Condensed Consolidated Interim Financial Statements of

CARGOJET

For the three month periods ended March 31, 2020 and 2019

(expressed in millions of Canadian dollars)

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CARGOJET INC.

Condensed Consolidated Interim Balance Sheets
As at March 31, 2020 and December 31, 2019

(unaudited - in millions of Canadian dollars)

	Note	March 31, 2020	December 31, 2019
		$	$
ASSETS			
CURRENT ASSETS			
Cash		2.2	1.6
Trade and other receivables		59.3	51.3
Inventories		1.0	2.3
Prepaid expenses and deposits		6.8	6.9
Income taxes recoverable		0.1	0.1
Derivative financial instruments	18	8.5	8.3
		77.9	70.5
NON-CURRENT ASSETS			
Property, plant and equipment	5,8	902.1	890.2
Goodwill		48.3	48.3
Intangible assets		2.0	2.0
Deposits		5.9	6.1
Contract assets	4	76.7	78.0
Deferred income taxes	11	3.2	3.2
		1,116.1	1,098.3
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		41.0	51.6
Lease liabilities	9	62.0	59.3
Dividends payable		3.6	3.6
		106.6	114.5
NON-CURRENT LIABILITIES			
Borrowings	8	273.1	244.2
Lease liabilities	9	136.5	137.0
Stock warrant obligations	4	71.6	73.5
Debentures	10	193.6	193.3
Deferred income taxes	11	36.4	35.5
Employee pension and share-based compensation	7	27.7	24.1
		845.5	822.1
EQUITY		270.6	276.2
		1,116.1	1,098.3

The accompanying notes are an integral component of these condensed consolidated interim financial statements.

CARGOJET INC.

Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Income

Three month periods ended March 31, 2020 and 2019

(unaudited - in millions of Canadian dollars except per share data)

	Note	Three months ended March 31, 2020	2019
		$	$
REVENUES	3	123.0	110.4
DIRECT EXPENSES	12	90.8	89.2
		32.2	21.2
General and administrative expenses	13	17.2	12.3
Sales and marketing expenses		0.5	0.8
Finance costs	14	9.7	9.9
Other loss (gain), net	15	5.7	(2.5)
		33.1	20.5
(LOSS) EARNINGS BEFORE INCOME TAXES		(0.9)	0.7
PROVISION FOR INCOME TAXES	11		
Deferred		0.9	0.7
NET (LOSS) EARNINGS and COMPREHENSIVE (LOSS) INCOME		(1.8)	-
NET LOSS PER SHARE	17		
- Basic and Diluted		$(0.12)	$-

The accompanying notes are an integral component of these condensed consolidated interim financial statements.

CARGOJET INC.

Condensed Consolidated Interim Statements of Changes in Equity
Three month periods ended March 31, 2020 and 2019

(unaudited - in millions of Canadian dollars)

	Note	Shareholders' capital	Contributed surplus	Conversion option	Surplus on debenture settlement	Deficit	Total shareholders' equity
		$	$	$	$	$	$
Balance, January 1, 2020		298.2	2.4	-	13.1	(37.5)	276.2
Net (loss) earnings and comprehensive (loss) income		-	-	-	-	(1.8)	(1.8)
Share-based compensation	7	-	2.3	-	-	-	2.3
Restricted shares, vested and exercised	16,7	1.8	(1.8)	-	-	-	-
Tax paid on vested RSU's	7	-	(2.1)	-	-	(0.4)	(2.5)
Dividends	16	-	-	-	-	(3.6)	(3.6)
Balance, March 31, 2020		300.0	0.8	-	13.1	(43.3)	270.6
Balance, January 1, 2019		177.9	2.1	5.1	8.0	(35.4)	157.7
Net earnings and comprehensive income		-	-	-	-	-	-
Share-based compensation		-	0.6	-	-	-	0.6
Convertible debenture-conversion		0.7	-	-	-	-	0.7
Dividends	16	-	-	-	-	(3.2)	(3.2)
Balance, March 31, 2019		178.6	2.7	5.1	8.0	(38.6)	155.8

The accompanying notes are an integral component of these condensed consolidated interim financial statements.

CARGOJET INC.

Condensed Consolidated Interim Statements of Cash Flows
Three month periods ended March 31, 2020 and 2019

(unaudited - in millions of Canadian dollars)

	Note	Three months ended March 31, 2020	2019
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		(1.8)	-
Adjustments to reconcile net cash from operating activities			
Depreciation of property, plant and equipment	5	23.4	23.5
Share-based compensation	7	3.5	0.9
Finance costs	14	9.7	9.9
Crew Incentive	7	0.7	-
Gain on disposal of property, plant and equipment	5	(0.3)	-
Employee pension liability	13	1.1	0.7
Income tax provision	11	0.9	0.7
Other gains	15	8.9	(3.4)
Interest paid		(6.0)	(9.1)
Cash generated from operating activities		40.1	23.2
Changes in non-cash working capital items and deposits			
Trade and other receivables		(8.0)	26.1
Inventories		1.3	-
Prepaid expenses and deposits		0.3	2.3
Trade and other payables		(10.6)	(8.1)
NET CASH GENERATED FROM OPERATING ACTIVITIES		23.1	43.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(32.1)	(34.7)
Proceeds from disposal of property, plant and equipment		0.3	-
Acquisition of business		-	(3.1)
NET CASH USED IN INVESTING ACTIVITIES		(31.8)	(37.8)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		28.9	8.8
Repayment of obligations under lease liabilities	9	(13.9)	(10.2)
Tax paid on vested RSU's and options		(2.1)	-
Dividends paid to shareholders	16	(3.6)	(2.9)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		9.3	(4.3)
NET CHANGE IN CASH		0.6	1.4
CASH (BANK OVERDRAFT) , BEGINNING OF PERIOD		1.6	(0.9)
CASH, END OF PERIOD		2.2	0.5

The accompanying notes are an integral component of these condensed consolidated interim financial statements.

1. NATURE OF THE BUSINESS

Cargojet Inc. ("Cargojet" or the "Company") operates a domestic network air cargo co-load network between fourteen major Canadian cities. The Company also provides dedicated aircraft to customers on an Aircraft, Crew, Maintenance and Insurance ("ACMI") basis, operating between points in Canada and the USA. As well, the Company operates scheduled international routes for multiple cargo customers between the USA and Bermuda and Canada and Germany and flights between Canada and Mexico.

Cargojet is publicly listed with shares and hybrid debentures traded on the Toronto Stock Exchange ("TSX"). The Company is incorporated in Ontario and domiciled in Canada and the registered office is located at 2281 North Sheridan Way, Mississauga, L5K 2S3, Ontario.

These condensed consolidated interim financial statements (the "financial statements") were approved and authorized for issuance by the Board of Directors on May 7, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") using International Accounting Standard 34, *Interim Financial Reporting ("IAS 34").*

Basis of preparation

These financial statements include the accounts of the Company and its wholly owned subsidiaries 2422311 Ontario Inc.,Cargojet Airways Ltd. ("CJA") and Aeroship Handling Ltd. ("AH").

All intra-company balances and transactions are eliminated in full on consolidation.

These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019 and 2018.

Except as noted below, the Company has followed the same basis of presentation, accounting policies and method of computation for these financial statements as disclosed in the annual audited consolidated financial statements for the year ended December 31, 2019 and 2018.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company has recognized the following amounts relating to revenue in the Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Income:

(unaudited - in millions of Canadian dollars except where noted)

	March 31, 2020	March 31, 2019
	$	$
Revenue from air cargo services	119.5	108.1
Revenue from other sources	3.5	2.3
Total revenue	123.0	110.4

The following revenue streams are recognized at a point of time:

Revenue recognized at a point of time

	March 31, 2020	March 31, 2019
	$	$
Domestic Network	66.3	61.1
Fuel and Other Surcharges	27.5	24.9
ACMI	19.4	15.4
All-in charter	6.3	6.7
Ground handling and maintenance revenue	1.9	2.1
Total revenue	121.4	110.2

The following revenue streams are recognized from the transfer of services over time:

Revenue recognized from transfer of services over time

	March 31, 2020	March 31, 2019
	$	$
All-in-charter	1.0	0.2
Hangar rental and other revenue	0.6	-
Total revenue	1.6	0.2

(unaudited - in millions of Canadian dollars except where noted)

Contract assets and liabilities

The Company has recognized the following revenue-related assets and liabilities:

	March 31, 2020	December 31, 2019
	$	$
Contract asset	76.7	78.0
Trade receivables	42.5	38.1
Other receivables	16.8	13.2
Total contract assets	136.0	129.3
Stock warrant obligations	71.6	73.5
Contract liability - expected rebates to customers	0.4	0.6
Total contract liabilities	72.0	74.1

4. STOCK WARRANT

On August 23, 2019, the Company entered into a stock warrant agreement with Amazon. This agreement is in conjunction with Amazon's existing commercial agreement for overnight air cargo services and charters and is intended to incentivize growth in Amazon's utilization of those services to support fast delivery for Amazon customers in Canada.

Under the agreement, the Company issued warrants to Amazon for the opportunity to purchase variable voting shares that will vest in two tranches based on the achievement of commercial milestones related to Amazon's business with the Company. The warrant agreement grants Amazon the right to acquire up to 13.2% of the issued and outstanding voting shares. Tranche I warrant shares represent 8.8% and Tranche II warrant shares represent 4.4% of the aggregate of the currently issued and outstanding shares of the Company. Tranche I, when fully vested, will give Amazon a right to purchase up to an aggregate of 1.59 million shares and Tranche II will give a right to purchase an aggregate of 0.8 million shares. The exercise price of Tranche I is $91.78 per voting share. The exercise price for Tranche II will be determined based on the 30-day volume weighted average trading price as of the earlier of August 23, 2021 and the date upon which all of Tranche I will vest in full. 0.4 million warrant shares of Tranche I vested immediately upon the execution of the agreement. Vesting of additional warrants is tied to the revenue generated by Amazon and its affiliates aggregated to an amount specified in the agreement of up to a maximum of $400 for Tranche I. Upon full vesting under Tranche I, vesting of Tranche II warrants will be tied to revenue generated by Amazon and its affiliates aggregated to an amount specified in the agreement of up to a maximum of $200. Tranche I is exercisable in accordance with its terms through February 23, 2026 and Tranche II is exercisable in accordance with its terms through February 23, 2027.

The Company has determined that the warrants are a derivative instrument and should be classified as a liability in accordance with IAS 32 and IFRS 9. The financial instruments are initially recorded at fair value and are then revalued at each reporting date. The initial fair value of warrants of $72.6 issued to Amazon on August 23, 2019 was recorded as stock warrant obligations, having a fair value of $32.67 per warrant for Tranche I and $25.81 per warrant for Tranche II. The fair value of warrants under Tranche I and Tranche II was determined using an American option pricing model utilizing Monte Carlo simulation and were classified within Level 3 of the fair value hierarchy, (refer to Financial Instruments Note 18). The corresponding contract asset was recognized at inception and will amortize against revenue over the duration of the agreement. The fair value of the warrant obligations was revalued as at March 31, 2020 using the same American option pricing model utilizing Monte Carlo simulation and resulted in a non-operating gain of $1.9.

(unaudited - in millions of Canadian dollars except where noted)

	March 31, 2020	December 31, 2019
Contract Assets	$	$
Stock Warrant Valuation	78.0	72.6
Add: Other contract assets	-	7.1
Less: Amortization	(1.3)	(1.7)
Total contract Assets	76.7	78.0
Stock warrant obligations		
Stock Warrant obligations	73.5	72.6
Add/(less): Fair value adjustment	(1.9)	0.9
Total stock warrant obligations	71.6	73.5

(unaudited - in millions of Canadian dollars except where noted)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Balance as at January 1, 2020	Additions	Transfers	Disposal	Balance as at March 31, 2020
	$	$	$	$	$
Aircraft hull	427.2	0.8	18.2	-	446.2
Engines	368.7	-	25.7	-	394.4
Right of Use Assets	35.2	2.9	-	-	38.1
Spare parts	7.4	0.6	-	-	8.0
Ground equipment	51.0	0.1	-	-	51.1
Rotable spares	48.8	2.3	0.3	-	51.4
Computer hardware and software	11.9	-	-	-	11.9
Furniture and fixtures	3.8	-	-	-	3.8
Leasehold improvements	22.9	-	-	-	22.9
Vehicles	3.4	-	-	-	3.4
Hangar and cross-dock facilities	30.9	-	4.6	-	35.5
Property, plant and equipment under development	118.1	25.0	(51.5)	-	91.6
Deferred heavy maintenance	84.8	3.6	2.7	-	91.1
	1,214.1	35.3	-	-	1,249.4

Accumulated Depreciation & Impairment	Balance as at January 1, 2020	Depreciation	Balance as at March 31, 2020	Net Book Value as at March 31, 2020
	$	$	$	$
Aircraft hull	77.0	6.0	83.0	363.2
Engines	112.1	8.6	120.7	273.7
Right of Use Assets	9.1	2.3	11.4	26.7
Spare parts	-	-	-	8.0
Ground equipment	19.2	1.0	20.2	30.9
Rotable spares	18.4	1.1	19.5	31.9
Computer hardware and software	9.3	0.3	9.6	2.3
Furniture and fixtures	2.0	0.1	2.1	1.7
Leasehold improvements	11.6	0.4	12.0	10.9
Vehicles	2.2	-	2.2	1.2
Hangar and cross-dock facilities	9.1	0.4	9.5	26.0
Property, plant and equipment under development	-	-	-	91.6
Deferred heavy maintenance	53.9	3.2	57.1	34.0
	323.9	23.4	347.3	902.1

(unaudited - in millions of Canadian dollars except where noted)

Cost	Balance as at January 1, 2019	Adjustments due to adoption of IFRS 16	Additions	Transfers	Adjustments	Balance as at December 31, 2019
	$		$	$		$
Aircraft hull	375.4	-	3.4	51.5	(3.1)	427.2
Engines	246.0	-	0.8	122.9	(1.0)	368.7
Right of Use Assets	-	35.2	-	-	-	35.2
Spare parts	6.9	-	0.5	-	-	7.4
Ground equipment	40.4	-	10.6	-	-	51.0
Rotable spares	36.0	-	12.5	0.3	-	48.8
Computer hardware and	11.2	-	0.6	0.1	-	11.9
Furniture and fixtures	3.4	-	0.4	-	-	3.8
Leasehold improvements	22.0	-	-	0.9	-	22.9
Vehicles	3.2	-	0.2	-	-	3.4
Hangar and cross-dock facilities	24.1	-	6.8	-	-	30.9
Property, plant and equipment under development	115.3	-	178.5	(175.7)	-	118.1
Deferred heavy maintenance	71.4	-	13.4	-	-	84.8
	955.3	35.2	227.7	-	(4.1)	1,214.1

Accumulated Depreciation & Impairment	Balance as at January 1, 2019	Depreciation	Adjustments	Balance as at December 31, 2019	Net Book Value December 31, 2019
	$	$	$	$	$
Aircraft hull	60.3	19.8	(3.1)	77.0	350.2
Engines	77.0	36.1	(1.0)	112.1	256.6
Right of Use Assets	-	9.1	-	9.1	26.1
Spare parts	-	-	-	-	7.4
Ground equipment	15.6	3.6	-	19.2	31.8
Rotable spares	13.0	5.4	-	18.4	30.4
Computer hardware and software	7.9	1.4	-	9.3	2.6
Furniture and fixtures	1.7	0.3	-	2.0	1.8
Leasehold improvements	10.0	1.6	-	11.6	11.3
Vehicles	1.9	0.3	-	2.2	1.2
Hangar and cross-dock facilities	8.0	1.1	-	9.1	21.8
Property, plant and equipment under development	-	-	-	-	118.1
Deferred heavy maintenance	38.6	15.3	-	53.9	30.9
	234.0	94.0	(4.1)	323.9	890.2

Property, plant and equipment under development of $91.6 (2019 - $118.1) relates to the purchase and/or modification primarily of aircraft and aircraft engines that are not yet available for use.

Right of use assets consist of hangers, warehouses, offices and one Boeing 767-200 aircraft on lease.

During the three month period ended March 31, 2020, the Company completed the acquisition of one Boeing 767-200 aircraft using the revolving credit facility and term loan. The Company also sold surplus spares for $0.3 resulting in a total gain of $0.3.

(unaudited - in millions of Canadian dollars except where noted)

Depreciation expense on property, plant and equipment for the three month period ended March 31, 2020 totaled $23.4 (March 31, 2019 - $23.5) out of which $22.9 (March 31, 2019 – $22.9) was recorded in direct expenses and $0.5 (March 31, 2019 - $0.6) was recorded in general and administrative expenses.

6. NET DEBT RECONCILIATION

The analysis of net debt and the movements in net debt for the three month period ended March 31, 2020 is presented below

	March 31,2020	December 31,2019
	$	$
Cash and cash equivalents	2.2	1.6
Borrowings - repayable within one year (including overdraft)	(62.0)	(59.3)
Borrowings - repayable after one year	(603.2)	(576.1)
Net Debt	(663.0)	(633.8)
Gross Debt - fixed interest rates	(392.2)	(389.8)
Gross Debt - variable interest rates	(270.8)	(244.0)
Net Debt	(663.0)	(633.8)

	Cash / bank overdraft	**lease liabilities due within one year**	**lease liabilities due after one year**	**Borrowings due after one year**
	$	$	$	$
Net Debt as at January 1 2019	(0.9)	(25.2)	(174.2)	(404.1)
Cash flows	2.5	-	40.6	(35.0)
Acquisitions - leases	-	(34.1)	(9.5)	-
Foreign exchange adjustment	-	-	6.1	-
Net Debt as at December 31, 2019	1.6	(59.3)	(137.0)	(439.1)
Cash flows	0.6	-	13.9	(27.6)
Acquisitions - leases	-	(2.7)	(3.6)	-
Foreign exchange adjustment	-	-	(9.8)	-
Net Debt as at March 31, 2020	2.2	(62.0)	(136.5)	(466.7)

7. SHARE-BASED COMPENSATION

Crew incentive program

The Company implemented a long-term incentive plan for its pilots in 2019. Under the plan, the Company provided an option of $0.1 of cash or a one-time grant of $0.1 value of deferred stock units ("DSU's") to all active crewmembers. The cash payment or DSUs will vest 50% on June 30, 2023 and the remaining 50% on June 30, 2026. For the purpose of this offer, the grant and valuation of DSUs took place on July 1, 2019 based on the market price of the Company's shares on that date.

As the liability under the plan will be settled in cash based on value of the common shares at a future date, the fair value of the service received is recognized as expense with corresponding increase in the liability at the end of each reporting period up to the date of the settlement. Changes in value will be recognized as crew cost in the Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Income proportional to the period of service rendered by the employees.

As at March 31, 2020, the Company re-measured the fair value of DSUs granted to crew members and recorded a liability of $2.1 (December 31, 2019 - $1.5). For the three month period ended March 31, 2020, the Company recognized $0.6 in crew cost expenses for the services rendered (March 31, 2019 - $nil) in the Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Income.

For the crew members who elected to receive $0.1 cash at the end of the vesting period, the Company also recognized $0.1 crew cost expenses for the services rendered and interest cost for the three month period ended March 31, 2020 (March 31, 2019 - $nil) in the Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Income. As at March 31, 2020, the company had a total liability of $0.6 (December 31, 2019 - $0.5) for cash incentives

Deferred Share Units

The Company implemented a DSU plan for its non-employee directors in 2020. According to the plan, each director receives a portion of his or her annual retainer in DSUs that is predetermined for the year. The amount may only be amended in accordance with any amendments adopted by the Board to the directors' compensation program from time to time. Directors may also make a written election to receive a portion of his or her annual cash retainer in DSUs in lieu of cash. The remaining portion of the annual cash director retainer will be paid in cash. For 2020, the annual DSU amount for each Canadian director is $0.1 and for non-Canadian director is $0.1 in US currency.

A notional account is maintained for DSUs and numbers of DSUs are credited to each director's notional account based. The number of DSUs credited to each director's notional account is determined by dividing the annual DSU amount by the volume weighted average trading price of Company's voting shares on the Toronto Stock Exchange for the five (5) trading days immediately preceding the award date ("market price"). Accordingly, 4,126 units were credited to the directors' notional accounts. These DSUs vested on grant. DSUs are redeemable only when the director ceases to be a member of the Board provided that he or she is not otherwise engaged or employed by the Company. The cost of the vested DSUs is recognized as a liability under share based compensation plans in the Condensed Consolidated Interim Balance Sheet and a corresponding asset is recognized.

The DSUs asset is amortized in proportion to the services rendered by the directors in attending Board and Committee meetings for the year and recognized in management fees in general and administrative expenses over the course of the year. Thereafter, the liability will be re-measured to fair value based on the market price of the Company's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in general and administrative expenses in the Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Income.

The DSUs accrue dividend equivalents according to the plan. Additional DSUs will be issued be equal to the aggregate amount of dividends that would have been paid to the director if the DSUs in the director's account on the record date had been shares divided by the market price of the shares on the date on which dividends were paid by the company equal to whole number rounded down. Fractional DSU will be disregarded.

Restricted Share Units

The Company's restricted share unit plan (the "RSU Plan") and stock option plan (the "Stock Option Plan") provide the Company the ability to grant restricted share units ("RSUs") and options ("Options") to certain key executives, non-employee directors and senior management as part of its long term incentive plan. Each RSU granted entitles the holder to one common voting share or one variable voting share of the Company on the settlement thereof. Each Option granted entitles the holder to one common voting share or one variable voting share of the Company on due exercise thereof or, if the holder duly elects a cash-less exercise of the Option, the holder will receive that number of common voting shares or variable voting shares, as the case may be, equal to the excess of the five day volume weighted average trading price of the shares (as determined in accordance with the rules of the TSX) ending on the trading day before the exercise date of the Option (the "Market Price") over the exercise price of the Option, multiplied by the number of shares in respect of which the Option is exercised, divided by the Market Price, less any amount to be deducted or withheld in respect of taxes or otherwise pursuant to law. Option holders can also request to settle options in cash subject to the approval by the management of the Company.

During the period ended March 31, 2020, in accordance with the RSU Plan, the Company granted 12,339 RSUs to certain key executives. Each RSU had an average value of $104.95 calculated as the volume weighted average closing price of the common voting shares of the Company on the TSX for the five trading days prior to the grant date. 4,115 of these RSUs vested immediately. Vested RSUs were net settled due to the Company's obligation to withhold tax equal to the tax obligation of each participant and the amount withheld was remitted to the tax authority per the terms and conditions of the RSU Plan. Accordingly, 1,907 shares were issued to certain key executives for vested RSUs and the Company remitted an amount of $0.2 equal to the monetary value of the tax obligation determined based on the Market Price of $104.95 per share of withheld that otherwise would have been issued upon vesting. An amount of $0.2 was transferred to share capital from contributed surplus. Of the remaining 8,224 RSUs granted in 2020, 4,112 will vest in each of the first quarters of 2021 and 2022 respectively.

During the period ended March 31, 2020, 43,233 RSUs out of the 68,134 remaining RSUs granted in prior years were also vested. Vested RSUs were net settled due to the Company's obligation to withhold tax equal to the tax obligation of each participant and the amount withheld was remitted to the tax authority per the terms and conditions of the RSU Plan. Accordingly, 20,077 shares were issued to the executives and senior management for vested RSUs and the Company remitted an amount of $2.2 equal to the monetary value of the tax obligation determined based on the Market Price of $93.55 per share of 23,156 shares withheld that otherwise would have been issued upon vesting. An amount of $1.9 was transferred to share capital from contributed surplus. The remaining 24,901 RSUs will vest in the first quarter of 2021.

(unaudited - in millions of Canadian dollars except where noted)

The RSU activity for the three month period ended March 31, 2020 is summarized below

	Number of RSUs	Fair value $
Balance at January 1, 2019	57,675	1.2
Granted in the year	78,336	7.3
Share dividend	728	0.1
Share based compensation-Vested and settled	(67,183)	(3.2)
Share based compensation-Unvested and amortized	-	(2.0)
Forfeited during the year	(1,422)	-
Balance at December 31, 2019	68,134	3.4
Share dividend	-	-
Granted in the period	12,339	1.3
Share based compensation-Vested and settled	(47,348)	(1.8)
Share based compensation-Unvested and amortized	-	(0.5)
Balance at March 31, 2020	33,125	2.4

During the three month period ended March 31, 2020, the total share based compensation expense of $2.3 related to under settlement and unvested RSUs was included in the Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) income (March 31, 2019 – $0.6). Unrecognized share-based compensation expense as at March 31, 2020 related to these RSUs was $2.4 (March 31, 2019 – $0.6) and will be amortized on a pro-rated basis in the Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Income over the vesting period

Options :

The Options activity during the three month period ended March 31, 2020 is summarized below:

OPTIONS (in Canadian dollars)	Number of Options	Weighted average exercise price in $
Balance as at January 1, 2020	179,606	$70.00
Granted during the period	26,168	$104.95
Forfeited during the period	(1,464)	$98.90
Exercised during the period	(3,333)	$64.22
Balance as at March 31, 2020	200,977	$74.44
Vested & exercisable at March 31, 2020	105,846	$67.33

As at March 31, 2020, there were 105,846 vested Options outstanding and the weighted average contractual life remaining of the outstanding vested Options is 2.38 years.

(unaudited - in millions of Canadian dollars except where noted)

During the three month period ended March 31, 2020, an executive exercised 3,333 Options granted on May 23, 2018, when the volume weighted average trading price per share was $96.89. The Company settled the Options at the request of option holders in cash pursuant to the Stock Option Plan. The cash disbursed to the executives was net of the obligation to withhold tax equal to the tax obligation of each participant and the Company remitted the amount withheld to the tax authority per the terms and conditions of the Stock Option Plan. Accordingly, a payment of $0.1 was issued to the executives for vested and exercised Options and the Company remitted an amount equal to the monetary value of the tax obligation determined based on the Market price of the shares.

During the three month period ended March 31, 2020, the Company recognized an expense of $0.6 in bonuses and incentives expense in general and administrative expenses due to change in the fair value of options (March 31, 2019 - $0.3). As at March 31, 2020, the company had a total liability of $5.8 (December 31, 2019 - $5.2) for Options.

Weighted average assumptions on grant date

	05-Mar-20	**29-Nov-19**	**23-May-18**
	Series 6	**Series 5**	**Series 4**
Exercise price redemption	$104.95	$98.90	$64.23
Expected volatility	28.51%	28.47%	27.97%
Option life in years	5	5	3-5
Dividend yield	0.87%	0.94%	1.33%
Risk free rate	1.25%	1.00%	0.75% -1.75%
Vesting period	2021-2023	2020-2022	immediate, 2019-2021
Options granted	26,168	29,915	185,148
Options outstanding	26,168	28,451	146,358
Fair value per option on grant date	$25.85	$23.66	$14.50
Fair value per option March 31, 2020	$26.74	$28.12	$41.11

Performance Share Units

The Company’s performance share unit plan (the “PSU Plan”) provides the Company the ability to grant PSUs to certain of its executive officers and senior management as part of its long-term incentive plan. The plan consists of three year cash settled units based on total value of the units awarded multiplied by the performance factors. PSUs will vest over a three-year period but are settled only at the end of the third year. The multiplier is linked 50 percent to return on invested capital (“ROIC”) and 50 percent on relative total shareholder returns (“TSR”). The Board of Directors will approve the ROIC target for each year and Company’s TSR versus TSX is to be calculated on a three-year cycle. Over achievement against targets will result in eligibility for a multiplier ranging from zero to the maximum specific to each executive. Vesting is not affected by ROIC or TSR performance.

(unaudited - in millions of Canadian dollars except where noted)

During the three month period ending March 31, 2020, the Company granted 12,891 PSU units to its executives (March 31, 2019 – nil). The fair value of the units for the TSR was determined using Monte Carlo simulation based on the estimated market price per share, risk free discount rate, volatility and applicable multiplier on the date of the settlement and for the ROIC was determined by dividing the net profit after tax with the capital invested including debt. An amount of $1.0 was recognized as bonuses and incentives expense based on the units vested during the three month period ended March 31, 2020 (March 31, 2019 - $nil) with corresponding recognition of the liability. As at March 31, 2020, the company had a total liability of $1.3 (December 31, 2019 - $0.3) for PSUs.

Stock Appreciation Rights ("SARs")

The Company granted, 23,132 SARs to its four independent directors. During the period ended March 31, 2020, the fair value of the vested rights was determined and expense of $0.1 was recognized as bonuses and incentives with corresponding recognition of the liability. As at March 31, 2020, the company had a total liability of $0.5 (December 31, 2019 - $0.4) for SARs.

8. BORROWINGS

Borrowings consist of the following:

	March 31, 2020	December 31, 2019
	$	$
Revolving credit facility	273.0	244.0
Other borrowings	0.1	0.2
	273.1	244.2
Long-term portion	273.1	244.2

Revolving syndicate credit facility and term loan

The Company has a revolving operating credit facility (the "facility") availed through its subsidiary Cargojet Airways Ltd., as borrower, with a syndicate of financial institutions (collectively, the "Lenders") in the principal amount of $400. The facility bears interest payable monthly; at the lead Lender's prime lending rate / US base rate plus 125 basis points to 175 basis points, depending on the currency of the advance and certain financial ratios of the Company. No scheduled repayments of principal are required under the facility prior to maturity. On April 7, 2019, the Company amended its revolving operating credit facility (the "facility") availed through its subsidiary, Cargojet Airways Ltd., as borrower, with a syndicate of financial institutions (collectively, the "Lenders") by amending the pricing grid limit applicable to all loans, increasing the leverage ratio and extending the maturity date of the facility to expire on April 8, 2024. On October 28, 2019 the Company further amended its facility to extend the maturity date of the facility until October 28, 2024 and amend the pricing grid limit applicable to all loans. Amounts drawn on the facility may be advanced to the Company and its subsidiaries by way of intercompany loans. The facility will be used primarily to finance the working capital requirements and capital expenditures of the Company and its subsidiaries.

The facility is secured by the following:

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

Advances under the facility are repayable without any prepayment penalties and bear interest based on the prevailing prime rate, US base rate or at a banker's acceptance rate, as applicable, plus an applicable margin to those rates. The facility is subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the Lenders, and restrictions on the Company's ability to pay dividends in certain circumstances. The facility is also subject to the maintenance of a minimum fixed charge coverage ratio and a total adjusted leverage ratio.

The Company was in compliance with the terms of the lending agreements for current and prior facilities as at March 31, 2020 and 2019.

Included in the Condensed Consolidated Interim Statement of (Loss) Earnings and Comprehensive (Loss) Income for the three month period ended March 31, 2020 was interest expense on the revolving credit facility of $3.2 (March 31, 2019 - $2.6).

9. LEASE LIABILITIES

The Company has a Master Capital Lease Agreement ("MLA") with an equipment finance and leasing company. The leases under the MLA are guaranteed by the Company and its subsidiaries.

The MLA is subject to the maintenance of certain financial covenants. The Company was in compliance with all such covenants as at March 31, 2020 and December 31, 2019.

As at March 31, 2020, the total outstanding balance of the leases under the MLA is $56.5 out of which $9.9 is recognized as a current liability on the consolidated balance sheet.

The Company also has lease arrangements for four Boeing 767-300 aircraft that include a bargain purchase option. The estimated effective interest rate for these leases are 6.6%, 6.5%, 7.2% and 5.9% respectively. These leases are deemed to be maturing on the exercise date of the bargain purchase options in October 2020, October 2021, December 2021 and November 2023 respectively. As at March 31, 2020, the total outstanding balance of these lease arrangements is $113.7 out of which $48.0 is recognized as a current liability on the consolidated balance sheet.

As at January 1, 2019, the Company has adopted IFRS 16 on a simplified basis. As at March 31, 2020, the Company has a $26.7 of right of use assets and a $28.3 of lease liabilities out of which $4.1 is recognized as a current liability on the consolidated balance sheet.

The following is a schedule of future minimum annual lease payments for aircraft, hangars, offices and warehouses under leases together with the balance of the obligations as at March 31, 2020.

(unaudited - in millions of Canadian dollars except where noted)

	Minimum lease payments	Present value of minimum lease payments
	$	$
Not later than one year	73.9	62.3
Later than one year and not later than five years	131.8	121.7
Later than five years	18.5	14.5
	224.2	198.5
Less: interest	25.7	-
Total obligations under leases	198.5	198.5
Less: current portion	62.0	62.0
Non-current portion	136.5	136.5

Interest amounts on the lease liabilities for the three month period ended March 31, 2020 totaled $3.3 (March 31, 2019 - $4.0).

10. DEBENTURES

The balance of debentures as at March 31, 2020 and December 31, 2019 consists of the following

	March 31, 2020	December 31, 2019
	$	$
Hybrid debentures - 5.75% due April 30, 2024	83.2	83.1
Hybrid debentures - 5.75% due April 30, 2025	110.4	110.2
Balance	193.6	193.3

(unaudited - in millions of Canadian dollars except where noted)

Hybrid debentures – 5.75% due April 30, 2024

In November 2018, $86.3 of senior unsecured debentures were issued at a price of 1000 dollars per debenture with a term of five years due April 30, 2024. These debentures bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on April 30 and October 31 of each year, commencing April 30, 2019. The intended use of the net proceeds of the debentures is to pay down the credit facility and fund anticipated capital expenditures, including aircraft in the future.

On or after April 30, 2022, but prior to April 30, 2023, the debentures are redeemable, in whole at any time or in part from time to time at the option of the Company at a price equal to 102.875% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On or after April 30, 2023, but prior to the maturity date of April 30, 2024, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on April 30, 2024, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company. The number of common shares to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the common shares.

In the event of a change in control, as defined in the indenture, the Company will be required to make an offer to the holders of the debentures to repurchase the debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest.

The 5.75% debentures were therefore recorded as a financial instrument. The debt was recorded at fair value of $82.4 net of deferred financing costs of $3.9. Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics are closely related to the host contract and therefore were not accounted for as separate financial instruments.

The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture. The balance of the hybrid debentures as at March 31, 2020 and December 31, 2019 consists of the following:

	March 31, 2020	December 31, 2019
	$	$
Principal balance - beginning of period	83.1	82.4
Less:		-
Issuance costs	-	-
Accretion during the period	0.1	0.7
Balance - end of period	83.2	83.1

Interest expense on the hybrid debentures for the three month period ended March 31, 2020 totaled $1.4 (March 31, 2019 - $1.4).

Hybrid debentures – 5.75% due April 30, 2025

In April 2019, $115 of senior unsecured debentures were issued at a price of 1000 dollars per debenture with a term of six years due April 30, 2025. These debentures bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on April 30 and October 31 of each year, commencing October 31, 2019. The intended use of the net proceeds of the debentures is to pay down the credit facility and fund anticipated capital expenditures, including aircraft in the future.

(unaudited - in millions of Canadian dollars except where noted)

On or after April 30, 2023, but prior to April 30, 2024, the debentures are redeemable, in whole at any time or in part from time to time at the option of the Company at a price equal to 102.875% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On or after April 30, 2024, but prior to the maturity date of April 30, 2025, the debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on April 30, 2025, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company. The number of common shares to be issued will be determined by dividing the aggregate amount of the principal amount of the debentures by 95% of the current market price of the common shares.

In the event of a change in control, as defined in the indenture, the Company will be required to make an offer to the holders of debentures to repurchase the debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest.

The 5.75% debentures were therefore recorded as a financial instrument. The debt was recorded at fair value of $110 net of deferred financing costs of $4.9. Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics are closely related to the host contract and therefore were not accounted for as separate financial instruments.

The debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture. The balance of the hybrid debentures as at March 31, 2020 and December 31, 2019 consists of the following:

	March 31, 2020	December 31, 2019
	$	$
Principal balance	110.2	115.0
Less:		
Issuance costs	-	(5.3)
Accretion	0.2	0.5
Balance	110.4	110.2

Interest expense on the hybrid debentures for the three month period ended March 31, 2020 totaled $1.8 (March 31, 2019 - $nil).

11. INCOME TAXES

The reconciliation between the Company's statutory and effective tax rate are as follows:

	March 31, 2020	March 31, 2019
	$	$
(Loss) Earnings before income taxes	(0.9)	0.7
Basic rate of 26.5% (2020 - 26.5%)	(0.2)	0.2
Share - based compensation	1.1	0.4
Stock warrant	(0.2)	-
Sundry items	0.2	0.1
Provision for income taxes	0.9	0.7

(unaudited - in millions of Canadian dollars except where noted)

The tax effect of significant temporary differences are as follows:

	December 31, 2019	Recognized in Profit & Loss	March 31, 2020
	$	$	$
Property, plant and equipment	45.0	(1.3)	43.7
Operating loss carryforward	(17.6)	(3.1)	(20.7)
Licenses	0.3	-	0.3
Intangible assets	(0.4)	-	(0.4)
Pension costs	(4.4)	(0.3)	(4.7)
Financing costs	1.9	0.5	2.4
Deferred heavy maintenance	7.5	5.1	12.6
Net deferred income tax liability	32.3	0.9	33.2

12. DIRECT EXPENSES

	March 31, 2020	March 31, 2019
	$	$
Fuel costs	21.5	23.9
Maintenance costs	8.5	8.5
Heavy maintenance amortization	3.2	3.7
Aircraft costs	3.3	2.4
Crew costs	9.6	8.0
Depreciation	19.7	19.2
Commercial and other costs	25.0	23.5
Direct expenses	90.8	89.2

13. GENERAL AND ADMINISTRATIVE EXPENSES

	March 31, 2020	March 31, 2019
	$	$
Salaries and benefits	6.6	5.7
Employee pension	1.1	0.7
Depreciation	0.5	0.6
Net realized foreign exchange loss	0.4	0.4
Bonuses and incentives	3.4	1.0
Audit, legal and consulting	1.0	0.5
IT network and communications	0.7	0.8
Other general and administrative expenses	3.5	2.6
General and administrative expenses	17.2	12.3

(unaudited - in millions of Canadian dollars except where noted)

14. FINANCE COSTS

	March 31, 2020	March 31, 2019
	$	$
Interest on leases	3.3	3.4
Interest on debentures	3.2	3.4
Credit facilities and other interest	3.2	3.1
Finance costs	9.7	9.9

15. OTHER LOSSES & GAINS

	March 31, 2020	March 31, 2019
Unrealized foreign exchange loss (gain)	7.9	(1.8)
Gain on disposal of property, plant and equipment	(0.3)	(0.7)
Fair value adjustment on stock warrant	(1.9)	-
Other loss (gain), net	5.7	(2.5)

16. SHAREHOLDERS' CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of no par value common voting shares, variable voting shares and preferred shares. The common voting shares are held only by shareholders who are "Canadian" as such term is defined in the Canada Transportation Act. The variable voting shares are held only by shareholders who are not Canadian. Under the articles of incorporation and bylaws of the Company, any common voting share that is sold to a non-Canadian is automatically converted to a variable voting share. Similarly, a variable voting share that is sold to a Canadian is automatically converted to a common voting share.

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

If either of the above noted thresholds is surpassed at any time, the vote attached to each variable voting share will decrease automatically without further act or formality. Under the circumstances described in (i) above, the variable voting shares as a class cannot carry more than 25% of the total voting rights attached to the aggregate number of issued and outstanding common and variable voting shares. Under the circumstances described in (ii) above, the variable voting shares as a class cannot, for a given shareholders' meeting, carry more than 25% of the total number of votes that may be cast at the meeting.

(unaudited - in millions of Canadian dollars except where noted)

b) Issued and outstanding

The following table shows the changes in shareholders' capital from December 31,2019 to March 31, 2020:

	Number of shares	Amount
		$
Common voting shares	15,575,084	298.2
Outstanding- December 31, 2019	15,575,084	298.2
Changes during the period:		
Restricted share units settled	21,984	1.8
	15,597,068	300.0
Consisting of:		
Common voting shares	15,597,068	300.0
Outstanding- March 31, 2020	15,597,068	300.0

Dividends

Dividends to shareholders declared for the three month periods ended March 31, 2020 and March 31, 2019 were $3.6 ($0.2340 per share) and $3.2 ($0.2340 per share) for both common and variable shares.

As at March 31, 2020, a dividend of $3.6 was payable to the shareholders (March 31, 2019 - $3.2).

17. NET (LOSS) EARNINGS PER SHARE

The following table shows the computation of basic and diluted net (loss) earnings per share for the three month period ended March 31, 2020 and 2019:

Basic net (loss) earnings per share	March 31, 2020	March 31, 2019
Net (loss) earnings	($1.8)	-
Weighted average number of shares	15.6	13.5
Dilutive impact of share- based awards and vested warrant	-	0.1
Diluted weighted average number of shares	15.6	13.6
Net (loss) earnings per share - basic and diluted	$(0.12)	-

The effect of the share-based awards outstanding at period end, consisting of the incremental shares assumed to be issued on the exercise of stock options and the incremental shares assumed to be issued under restricted stock unit arrangements has been excluded from the calculation of diluted earnings per share for the three month period ended March 31, 2020 as the impact would be anti-dilutive.

18. FINANCIAL INSTRUMENTS

Derivative financial instruments

Derivative financial instruments are utilized by the Company occasionally in the management of its foreign currency exposures, interest rate risks and share price. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. All derivative financial instruments are recorded at their fair values.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income immediately.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability.

Total return swap

The Company has entered into total return swap agreements with a financial institutions to manage its exposure under options to be issued under the Stock Option Plan for certain employees and the DSUs to be issued under the “long-term” incentive plan for its existing and new pilots. Under the agreement, the Company pays interest based on Canadian BA-CDOR on the total value of the notional equity amount which is equal to the total cost of the underlying shares. At the settlement of the total return swap agreement, the Company will receive or remit the net difference between the total value of the notional equity amount and the total proceeds of sale of the underlying shares.

The Company did not designate the total return swap agreements as a hedging instrument for accounting purposes. However, the Company adopted the policy of offsetting the fair value changes of the total return swaps with the expenses to be recognized under the incentive plan in the Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) income.

As at March 31, 2020 the fair value of the 208,656 and 260,000 underlying shares under the swap agreements were $2.5 and $6.0 respectively (December 31, 2019 - $2.0 and $6.3 respectively) in favour of the Company and the gains and losses for the three month period ended March 31, 2020 of $0.5 and $0.3 respectively (March 31, 2019 – gain of $0.6 and $nil respectively) are offset by bonuses, incentives and crew costs under general and administrative expenses and direct expenses respectively in the Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Income.

The fair value of the total return swap is classified as level 3 under the fair value hierarchy and is determined by using the Black Scholes model. This model uses the following inputs: market price of the underlying asset, strike price of the underlying asset, risk free rate, dividend yield and expected volatility. An increase or decrease of 10% in the market price of the underlying asset will result in a gain of $1.3 and $2.4 respectively and a loss of $1.1 and $2.2 respectively. A 10% increase or decrease in other inputs will result in an immaterial amount of gain or loss respectively.

Fair Values

The fair value of the 5.75% hybrid debentures due April 30, 2024 as at March 31, 2020 was approximately $80.9 (December 31, 2019 - $79.6). The fair value of the debentures was determined using the discounted cash flow method using a discount rate of 7.0%. The discount rate is determined by using the government of Canada's benchmark bond rate adjusted for the Company's specific credit risk. The debentures are categorized as Level 3 under the fair value hierarchy. An increase or decrease of 10% in the discount rate used for valuation of the debentures will decrease or increase the fair value by $2.0 respectively.

The fair value of the 5.75% hybrid debentures due April 30, 2025 as at March 31, 2020 was approximately $107.3 (December 31, 2019 - $105.4). The fair value of the debentures was determined using the discounted cash flow method using a discount rate of 7.0%. The discount rate is determined by using the government of Canada's benchmark bond rate adjusted for the Company's specific credit risk. The debentures are categorized as Level 3 under the fair value hierarchy. An increase or decrease of 10% in the discount rate used for valuation of the debentures will decrease or increase the fair value by $3.1 respectively.

The fair value of the performance shares units due March 15, 2022 and March 15, 2023 are classified as level 3 financial liabilities. As at March 31, 2020 the performance share units due March 15, 2022 and March 15, 2023 were valued at $2.7 and $1.9 respectively (December 31, 2019 - $2.2 and $nil respectively). The Company used an option pricing model utilizing Monte Carlo simulation to value the TSR-PSUs and analytically value the ROIC-PSUs at inception and on subsequent valuation dates. The discount rate was determined by using the Canadian deposit and swap rates adjusted for the Company's specific credit risk. Other significant inputs consisted of historical volatility and dividend rates.

The fair value of the warrant obligations was $71.6 as at March 31, 2020 to (December 31, 2019 $73.5). The revaluation resulted in a non-operating gain of $1.9. The warrants were classified as Level 3 derivative liabilities that are valued using an American option pricing model utilizing Monte Carlo simulation. Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. Significant unobservable inputs include volatility of the Company's common shares 31.6% for tranche I and 32.5% for tranche II, risk free rate of 1.0% and a dividend yield of 1.3% and forecasted revenue from Amazon associated with this arrangement utilized to predict future vesting events.

A significant increase in the volatility in isolation, would result in a significantly higher fair value measurement. Changes in the values of the derivative liabilities were recorded in other gains or losses on the Company's Condensed Consolidated Interim Statements of (Loss) Earnings and Comprehensive (Loss) Income. A significant change to the forecasted revenue may change the vesting dates. Changes to the vesting dates will not significantly affect the fair value of the warrant obligations. For every increase or decrease of volatility by 10% with all other factors remaining the same, the estimated fair value of warrants will increase or decrease by $6.0. For every increase or decrease in share price by 20% with all other factors remaining the same, the estimated fair value of warrants will increase or decrease by $12.0.

The fair values of all other financial assets and liabilities approximate their carrying values given the short-term nature of these items. The fair values of the interest rate swap are the estimated amounts the issuer would receive or pay to terminate the agreement at the reporting date. Unrealized gains on derivatives are recorded as derivative instrument assets and unrealized losses are recorded as derivative instrument liabilities in the consolidated balance sheets.

19. IMPACT OF COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. Various restrictions were imposed by federal, provincial and local governments and by enterprises including travel restrictions, restrictions on public gatherings, stay at home orders, advisories, and quarantining of people who may have been exposed to the virus. However, the Company's business was deemed as an essential services to keep the supply chains moving and was allowed to operate at the normal levels. The travel restrictions imposed also did not apply to all-cargo flights nor to the Company's aircrew.

Balance Sheet, Cash Flow and Liquidity:

The Company took actions to manage its financial position by reducing some planned capital expenditures and delaying aircraft heavy maintenance. The Company has assessed it non-financial assets including property, plant and equipment, right of use assets, intangible assets and goodwill for impairment as required by the applicable accounting standards in light of the adverse economic environment caused by the COVID-19 pandemic and determined there are no indicators of impairment as of March 31, 2020. The capitalized contract cost assets continue to be recoverable as of March 31, 2020. The expected credit losses on trade receivables were re-assessed and the Company determined that no incremental loss provisions were required as of March 31, 2020. The Company may have to revise its expected credit losses and the value of its assets in the future if the effect of COVID-19 is prolonged and there is an overall decrease in consumer demand.