000.00 |
| October | 104.35 | 104.11 | 2,920,000 | 104.44 | 104.13 | 505,000.00 |
| November | 103.76 | 103.49 | 1,417,000 | 103.37 | 103.08 | 2,115,000.00 |
| December | 102.84 | 102.48 | 805,000 | 102.12 | 101.80 | 2,784,000.00 |

## DIRECTORS AND OFFICERS

**Name, Occupation and Security Holding**

The following tables set out, for each of the current directors and executive officers of Cargojet: the individual's name, province and country of residence, positions with Cargojet as of the date hereof and principal occupation(s) during the five preceding years. The term of office for each of the directors of Cargojet will expire at the next annual meeting of shareholders of Cargojet to be held on April 7, 2022. As at the date hereof, the directors and executive officers of Cargojet as a group beneficially own, or control or direct, directly or indirectly, 481,137 Voting Shares, representing approximately 2.78% of the Company on a non-diluted basis. 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.

### Directors

| Name and Province or State and Country of Residence | Position(s) with the Company | Position with the Company Since | Principal Occupation for Past Five Years[1] | Voting Shares Beneficially Owned, Controlled or Directed[2] |
|---|---|---|---|---|
| Dr. Ajay Virmani Ontario, Canada | President, Chief Executive Officer and Director | 2005 | President and Chief Executive Officer of Cargojet | 411,500 / 2.38% |

| | | | | |
|---|---|---|---|---|
| Arlene Dickinson(3)(4)(5)<br>Ontario, Canada | Director | 2018 | Founder and Managing General Partner of District Ventures<br><br>Chief Executive Officer of Venture Communications | 10,304 / 0.06% |
| Alan Gershenhorn<br>Georgia, United States of America | Director | 2021 | Principal, Horn Strategy Partners, LLC<br><br>Executive Vice President and Chief Commercial Officer of United Parcel Services (UPS) | - |
| Paul V. Godfrey(3)(4)(5)<br>Ontario, Canada | Interim Chairman of the Board | 2009 | Chairman of Postmedia Network; Former Executive Chairman and President and Chief Executive Officer of Postmedia Network | 24,988 / 0.14% |
| John P. Webster(3)(4)(5)<br>Ontario, Canada | Director | 2005 | President and Chief Executive Officer of Scotia Mortgage Corporation<br><br>President and Chief Executive Officer of Maple Trust Company | 5,988 / 0.03% |

Notes:

(1) For additional information about each of the directors, see biographical information below.
(2) Number of shares and percentage of total issued and outstanding Voting Shares on a non-diluted basis.
(3) Member of the Compensation and Nominating Committee. Mr. Webster is Chair of the Compensation and Nominating Committee.
(4) Member of the Corporate Governance Committee. Mr. Godfrey is Chair of the Corporate Governance Committee.
(5) Member of the Audit Committee. Ms. Dickinson is Chair of the Audit Committee.

Arlene Dickinson: Ms. Arlene Dickinson is the Founder and Managing General Partner of District Ventures Capital, a Venture Capital firm investing in the food/beverage and health/wellness sectors. She is the founder of District Ventures Accelerator, a national accelerator program supporting entrepreneurs in the Consumer Goods sector. Ms. Dickinson is also the CEO and sole owner of Venture Communications Ltd. one of Canada's largest independent full service marketing agencies, founded in 1984, and has worked with some of Canada's largest brands. Ms. Dickinson is an Honorary Captain of the Royal Canadian Navy and is the recipient of Honorary Doctorate Degrees from Mount Saint Vincent University, Saint Mary's University, Concordia University as well as Honorary Degrees from Northern Alberta Institute of Technology and Olds College. She is the recipient of The Queen Elizabeth II Diamond Jubilee Medal. Ms. Dickinson has served on numerous public and private boards.

Alan Gershenhorn: Mr. Gershenhorn brings over 40 years of experience in U.S. and international enterprise logistics to the Board. During his 39-year tenure at United Parcel Service, Inc. ("UPS"), the world's largest package delivery company, Mr. Gershenhorn served in several significant leadership positions, including most recently as Executive Vice President and Chief Commercial Officer through June 2018. At UPS, Mr. Gershenhorn directed strategy, mergers and acquisitions, marketing, sales, public affairs, communications, various operations and business units and key growth strategies globally across the organization. Mr. Gershenhorn is currently a Principal of Horn Strategy Partners, LLC, which provides strategy and business development advisory services to technology and logistics businesses. Mr. Gershenhorn serves on the boards of Beacon Roofing Supply, Inc., the largest publicly traded distributor of roofing materials and complementary building products in the United States and Canada, and is Chairman of the board and Chief Executive Officer of Logistics Innovation Technologies Corp., a special purpose acquisition company focusing on opportunities in the global logistics industry. He is also a director of Transportation Insight, OTR Capital, and Ascend Transport Group, which are privately held enterprise logistics companies, and acts in an advisory role to 8VC, a venture capital firm. Mr. Gershenhorn holds a degree in finance from the University of Houston.

Paul Godfrey: Mr. Godfrey currently serves as Chairman of the Board of Postmedia Network, and as a Director of Bragg Gaming Group, Inc. Mr. Godfrey stepped down from his role as Executive Chairman effective end of calendar year 2020, retaining the role of Chairman. He also served as the Chief Executive Officer of Postmedia Network Canada Corp. until January 2019. 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 of Astral Media Inc., a director of Data & Audio-Visual Enterprises Wireless Inc. which operated under the trade name "Mobilicity" 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. As of calendar year 2021, Mr. Godfrey is no longer an executive of any public company.

Ajay Virmani: Dr. Virmani has over 44 years' experience in the transportation industry. Dr. Virmani served as Senior Vice President of Cottrell Transport Inc. ("Cottrell") from 1977 to 1990 when he left Cottrell to form Commercial Transport International (Canada) Ltd. ("CTI"). In 1992, CTI acquired Fastair Cargo Systems Ltd. ("Fastair") Dr. Virmani was President and Chief Executive Officer from 1990 to 2000. CTI/Fastair acquired Cottrell in 1995 and the air cargo division of TNT Worldwide in 1996. By 1999, CTI and Fastair had grown to one of the largest freight forwarders in Canada, with both companies employing over 400 team members, combined revenues of approximately $100 million. CTI/Fastair were acquired in January of 2000 by Eagle Global Logistics where Dr. Virmani continued to serve as President from 2000 to 2001. In August 2001, Dr. Virmani, formed Canada 3000 Cargo Inc., a joint venture with Canada 3000 Airlines. In 2002, Dr. Virmani acquired 100 % Canada 3000 Cargo Inc. and rebranded the new company as Cargojet Canada Ltd. In 2005, Cargojet was converted to a public company. Dr. Virmani has served as the President and Chief Executive Officer of Cargojet since its inception, and has been responsible for the general business direction of the Company. Dr. Virmani earned a Masters of Business Administration from City University of New York in 1985 and was honoured with a Doctor of Laws degree by Assumption University in Windsor Ontario.

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 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.

## Executive Officers Who Do Not Serve as Directors

| Name and Province or State and Country of Residence | Current Position/Office with the Company | Principal Occupation During Past Five Years[1] | Position with the Company Since | Voting Shares Beneficially Owned, Controlled or Directed (1) |
|---|---|---|---|---|
| Jamie Porteous Ontario, Canada | Chief Strategy Officer | Chief Strategy Officer since 2020; previously Executive Vice President and Chief Commercial Officer | 2005 | 13,859 / 0.09% |
| Pauline Dhillon Ontario, Canada | Chief Corporate Officer | Chief Corporate Officer since 2020; previously Executive Vice President, Marketing, Public and Government Relations | 2005 | 10,207 / 0.06% |
| Sanjeev Maini Ontario, Canada | Interim Chief Financial Officer | Interim Chief Financial Officer since 2021; Previously Vice-President Finance and Corporate Controller | 2005 | - |

| | | | | |
|---|---|---|---|---|
| Paul Rinaldo<br>Ontario, Canada | Senior Vice-President Engineering and Maintenance | Senior Vice-President Engineering and Maintenance | 2005 | 2,625 / 0.02% |

Notes:

(1) Number of shares and percentage of total issued and outstanding Voting Shares on a non-diluted basis.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the Company's knowledge, no director or executive officer of the Company is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, 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 trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "**order**") that was issued 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.

Other than as described below, to the best of the Company's knowledge, 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 of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive 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 was 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 of this Annual Information Form, 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 the assets of the director, executive officer or shareholder of Cargojet, except as follows:

- 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.

To the best of the Company's knowledge, 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

Other than as described elsewhere in this Annual Information Form, to the best of the Company's knowledge, there are no other known existing or potential material conflicts of interest between Cargojet, or a subsidiary of the Company, and any director or officer of the Company or of a subsidiary 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. See "*Directors and Officers*" and "*Interest of Management and Others in Material Transactions*".

# AUDIT COMMITTEE

## Audit Committee Charter

The mandate of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to, among other things, (i) financial reporting and related financial disclosure, (ii) the implementation of risk management and internal control over financial reporting and disclosure controls and procedures; and (iii) external and internal audit processes.

The Audit Committee is also responsible for the effectiveness of the Company's whistleblower procedures and for any follow-up regarding instances of non-compliance. The Company's whistleblower policy provides that employees, directors and officers are required to anonymously report certain prohibited conduct regarding accounting, internal controls, disclosure controls or auditing matters to a designated third-party service provider or the audit committee.

The Chair of the Audit Committee reports to the Board at each Board of Director meeting on the Audit Committee's activities since the last meeting. The Audit Committee has unrestricted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by members of the committee. The Audit Committee has the authority to retain, at the Company's expense, independent legal, financial and other advisors, consultants and experts, to assist the Audit Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve any such firm's fees and other retention terms without prior approval of the Board. The Audit Committee also has the authority to communicate directly with internal and external auditors.

The Board has adopted a written charter for the Audit Committee, which sets out the Audit Committee's duties and responsibilities. A copy of the Audit Committee Charter is attached hereto as Schedule "A".

## Composition of the Audit Committee

The Audit Committee of the Company is comprised of three directors, all of whom are independent and financially literate as defined under National Instrument 52-110 – *Audit Committees*. As of the date hereof, the members of the Audit Committee are Arlene Dickinson (Chair), Paul Godfrey and John Webster. For additional information about each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member, see the relevant director's biography above under "Directors".

## Pre-Approval Policies and Procedures

Pursuant to the terms of its charter, the Audit Committee oversees the work of the external auditor and, amongst other things, must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its external auditor (or the external auditor of the Company's subsidiary entities). The Audit Committee pre-approved all the services performed by the Company's independent auditors for audit-related and non-audit related services for Fiscal 2021 and Fiscal 2020.

## External Auditor Service Fees

PricewaterhouseCoopers LLP has served as Cargojet's auditing firm since August 2016. Fees payable for Fiscal 2021 and Fiscal 2020 to PricewaterhouseCoopers LLP are detailed in the following table. The nature of each category of fees is described in the notes to the table.

| | **Fiscal year ended 31-Dec-21** | **Fiscal year ended 31-Dec-20** |
|---|---|---|
| Audit Fees(1) | $415,000 | $330,000 |
| Audit Related Fees(2) | $144,450 | $134,000 |
| All Other Fees(3) | $19,037 | $18,000 |
| Total Fees Paid | $578,487 | $482,000 |

Notes:

(1) Audit Fees consist of fees incurred for professional services rendered in connection with audit services of the Company's annual consolidated financial statements and for services that are normally provided in connection with statutory and regulatory filings related to the annual consolidated financial statements, including review engagements performed on the interim condensed consolidated financial statements of Cargojet.

(2) Audit Related Fees consist of fees incurred that are reasonably related to the performance of the audit or review of the financial statements. Such services included fees related to assurances, prospectus procedures and services related to filing documents.

(3) All Other Fees consist of an accounting support fee paid to the Canadian Public Accountability Board and tie up of documents.

## Environmental, Social and Governance Matters

The CGC is responsible for the oversight of environmental, social and governance ("**ESG**") matters including in relation to (i) strategies, policies, systems and processes of the Company; (ii) management of risks relating to ESG matters, and (iii) compliance with statutory and regulatory obligations.

The responsibilities of the CGC, in consultation with the Board, with respect to ESG include the following:

- Review the strategies, policies, systems, standards and processes established by management to promote a culture of ESG protection;
- Review and approve major corporate policies and programs related to ESG, including the ESG Framework (as discussed below), the Occupational Health and Safety Program, the company-wide Safety Management System, and the Company's various corporate governance documents, including our written Code of Ethics and Diversity Policy;
- Review the effectiveness of the Company's risk management framework in relation to ESG matters;
- Through the receipt of periodic reports, review and discuss with management all key enterprise risk exposures related to ESG matters, and the steps management has taken to monitor/control and mitigate those exposures;
- Review the Company's compliance with all relevant statutory and regulatory obligations and its adoption of policies, standards and processes in accordance with best practices of the industry;
- Create, review and monitor the achievement of goals In the ESG Report; and
- Monitor plans and progress for improvement initiatives and ongoing development of organizational capability.

The Corporate Governance Committee reviews ESG risks and opportunities on a quarterly basis and reports to the full Board.

The Board adopted the Company's ESG Framework in 2020. The ESG Framework reflects our Company and our Board's core values and commitment to conducting our business strategically, ethically and responsibly in a manner that allows us to continue to build a long-term and sustainable business. This ESG Framework is rooted in a focus on understanding the environmental, economic and social impacts of our business, and in engaging with relevant partners, regulators, industry agencies and other stakeholders to ensure that our ESG Framework continues to evolve and reflect high standards of corporate social responsibility. Our ESG Framework outlines our objectives and initiatives in the following areas:

- *Environment* – Cargojet is committed to reducing our impact on the environment through sound environmental stewardship and sets forth initiatives in a number of key areas to responsibly manage our impact on the natural environment while fostering environmentally sustainable growth. We are committed to programs and initiatives and we have made significant investments to maximize fuel efficiency, reduce greenhouse gas emissions, mitigate our carbon footprint and minimize energy use across our fleet.[2]

- *Social Responsibility* – Cargojet is committed to our customers, employees and the community at large, through, among other initiatives, creating working conditions that are safe, fair, and rewarding, adopting a comprehensive framework for a safe and supportive environment that fosters employee commitment and advancement and investing in the infrastructure and people across Canada.

- *Corporate Governance* – Cargojet recognizes the importance of sound corporate governance practices to the proper and effective management of the Company and the successful operation of our business. The Company has adopted various corporate governance best practices, including those recommended under National Policy 58-201 – *Corporate Governance Guidelines*, a written Code of Ethics and a written Diversity Policy. For a discussion of Cargojet's governance framework, please see the other information set forth under "*Corporate Governance Practices*" above.

Cargojet's 2022 ESG Report, dated February 2022,is available on our website at www.cargojet.com. This report includes highlights from our operations and acknowledges key 2021 milestones and responses to unprecedented events. The ESG Report includes the below ESG targets:

- Achieve representation on the Board of Directors that is at least 50% women and/or visible minorities by 2022.
- Aspire to achieve net-zero GHG emissions by 2050 meanwhile working towards our industry's commitment to reduce net aviation $CO_2$ emissions by 50% by 2050 as part of our membership with IATA.
- Improve fuel efficiency by 24% by 2030.
- Acquire eight (8) large, wide-body Boeing 777 fleet by 2025.
- Improve safety performance annually.

## RISK FACTORS

*You should carefully consider the risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form, and all other information contained in this Annual Information Form. The risks and uncertainties described below are those we currently believe to be material, but they are not the only risks that we face. If any of the following risks actually occur or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material become material risks, they may have a material adverse effect on our business and results of operations and consequently the price of the Voting Shares.*

### Risks Related to Recent Events

**Cargojet's operations and financial results may be adversely affected by the COVID-19 global pandemic.**

In March 2020, the World Health Organization declared a global pandemic related to COVID-19 and the pandemic continues to persist. Instances of actual or perceived risk of infection among the Company's employees, or suppliers' or service providers' employees, could negatively impact its operations. The Company relies on a skilled workforce to perform aircraft maintenance. Similarly, the Company staffs personnel near airports to sort customer packages, load aircraft and maintain related equipment. In addition to the Company's employees, the Company relies on services from suppliers and customers to operate efficiently and safely. The Company's operations could be negatively affected if its own personnel or those of its suppliers and customers are quarantined or sickened as a result of exposure to COVID-19, or if they are subject to further restrictions, stay at home orders, advisories and quarantining requirements. Although the Company is taking precautions and implementing significant workforce social distancing and protection measures, a COVID-19 outbreak at one of the Company's facilities could result in workforce shortages or facilities closures causing reduced revenues and higher expenses. Measures restricting the ability of airport or aircraft personnel to work may result in the reductions of flights. In addition, the COVID-19 pandemic may result in parts shortages, maintenance delays and facility closures, any of which could result in reduced revenues and additional expenses.

While the COVID-19 pandemic has generally increased the demand for the Company's domestic and international air cargo services, business-to-business volumes may continue to be impacted by government restrictions and stay-at-home orders (similar to how they declined at the onset of the pandemic) and charter volumes may be impacted by aircraft utilization for other services. The Company is also incurring additional costs to safeguard the health of its employees and customers, as well as providing temporary financial support to its employees.

Currently, the pandemic has not had a significant adverse impact on the Company's operations or financial results, however, it is not able to predict the effect of the pandemic on its future operations or financial results. The extent of the impact that the pandemic will have on the Company's operations and financial results will depend on future developments, including the duration, spread, severity and any recurrence of the COVID-19 virus; the duration and scope of government orders and restrictions; the effectiveness and availability of vaccines, and the extent of the impact of the pandemic on the competitive landscape and overall economic conditions. These are highly uncertain and cannot reasonably be predicted. For example, a prolonged pandemic and/or economic downturn may have negative effects on the overall demand for the Company's services, increase the difficulty and costs of protecting its employees and customers from the spread of the virus and potentially result in increased or new competition. On the other hand, if the pandemic and its effects do not persist, current demand and pricing for the Company's services, including recent surges in e-commerce and health related volumes, as well as increased demand for charter and ACMI activity, may subside due to, among other things, the resumption of available air cargo capacity (including on international routes from passenger airlines) and a reduction in demand for transporting goods by air.

If the Company is unable to successfully mitigate potential impacts from the COVID-19 pandemic, it could have a material adverse effect on its operations and financial results.

## Risks Related to the Business

**Loss of Customer Contracts – The cancellation, termination or non-renewal of significant customer contracts could have a material adverse effect on the Company's business, results of operations or financial condition**

The Company's ten largest customers accounted for approximately 79.3% of Fiscal 2021 revenues of the Company and the Company's top three customers each accounted for over 10% of the Company's Fiscal 2021 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 favorable 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 Master Services Agreement ("**MSA**") with the Canada Post Group of Companies. 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. The cancellation of the MSA without penalty would have a material adverse effect on the Company's business, results of operations or financial condition.

**Credit Facilities, Finance Lease and Loan Agreement and their Restrictive Covenants – Covenants contained in agreements to which the Company is a party may affect and, in some cases, significantly limit or prohibit the manner in which the Company operates its business**

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 lease 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 favorable 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, amalgamate 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 – Significant changes to the "Open Skies" agreement could impact the competitive environment, which in turn could have a material adverse effect on the Company's business, results of operations or financial condition**

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 operates in a highly competitive environment and faces increasing competition in North America and internationally**

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 have historically offered cargo services on their regularly scheduled passenger flights. Competition within the air cargo courier services industry has generally increased from such passenger airlines due to limited passenger air travel resulting from the COVID-19 pandemic and related travel restrictions. Certain commercial airlines have operated all-cargo flights in response to elevated demand for cargo services and limited passenger flights resulting from COVID-19. In addition to competition from existing competitors, new companies including those entering into expanded joint ventures and other arrangements, or utilizing disruptive business models or technology, 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.

**Agreements with Amazon – There can be no assurance that the Company will realize the anticipated revenue growth and expected benefits from the strategic agreement with Amazon**

While the Company believes that the strategic agreement with Amazon will deliver important financial and strategic benefits, including anticipated revenue growth from Amazon's business and the associated margins and that such revenue growth will be meaningfully accretive to Cargojet's earnings and cash flows over time as well as create other benefits and opportunities, including to Cargojet's existing network, there is a risk that some or all of the anticipated benefits associated with the Amazon strategic agreement may fail to materialize, or may not occur within the time periods currently anticipated by the Company.

As part of the strategic agreement with Amazon, the Company issued Warrants to the Warrantholder, with vesting tied to the delivery by Amazon of up to $600 million in business volumes over seven and a half years. If, as a result of meeting its business volume requirement and pursuant to its Warrants, Amazon exercises its right to acquire Voting Shares, it will dilute the ownership interests of the Company's then-existing shareholders and reduce the Company's earnings per share. In addition, any sales in the public market of any Voting Shares issuable upon the exercise of the warrants by Amazon could adversely affect prevailing market prices of the Company's Voting Shares. The realization of the expected benefits from the Amazon strategic agreement may be affected by a number of factors, including credit, market, currency, operational, capital expenditures, liquidity and funding risks generally, including changes in economic conditions, interest rates, exchange rates or tax rates, risks and uncertainties relating to retail, e-commerce growth, labour, technology, changes in law or regulation, competition, and business generally and other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

**Government Regulations – The Company is subject to extensive and evolving domestic and foreign regulation in a wide range of matters**

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 Canadian Transportation Agency 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 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.

With widespread attention on climate change has come recent efforts by the Canadian government to reduce greenhouse gas emissions. In short, the federal *Greenhouse Gas Pollution Pricing Act* requires that provinces that lack their own form of pricing for greenhouse gas emissions, including Manitoba, New Brunswick, Saskatchewan and Ontario, impose a carbon tax on airlines operating flights within provinces that fall under the federal system as well as intra-provincial flights. Outside of Canada, the international audience is paying close attention to climate change with governments and agencies founding initiatives to help reduce the carbon footprint worldwide. For instance, in October 2013, the International Civil Aviation Organization ("**ICAO**") reached a nonbinding agreement to address climate change by developing global market-based measures to assist in achieving carbon neutral growth. In October 2016, ICAO approved and subsequently amended a resolution to adopt a global market-based measure known as the Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**"), which is designed to offset any annual increases in total carbon emissions from international civil aviation above a baseline level determined by Fiscal 2019 and Fiscal 2020 emissions. Although various details regarding the implementation of CORSIA still need to be finalized and have been impacted by the COVID-19 pandemic, a pilot phase will run from 2021 to 2023. As a result of existing and new measures to respond to climate change and greenhouse gas emissions, the Company may be subject to environment-related requirements imposed or proposed by foreign governments. These may be duplicative of, or incompatible with Canadian government requirements, resulting in increased compliance efforts and expense.

The Company cannot predict whether, or the manner in which, these or other initiatives will ultimately be implemented or their impact on the Company; however, future developments in Canada and abroad could adversely impact the Company, including by increasing its costs. While the Company is continually focused on efficiency improvements, including carbon footprint reduction initiatives, the impact to the Company of climate and other environmental initiatives may, in part, depend upon the extent to which the increased costs relating to such initiatives, if any, could be recovered, including in the form of higher cargo rates.

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 or financial condition of the Company will not be adversely affected by future changes in applicable laws and regulations.

**Insurance Coverage and Cost – Increases in insurance costs or reduction in insurance coverage could have a material adverse effect on the Company's business, results of operations or financial condition**

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. Further, there has been an increasing trend in the aviation insurance industry for providers to reduce, either in full or in part, the terrorism risks (including war risk insurance) that it covers. To the extent that the Canadian government is unwilling to fill this gap and provide the required coverage, the Company's insurance costs may increase and the Company may run the risk of being in breach of regulatory requirements or contractual agreements requiring specific insurance coverage be maintained. 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.

**Dependence on Technology and Cyber Security – The Company relies heavily on technology to operate its business and any technology systems failure or security breach could have a material adverse effect on the Company's business, results of operations or financial condition**

In today's connected business environment, substantially all aspects of Cargojet's business activities are carried out using computers. While operating in cyberspace offers advantages; it also makes us vulnerable to cybersecurity risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Cargojet is highly dependent on its information technology to securely process, transmit and store electronic information. Certain sensitive and/or confidential information resides on the third-party hosted data center servers and is transmitted over the Company's network. The Company also uses computers for its core management information systems to manage its financial, operational and corporate operations. The Company continues to develop and enhance its cyber security in response to cyberspace risks to protect computer systems and data from threats originating in cyberspace. A security breach can cause significant implications that may include disruption in operations, significant financial losses, legal obligations, litigation, regulatory penalties, and negative effects on the Company's reputation, any and all of which could have a material adverse effect on the Company's business, results of operations or financial condition. The Company has engaged security experts to enhance its cyber security strategy and has secured appropriate insurance coverage to offset potential losses on operation due to a security breach. However, there can be no assurance that the measures will be adequate to protect against all cyber risks or that insurance can cover all losses as a result of any breach. Attacks into information technology systems are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise**.** As of the date hereof there have been no incidents of security breach noted by the Company or its security advisors but any such breach could have a material adverse effect on the Company's business, results of operations or financial condition.

In addition, the technology the Company relies on, including third party technology, may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of human error, third party suppliers' acts or omissions, natural disasters, terrorist attacks, telecommunications failures, power failures, unauthorized or fraudulent users (including cyber-attacks, malware, ransomware, computer viruses and the like), software failures and other operational and security issues. The costs of remedying any failed system could be expensive and any such failure could result in business delays and service disruptions, which could have a material adverse effect on the Company's business, results of operations or financial condition.

**Maintaining Leased Aircraft and Availability of Future Aircraft – The Company may not be able to replace owned aircraft or maintain favorable leases or financing for future aircraft, which could have a material adverse effect on the Company's business, results of operations or financial condition**

The Company currently owns and operates nine B757-200, and twelve B767-300 and has four B767-300 that are under finance lease. It also owns two B767-200 aircraft and lease one. The Company also owns two Challenger 601 aircraft and a B767-200 passenger aircraft which are operating under a charter agreement with a third party. The Company entered into purchase agreements to acquire five fully converted B757 aircraft. It also acquired one B757, three B767-300, two B767-200 and four B777 feedstock for future conversions for which conversion slots are already reserved. The Company also entered into a turnkey agreement for supply of four fully converted B777 aircraft. 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.

**Fixed Costs – Due to the nature of the Company's business, the inflexibility of high fixed costs could have a material adverse impact on the Company's earnings**

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 and Availability – Decreases in the availability of fuel and increases in fuel prices could have a material adverse effect on the Company's business, results of operations or financial condition**

The Company requires significant quantities of fuel for its aircraft. Historically, fuel costs represented 20% to 30% 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 – Increasing maintenance costs, both expected and unexpected, associated with an aging aircraft fleet are outside of the Company's control and could have a material adverse effect on the Company's business, results of operations or financial condition**

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 – A significant decrease in the Canadian dollar relative to U.S. and foreign currency could have a material adverse effect on the Company's business, results of operations or financial condition**

The Company undertakes sales and purchase transactions including aircraft maintenance costs, 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 or other foreign currencies could increase the costs of the Company relative to its United States or other foreign competitors and could have a negative effect on the profitability of the Company. For Fiscal 2021, the Company had a net cash flow exposure to the United States dollar of approximately U.S. $33.1 million and to the Euro of approximately €3.3 million. As of the date of this Annual Information Form, the Company is exposed to fluctuations in the US-dollar exchange rate relating to four B767-300 and one B767-200 lease agreements. 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 – The Company may sustain significant losses and be unable to successfully achieve and/or sustain positive net profitability or realize the objectives of any or all of its initiatives**

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

Despite the pursuit of strategic and business initiatives, there can be no assurance that the Company will be successful in achieving its business initiatives or 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, including those which seek to increase revenues, decrease costs, generate sufficient returns on capital expenditures or offset or mitigate risks facing the Company including those described in this "Risk Factors" section, 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 – A downturn in any economy in which the Company serves could result in decreased demand for the Company's services and have a material adverse effect on the Company's business, results of operations or financial condition**

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. In addition, given the nature of the Company's business and its fixed cost structure, any prolonged impact arising from economic and geopolitical conditions, including a breakdown of political or economic relationships within or between jurisdictions where the Company does business or a deterioration of the Canadian, U.S. or international economies, could have a material adverse effect on the Company's business, results of operations or financial condition.

**Dependence on Key Personnel and Skilled Labour – The Company is dependent on key employees and a loss or substantial turnover of such employees could have a material adverse effect on the Company**

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, 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. While Cargojet has not experienced material difficulty in recruiting and retaining appropriate staff to carry out its operations, 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 – Collective bargaining activities by Company employees increases the risk of labour conflicts and disruptions and could have a material adverse effect on the Company's business, results of operations or financial condition**

On October 19, 2012, the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW – Canada) became certified by Cargojet's pilots as their bargaining union by the Canadian Industrial Relations Board ("**CIRB**").

On May 21, 2019, the Company and UNIFOR agreed to bring in changes in the terms of the agreement to meet the requirements of the Transportation Canada fatigue regulations. The changes include the extension of the contract for three more years until June 30, 2026, workload scheduling and introduction of a new incentive program.

On September 17, 2021, CIRB certified the Air Line Pilots Association ("ALPA") as the representative of Company's pilots replacing UNIFOR. The terms and conditions of the contract will remain in place and in effect.

None of Cargojet's other employees are unionized. The maintenance of a productive and efficient labour environment and the successful negotiation of collective bargaining agreements cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts, and any resulting collective bargaining agreement may increase labour costs or impose terms and conditions that restrict or reduce the Company's ability to sustain its business objectives or pursue its strategic initiatives, all of which could have a material adverse effect on the Company's business, results of operations or financial condition.

In addition to labour relations at the Company, there can be no assurance that there will not otherwise be any labour conflict or action that could also lead to an interruption or stoppage by key suppliers or other parties with whom the Company conducts business or relies on, such as interline partners, which could have a material adverse effect on the Company's business, results of operations or financial condition.

**Severe Weather Patterns or Natural or Manmade Disasters – The Company has no control over weather conditions and natural and manmade disasters, any and all of which could have a material adverse effect on the Company's business, results of operations or financial condition**

Severe weather conditions and other natural or manmade disasters, including storms, floods, hurricanes, fires, earthquakes or epidemics may result in decreased revenues, as the demand for air cargo courier services may be adversely impacted. The Company may experience an increase in costs or inability to operate its business as a result of severe weather conditions or natural or manmade disasters, which could have a material adverse effect on the Company's business, results of operations or financial condition. In the event that the Company is still able to provide services to its customers during a period of severe weather, particularly during any protracted period of time, there may be forced flight cancellations or the Company may not be able to deliver shipments in a timely manner. 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 – Canadian and global trade flows are typically seasonal and the Company, including the businesses of the Company's customers, experiences seasonal variations**

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 – Any change to the health of international trade conditions and law on which the Company relies could have a material adverse effect on the Company's business, results of operations or financial condition**

The principal businesses of the Company are indirectly related to, and future performance of the Company is dependent upon, the volume of international trade, including cross-border trade between Canada and the U.S. 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, including but not limited to the United States-Mexico-Canada Agreement ("**USMCA**").

The North American Free Trade Agreement was terminated and replaced with USMCA. Canada, the United States and Mexico concluded negotiations and agreed to terms on the USMCA on October 1, 2018, and signed the USMCA on November 30, 2018.

There can be no assurance that trade-related events beyond the control of the Company, such as the failure to reach or adopt trade agreements, an increase in trade restrictions or the outcome of the ongoing negotiations and discussions related to USMCA, or at all 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 – Substantial sales of Voting Shares by the directors and officers of the Company could adversely affect the market price of the Voting Shares**

The directors and officers of Cargojet directly or indirectly hold in aggregate 481,137 Voting Shares, or approximately 2.78% of the outstanding Voting Shares on a non-diluted basis. 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 – The Company is subject to audits by tax authorities and there can be no assurance that tax authorities will agree with the Company's tax filing positions**

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 *Income Tax Act* (Canada) (the "**Tax Act**") will be reasonable and deductible by the appropriate entity in accordance with the applicable provisions of the Tax Act, 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. If the 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 – An increase in market interest rates may have an adverse effect on the market price of the Company's Voting Shares**

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.

**Future Legal Proceedings – The Company may become subject to future legal proceedings which may result in unanticipated costs and could have a material adverse effect on the Company's business, results of operations or financial condition**

In the course of operating its business, the Company may become subject to various claims and litigation including with respect to its contractual arrangements and current or new laws and regulations. As a result of potential future legal proceedings, the Company may be required to pay significant sums of money in the form of legal fees, judgments or settlements. Any future claims or litigation and any resulting monies owed could have a material adverse effect on the Company's business, results of operations or financial condition.

**Interline Partnerships and Alliances – Departure of a key interline partner or its failure to meet its obligations could have a material adverse effect on the Company's business, results of operations or financial condition**

The Company has entered into several strategic interline partnerships/alliances thus providing customers with seamless air cargo courier services around the world to all destinations to and from Canada. The loss of a significant interline partner or its failure to meet its obligations towards the Company could have a material adverse effect on the Company's business, results of operations or financial condition.

**Key Supplies and Suppliers – The Company's failure or inability to obtain certain goods and services from key suppliers on favorable terms could have a material adverse effect on the Company's business, results of operations or financial condition**

The Company is dependent upon its ability to source, on favorable terms and costs, sufficient quantities of goods and services of desirable quality, in a timely manner, including those required for the Company's business or operations, such as fuel, aircraft and related parts, aircraft maintenance services, and information technology systems and services. If for any reason the Company is required to find new suppliers, including by reason of suppliers increasing their rates, the transition to new or alternative suppliers may not be possible or may take a significant amount of time or require significant resources. A failure, refusal or inability of a supplier may arise as a result of a wide range of causes, many of which are beyond the Company's control. Any failure or inability of the Company to successfully source goods and services, or to source goods and services of desirable quality on terms and pricing and within the timeframes acceptable to the Company, could have a material adverse effect on the Company's business, results of operations or financial condition.

**Terrorist Activity – Terrorist activity and associated security measures could have a material adverse effect on the Company's business, results of operations or financial condition**

The terrorists' attacks of September 11, 2001 and their aftermath negatively impacted the air cargo courier industry. Following the events of September 11, 2001, a host of countries including Canada introduced new cargo security programs or strengthened existing programs, with the objective to prevent cross-border shipment of illicit goods. The impact on the industry was increased cargo scrutiny and border delays, which translates into higher indirect costs for businesses engaged in cross-border trade. Additional terrorist attacks (whether international or domestic and whether involving the Company, another air cargo company or no air cargo company at all), the fear of such attacks or increased hostilities could further negatively impact the air cargo industry. The perceived threat of terrorist activity could lead to a decrease in customer demand for air cargo courier services, with customers choosing other methods of cargo transport, as well as the potential need for a substantial increase in insurance. 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. Any resulting reduction in the use of the Company's cargo network and/or increase in costs could have a material adverse effect on the Company's business, results of operations or financial condition.

## Financial Risks

**Declaration of Dividends – There can be no assurance that dividends will be distributed on a regular basis or at all**

Dividends are dependent on cash flows of the Company. The declaration and payment of future dividends will be at the discretion of the Board, are subject to restrictions under our Credit Facility and may be affected by various other factors, including our earnings, levels of indebtedness, financial condition and legal or contractual restrictions. While it is the intention of the Board of Directors, subject to financial results, capital requirements, available cash flow and any other factors that the Board may consider relevant, to declare a quarterly dividend on an ongoing basis, there can be no assurance that we will have the financial flexibility to pay dividends at the same rate (or at all) in the future.

**Potential Volatility of Voting Share Price – There are a variety of factors that may cause the market price of the Company's Voting Shares to significantly fluctuate**

The market price of our Voting Shares could be subject to significant fluctuations. Some of the factors that may cause the market price of our Voting Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our Voting Shares;
- litigation or regulatory action against us;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including our financial statements;
- publication of research reports or news stories about us, our competitors or our industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of our Voting Shares by existing shareholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- the other risk factors described in this section of this Annual Information Form.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in our Voting Shares by those institutions, which could materially adversely affect the trading price of our Voting Shares. There can be no assurance that fluctuations in price and volume in our Voting Shares will not occur. In recent periods, the stock market has experienced extreme declines and volatility. This volatility, from time to time, has had a significant negative impact on the market price of securities issued by many companies, including Cargojet and other companies in its industry. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of our Voting Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of our Voting Shares. Hence, the price of our Voting Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of our Voting Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, operating results or financial condition.

## 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 Fiscal 2021. In addition, no such other proceedings or actions are currently known by the Company to be contemplated.

## REGULATORY ACTIONS

During Fiscal 2021, 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, and has not entered into any settlement agreements before a court relating to securities legislation with a securities regulatory authority.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out below or elsewhere in this Annual Information Form, no (i) director or executive officer of the Company, (ii) shareholders of Cargojet that, to the knowledge of the Company, beneficially own, or control, directly or indirectly, more than 10% of any class of shares of Cargojet, or (iii) any associate or affiliate of the persons referred to in (i) or (ii), 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 that has materially affected or is reasonably expected to 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 5.75% 2024 Debentures, 5.75% 2025 Debentures and the 5.25% 2026 Debentures is Computershare Trust Company of Canada at its principal transfer office in Toronto.

## MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into during Fiscal 2021, or entered into before such year but which are still in effect. Each of the summaries below describes certain material provisions of the relevant material contract and is subject to, and qualified in its entirety by reference to, the relevant material contract, a copy of which is available under the Company's profile on SEDAR at www.sedar.com.

### Warrant Certificate

On August 23, 2019, as part of the strategic agreement with Amazon, the Company issued to the Warrantholder the Warrants, in two tranches, on the conditions and terms described in a warrant certificate representing such Warrants (the "**Warrant Certificate**"). The First Tranche Warrants entitle the Warrantholder to acquire up to 1,589,231 Variable Voting Shares of the Company, representing 9.9% of the Voting Shares, including vested options and outstanding restricted share units, on a post-exercise basis as of the date of issuance of the Warrants, subject to satisfaction of vesting conditions and certain anti-dilution adjustments. The exercise price of the First Tranche Warrants is $91.78 is based on the 30-day VWAP of the Voting Shares immediately prior to the date of the issuance of the Warrants. 401,331 First Tranche Warrants vested immediately on issuance of the Warrants, and the remaining First Tranche Warrants will vest in specified increments over a period of six and a half years, with vesting tied to the delivery by Amazon of up to $400 million in business volumes during the same term.

The Second Tranche Warrants entitle the Warrantholder to acquire up to 802,650 Variable Voting Shares of the Company, representing 5.0% of the Voting Shares on a fully-diluted and post-exercise basis as of the date of issuance of the Warrants, subject to satisfaction of vesting conditions and certain anti-dilution adjustments. The exercise price of the Second Tranche Warrants of $186.57 is based on the 30-day VWAP of the Voting Shares on the second anniversary of the date of issuance of the Warrants. The Second Tranche Warrants will vest in specified increments over a period of seven and a half years, with vesting tied to the delivery by Amazon of up to an additional $200 million in business volumes during the same term.

The First Tranche Warrants and the Second Tranche Warrants together represent a right acquire in the aggregate up to 2,391,881 Variable Voting Shares of the Company, representing 14.9% of the Voting Shares on a fully-diluted and post-exercise basis as of the date of issuance of the Warrants, assuming full vesting.

In accordance with the terms of the Warrants, certain customary adjustments shall be made to the Warrants and/or the exercise price of the Warrants, as applicable, to account for, among other things, (i) changes in share capital of the Company; (ii) certain issuances of Voting Shares in respect of principal amount outstanding or interest payable on securities convertible, exercisable or exchangeable for Voting Shares; or (iii) certain distributions of extraordinary dividends (excluding any ordinary course cash dividends). The Warrantholder is not entitled to dividend equivalents on any vested Warrants.

Upon an event constituting a “change of control” of the Company (as defined in the Warrant Certificate), all unvested Warrants will fully vest and become immediately exercisable. In the event the Company completes a business combination whereby the Voting Shares are exchanged solely for cash consideration, the Company has a right to cause the Warrantholder to exercise the Warrant in full in respect of the vested Warrants, including those that vest in connection with such business combination. The Warrantholder is also entitled to a right of first notice with respect to a proposal that could lead to a change of control of the Company.

**Voting**

With respect to any matter, proposal or resolution submitted to shareholders of the Company at an annual or special meeting of the shareholders, the Warrantholder shall only be entitled to exercise its right to vote on a maximum of 9.9% of the then issued and outstanding Voting Shares during the term of the First Tranche Warrants and 14.9% of the then issued and outstanding Voting Shares after the First Tranche Warrant has vested in full.

During the Standstill Period (as defined below), the Warrantholder has agreed that it and its affiliates shall cause all of the Voting Shares beneficially owned by them by way of exercise of any or all Warrants to be present and/or represented for quorum purposes at each and every meeting of shareholders of the Company, and either vote “for” or abstain from voting on (but not withholding) on each business matter recommended for shareholder approval by the Board related to the election of directors and the appointment of the auditor of the Company.

**Transfers**

The Warrantholder has agreed to not transfer any Warrants held by it, except to a permitted transferee in accordance with the terms of the Warrant Certificate. Subject to certain exceptions, without the prior written consent of the Company, the Warrantholder shall not transfer in a private sale any Voting Shares it acquires pursuant to an exercise of any or all Warrants, to a person or group of persons who beneficially own, or who would, after giving effect to such transfer, more than 10% of the then issued and outstanding Voting Shares.

**Standstill**

Until the earlier of the expiry of the Warrants and such time as the Warrantholder beneficially owns less than 5% of the then issued and outstanding Voting Shares (the "**Standstill Period**"), except as otherwise set forth in the Warrant Certificate, the Warrantholder has agreed to not, without the prior written consent of the Company, among other things: acquire any equity interests of the Company; solicit any proxies; requisition meetings of shareholders; nominate persons to the Board; subject any equity interests of the Company to any voting agreement; propose or enter into a transaction involving the Company; take any action with respect to the preceding actions that would reasonably be expected to require the Company to make a public announcement; and advise other persons to undertake any of the foregoing.

Notwithstanding the standstill provisions, the Warrantholder and its affiliates shall not be prohibited from making and submitting to the Company or the Board any confidential proposal, inquiry or indication of interest with respect to any transaction involving the Company or the equity interests of the Company, and the standstill provisions shall become void upon public announcement by the Company that it has entered into a definitive agreement with respect to a change of control transaction with a person other than the Warrantholder or any of its affiliates.

**Registration Rights**

The Warrantholder has the right to require the Company to use commercially reasonable efforts to file a prospectus, with applicable Canadian securities regulatory authorities, qualifying the Voting Shares held by the Warrantholder and its permitted transferees. The Warrantholder is entitled to request not more than four demand distributions in any twelve-month period, subject to certain conditions, as well as to be included as a "piggy back" holder in any distribution of Voting Shares by the Company. The Warrant Certificate also contains customary expense reimbursement and indemnification provisions in the case of a demand or piggy-back distribution.

For more information, see the Company's material change report, dated August 23, 2019, which is available on SEDAR under the Company's corporate profile at www.sedar.com.

## 5.25% 2026 Debenture Indenture

On July 16, 2020, the Company closed an offering of $100,000,000 aggregate principal amount of 5.25% Debentures due June 30, 2026. On July 22, 2020, the underwriters exercised their over-allotment option in full, resulting in the issue of an additional $15,000,000 aggregate principal amount of 5.25% 2026 Debentures. The 5.25% 2026 Debentures are direct, senior unsecured obligations of the Company and rank subordinate to all existing and future senior secured and other secured indebtedness of the Company, and rank *pari passu* to all existing and future senior unsecured, and other unsecured and unsubordinated indebtedness of the Company. The 5.25% 2026 Debentures rank *pari passu* with the Company's 5.75% 2024 Debentures and 5.75% 2025 Debentures. The 5.25% 2026 Debentures bear interest at a rate of 5.25% per annum, payable semiannually in arrears on June 30 and December 31 of each year. The 5.25% 2026 Debentures will mature on June 30, 2026. The terms of the 5.25% 2026

Debentures are set out in the 5.25% 2026 Debenture Indenture dated July 16, 2020 entered into between the Company and Computershare Trust Company of Canada.

## 5.75% 2025 Debenture Indenture

On April 16, 2019, the Company closed an offering of $100,000,000 aggregate principal amount of 5.75% Debentures due April 30, 2025. On April 26, 2019, the underwriters exercised their over-allotment option in full, resulting in the issue of an additional $15,000,000 aggregate principal amount of 5.75% 2025 Debentures. The 5.75% 2025 Debentures are direct, senior unsecured obligations of the Company and rank subordinate to all existing and future senior secured and other secured indebtedness of the Company, and rank *pari passu* to all existing and future senior unsecured, and other unsecured and unsubordinated indebtedness of the Company. The 5.75% 2025 Debentures rank *pari passu* with the Company's 5.75% 2024 Debentures and 5.25% 2026 Debentures. The 5.75% 2025 Debentures bear interest at a rate of 5.75% per annum, payable semiannually in arrears on April 30 and October 31 of each year. The 5.75% 2025 Debentures will mature on April 30, 2025. The terms of the 5.75% 2025 Debentures are set out in the 5.75% 2025 Debenture Indenture dated April 16, 2019 entered into between the Company and Computershare Trust Company of Canada.

## 5.75% 2024 Debenture Indenture

On November 6, 2018 the Company closed an offering of $75,000,000 aggregate principal amount of 5.75% Debentures due April 30, 2024. On November 8, 2018, the underwriters exercised their over-allotment option in full, resulting in the issue of an additional $11,250,000 aggregate principal amount of 5.75% 2024 Debentures. The 5.75% 2024 Debentures are direct, senior unsecured obligations of the Company and rank subordinate to all existing and future senior secured and other secured indebtedness of the Company, and rank *pari passu* to all existing and future senior unsecured, and other unsecured and unsubordinated indebtedness of the Company. The 5.75% 2024 Debentures rank and *pari passu* to the Company's 5.75% 2025 Debentures and 5.25% 2026 Debentures. The 5.75% 2024 Debentures bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on April 30 and October 31 of each year. The 5.75 % 2024 Debentures will mature on April 30, 2024. The terms of the 5.75% 2024 Debentures are set out in the 5.75% 2024 Debenture Indenture dated November 6, 2018 entered into between the Company and Computershare Trust Company of Canada.

## INTERESTS OF EXPERTS

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Chartered Accountants, Toronto, Ontario. Cargojet's audited consolidated annual financial statements for Fiscal 2021 were filed under National Instrument 51-102 – *Continuous Disclosure Obligations* in reliance on the report of PricewaterhouseCoopers LLP, Chartered Professional Accountants, Chartered Accountants, given on their authority as experts in auditing and accounting. PricewaterhouseCoopers 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 under the Company's profile on SEDAR at www.sedar.com.

Additional information, including, without limitation, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans will be contained in the Company's management information circular to be mailed and filed in connection with its annual meeting of shareholders scheduled to be held on April 7, 2022.

Additional financial information is provided in the audited consolidated annual financial statements and related management's discussion and analysis of Cargojet for Fiscal 2021.

## 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 inquires 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 IFRS 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 annual information form of the Corporation, as more specifically set out in Form 52-110FI *Audit Committee Information Required in an AIF*.

9. Review all material related party transactions against applicable legal and regulatory

requirements and may recommend the use of an ad-hoc independent committee of the Board to assist the Board in the evaluation of any such related party transactions. The Audit Committee also liaises with the Company's independent auditors, as necessary, to review and discuss any transactions with related parties, including any significant matters arising from the audit in connection therewith.

## IV. Authority

The Audit Committee has the authority to:

(a) engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Audit Committee; and

(c) 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.