

LETTER OF TRANSMITTAL
IN RESPECT OF THE OFFER OF



TO PURCHASE FOR CASH UP TO US\$300,000,000 IN AGGREGATE PRINCIPAL AMOUNT
OF THE ISSUED AND OUTSTANDING 4.000% CONVERTIBLE SENIOR NOTES DUE JULY 1, 2025
OF AIR CANADA AT A PURCHASE PRICE OF
US\$1,220 PER US\$1,000 PRINCIPAL AMOUNT OF CONVERTIBLE SENIOR NOTES
CUSIP/ISIN: 008911 BF5 / US008911BF52

**THE OFFER WILL COMMENCE ON NOVEMBER 14, 2022 AND EXPIRE AT 11:59 P.M.
(MONTRÉAL TIME) ON DECEMBER 19, 2022, UNLESS WITHDRAWN OR EXTENDED OR VARIED
BY THE CORPORATION
(SUCH TIME AND DATE, THE "EXPIRATION DATE").**

This letter of transmittal (the "**Letter of Transmittal**") outlines the terms and conditions under which beneficial holders (each, a "**Noteholder**") of the 4.000% Convertible Senior Notes due July 1, 2025 (the "**Notes**") of Air Canada ("**AC**" or the "**Corporation**") may validly tender or deposit their Notes according to the Automated Tender Offer Program ("**ATOP**") of The Depository Trust Company ("**DTC**") pursuant to the procedures set forth in the section "Procedure for Depositing Notes" of the Corporation's related offer to purchase dated November 14, 2022 (the "**Offer to Purchase**") to the information and tender agent for the Offer (as defined below), D.F. King & Co., Inc. (the "**Tender Agent**"), for acceptance of the offer (the "**Offer**") by the Corporation to purchase up to US\$300,000,000 in aggregate principal amount of the issued and outstanding Notes (or such larger principal amount as the Corporation, in its sole discretion, may determine it is willing to take up and pay for, subject to applicable law) at a purchase price of US\$1,220 per US\$1,000 principal amount of Notes.

The terms, conditions and definitions used in the Offer to Purchase and accompanying issuer bid circular of AC dated November 14, 2022 (together with the Offer to Purchase, the "**Offer and Circular**") are incorporated by reference in this Letter of Transmittal. Capitalized terms used and not defined herein have the meanings given to them in the Offer and Circular. In the case of any inconsistency between the terms of this Letter of Transmittal and the terms of the Offer and Circular, the terms of the Offer and Circular will prevail.

NOTEHOLDERS MUST VALIDLY TENDER OR DEPOSIT THEIR NOTES PRIOR TO THE EXPIRATION DATE IN ORDER TO PARTICIPATE IN THE OFFER AND BE ELIGIBLE TO RECEIVE THE PURCHASE PRICE.

Notes deposited pursuant to the Offer may be withdrawn by a Noteholder: (i) at any time prior to the Expiration Date; (ii) at any time if the Notes have not been taken up by the Corporation before actual receipt by the Tender Agent of a notice of withdrawal in respect of such Notes; (iii) if the Notes have been taken up but not paid for by the Corporation within three business days of being taken up; and (iv) before the expiration of 10 days from the date that a notice of change or notice of variation (other than a variation that (a) consists solely of an increase in the consideration offered for the Notes under the Offer where the time for deposit is not extended for greater than 10 days, or (b) consists solely of the waiver of a condition of the Offer (in each case, subject to applicable law)) has been given in accordance with the Offer to Purchase.

NOTEHOLDERS THAT DESIRE TO PARTICIPATE IN THE OFFER AND RECEIVE THE APPLICABLE PURCHASE PRICE AND ANY OTHER APPLICABLE AMOUNT MUST CAUSE AN AGENT'S MESSAGE TO BE RECEIVED BY THE TENDER AGENT PRIOR TO THE EXPIRATION DATE.

THE INFORMATION AND TENDER AGENT FOR THE OFFER IS:

D.F. KING & CO., INC.

48 Wall Street
New York, NY 10005

Toll Free: (888) 541-9895
All Others Call: (212) 269-5550
E-Mail: ac@dfking.com

THE DEALER MANAGER FOR THE OFFER IS:

MORGAN STANLEY & CO. LLC

Morgan Stanley & Co. LLC
1585 Broadway, 6th Floor
New York, New York 10036
Attn: Equity Syndicate Department
Toll Free: 855-483-0952

By Mail, Overnight Courier or Hand Delivery:

Morgan Stanley & Co. LLC
1585 Broadway, 6th Floor
New York, New York 10036
Attn: Equity Syndicate Department

The instructions contained herein and elsewhere in the Offer and Circular should be read carefully before this Letter of transmittal is completed. In order to deposit such Notes, a Noteholder must direct its investment dealer, broker, bank, trust company or other nominee to accept the Offer in the manner required by its nominee.

This Letter of Transmittal is to be used by the Noteholders. Tender or deposit of the Notes is to be made according to the ATOP procedures pursuant to the procedures set forth in the section "*Procedure for Depositing Notes*" of the Offer to Purchase. DTC participants that are accepting the Offer must transmit their acceptance to DTC, which will verify the acceptance and execute a book-entry delivery to the DTC account of the Tender Agent (the "**Tender Agent's Account**"), as tender agent of the Offer. DTC will then send a computer-generated message known as an "agent's message" to the Tender Agent for its acceptance. For you to validly tender or deposit your Notes to the Offer, the Tender Agent must receive and confirm, prior to the Expiration Date, an agent's message under the ATOP procedures that affirms that:

- DTC has received your instructions to tender or deposit your Notes; and
- you agree to be bound by the terms of this Letter of Transmittal.

By using the ATOP procedures to tender or deposit outstanding Notes, you will not be required to deliver this Letter of Transmittal to the Tender Agent. However, you will be bound by its terms just as if you had signed and submitted it.

Each Noteholder who has validly deposited Notes by using the ATOP procedures and who has not withdrawn such Notes (in accordance with the terms and conditions of the Offer) will receive the purchase price of US\$1,220 in cash (subject to applicable withholding taxes, if any) per US\$1,000 principal amount of Notes (the "**Purchase Price**"), plus a cash payment in respect of all accrued and unpaid interest outstanding on such Notes up to, but excluding, the date on which such Notes are taken up by the Corporation pursuant to the Offer, for all such Noteholder's Notes that are purchased by the Corporation on the terms and subject to the conditions of the Offer. Under no circumstances will interest accrue or be paid by the Corporation or the Tender Agent to persons depositing Notes by reason of any delay in paying for any Notes or otherwise.

If the Corporation terminates the Offer without purchasing any Notes deposited pursuant to the Offer, or if any Notes are not purchased because of pro-rata as described in the Offer to Purchase, it will promptly return, or cause to be returned, the Notes deposited pursuant to the Offer to the depositing Noteholders, at the Corporation's expense, through the facilities of DTC, by book-entry transfer. In the event that the Offer is terminated, withdrawn or otherwise not completed, or a portion of your Notes are not purchased due to pro-rata, you will not receive cash in respect such Notes that have been tendered or deposited in response to the Offer, even if you have validly tendered or deposited such Notes.

Subject only to the provisions of the Offer regarding withdrawal, Noteholders who have validly transferred and delivered their Notes through the ATOP procedures to the Tender Agent's Account with DTC irrevocably accept the Offer for such Notes upon the terms and conditions contained in the Offer and Circular and this Letter of Transmittal and hereby assign all right, title and interest therein to the Corporation.

The consummation of the Offer is subject to certain conditions, as more fully described in the section "*Conditions of the Offer*" of the Offer to Purchase.

The instructions included with this Letter of Transmittal must be followed. Questions regarding the terms of the Offer and questions and requests for assistance with tendering or depositing Notes or for additional copies of the Offer and Circular and this Letter of Transmittal may be directed to the Tender Agent or the Dealer Manager, whose addresses, telephone numbers and email appear on the second page of this Letter of Transmittal.

THE OFFER IS NOT BEING MADE TO (NOR WILL TENDERS OR DEPOSITS OF NOTES BE ACCEPTED FROM OR ON BEHALF OF) NOTEHOLDERS IN ANY JURISDICTION IN WHICH THE MAKING OR ACCEPTANCE OF THE OFFER WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION.

TO: AIR CANADA (the "Corporation")

AND TO: D.F. KING & CO., INC. (the "Tender Agent")

Please read the accompanying instructions carefully

By tendering or depositing outstanding Notes to the Offer, upon the terms and subject to the conditions of the Offer, you hereby:

1. acknowledge receipt of the Offer and Circular, this Letter of Transmittal and the instructions hereto and agree to be bound by all terms and conditions of the Offer including, without limitation, those included hereto;
2. on and subject to the terms and conditions of the Offer, tender or deposit to us the principal amount of Notes indicated in the applicable agent's message, and exchange, deposit and sell, assign and transfer to, or upon the order of, the Corporation all right, title and interest in and to such Notes, including any and all rights and benefits arising from such Notes and any rights and benefits under the Indenture, waive any and all other rights with respect to such Notes, including, without limitation, any existing or past defaults, and release and discharge us from any and all claims you may have now, or may have in the future, arising out of, or related to, such Notes, including, without limitation, any claims that you are entitled to receive additional principal or interest payments with respect to such Notes or to participate in any redemption or defeasance of such Notes, effective from the Expiration Date, unless the Offer is terminated or withdrawn by the Corporation;
3. represent and warrant that: (a) you have full power and authority to tender, deposit, sell, assign and transfer the Notes; (b) you own the Notes free and clear of any hypothecs, mortgages, liens, charges, restrictions, security interests, claims, pledges, equitable interests and encumbrances of any nature or kind whatsoever and you have not sold, assigned or transferred, or agreed to sell, assign or transfer, any of such Notes to any other person; (c) the deposit of the Notes complies with applicable securities laws; and (d) if and when the Notes are taken up by the Corporation, the Corporation will acquire good title thereto, free and clear of hypothecs, mortgages, liens, charges, restrictions, security interests, claims, pledges, equitable interests and encumbrances of any nature or kind whatsoever;
4. direct the Corporation and the Tender Agent, upon the Corporation taking up and paying for the Notes, to pay for such Notes validly deposited pursuant to the Offer and not withdrawn (in accordance with the terms and conditions of the Offer) through a wire transfer to DTC for the account of the Noteholder;
5. waive any right to receive notice of purchase of such Notes;
6. irrevocably constitute and appoint the Corporation, the Tender Agent and any other persons designated by the Corporation in writing, as the true and lawful agents, attorneys and attorneys-in-fact, on behalf of the Noteholder with respect to the Notes, effective from and after the Expiration Date, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest):
 - (a) to register or record the transfer and/or cancellation of such Notes on the appropriate registers (as applicable), including on the account books maintained by DTC;
 - (b) to exercise any and all rights in respect of the Notes, including, without limitation, to vote any or all such Notes, to execute and deliver any and all instruments of proxy, authorizations or consents in a form and on terms satisfactory to the Corporation in respect of any or all such Notes, to revoke any such instrument, authorization or consent given prior to or after the Expiration Date, to designate in such instrument, authorization or

consent and/or designate in any such instruments of proxy any person or persons as the proxy of DTC, on behalf of the Noteholder, in respect of the Notes, for all purposes including, without limitation, in connection with any meeting or meetings (whether annual, special or otherwise, or any adjournment thereof) or resolutions of Noteholders; and

- (c) to exercise any other rights of a Noteholder;
7. covenant to execute, upon request, any additional documents, transfers and other assurances as may be necessary or desirable in connection with the foregoing or the Offer in order to complete the sale, assignment and transfer of the Notes;
 8. understand that, except as otherwise provided in the section "*Withdrawal Rights*" of the Offer to Purchase, or otherwise required or permitted by applicable laws, all deposits of Notes pursuant to the Offer will be irrevocable and that Notes deposited pursuant to the Offer may be withdrawn by or on behalf of the depositing Noteholder at any time, subject to the conditions set forth in such the section "*Withdrawal Rights*" of the Offer to Purchase;
 9. understand that tenders or deposits of your Notes pursuant to the procedures described in the Offer and Circular and in the instructions hereto and acceptance thereof by the Corporation will constitute a binding agreement between you and the Corporation, effective as of the Expiration Date, upon the terms and subject to the conditions of the Offer;
 10. understand that the Corporation will be deemed to have accepted for purchase validly tendered or deposited Notes (or defectively tendered or deposited Notes with respect to which the Corporation has waived such defect), if, as and when the Corporation gives oral (confirmed in writing) or written notice thereof to the Tender Agent;
 11. understand that because of the Offer's proration provisions (as described in the Offer to Purchase), the Corporation may not purchase all of the Notes tendered and deposited if the amount tendered and deposited exceeds the Maximum Purchase Amount;
 12. understand that the Corporation will not accept for purchase any Notes tendered or deposited after the Expiration Date. In addition, you understand that your Notes must be validly tendered or deposited, and not withdrawn (in accordance with the terms and conditions of the Offer), prior to the Expiration Date in order to receive the applicable Purchase Price and any other applicable amount owing under the Offer, subject to the pro-ration procedures described in the Offer to Purchase;
 13. understand that the delivery and surrender of the Notes is not effective, and the risk of loss of the Notes does not pass to the Tender Agent, until receipt and confirmation of an "agent's message";
 14. acknowledge that all authority conferred or agreed to be conferred by this Letter of Transmittal and by the Noteholder in respect of the Notes is, to the maximum extent permitted by law, irrevocable and coupled with an interest and shall survive the death or incapacity, bankruptcy or insolvency the Noteholder, and that all obligations of the Noteholder in respect of the Notes herein shall be binding upon the heirs, executors, administrators, attorneys, personal representatives, successors and assigns of the Noteholder in respect of the Notes; and
 15. shall be deemed to have agreed, and acknowledged that: (a) all questions as to the principal amount of Notes to be taken up, the price to be paid therefor, the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any deposit of Notes, will be determined by the Corporation, in its sole discretion, which determination shall be final and binding on all parties; (b) the Corporation reserves the absolute right to reject any or all deposits of Notes determined by it in its sole discretion not to be in proper form nor completed in accordance with the instructions set forth in the Offer and Circular and in this Letter of Transmittal or the

acceptance for payment of, or payment for, which may, in the opinion of the Corporation, be unlawful; (c) the Company reserves the absolute right to waive any of the conditions of the Offer or any defect or irregularity in any deposit of Notes; (d) the Corporation's interpretation of the terms and conditions of the Offer (including this Letter of Transmittal) will be final and binding on all parties; (e) no deposit of Notes will be deemed to be properly made until all defects and irregularities have been cured or waived; (f) unless waived, any defects or irregularities in connection with deposits must be cured within such time as the Corporation shall determine; (g) none of the Corporation nor its Board of Directors, the Dealer Manager, the Tender Agent, or the trustee of the Notes is making or has made any recommendation as to whether or not you should tender Notes in the Offer; and (h) none of the Corporation, the Dealer Manager, the Tender Agent, the trustee of the Notes or any other person is or will be obligated to give notice of any defect or irregularity in deposits, nor shall any of them or incur any liability for failure to give any such notice.

Very truly yours,

AIR CANADA

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer

1. *Book-Entry Confirmations; Consideration; Withdrawal of Tenders.* To be eligible to receive the Purchase Price and any other applicable amount owing under the Offer for the tender of Notes in the Offer, a confirmation of any book-entry transfer into the account of the Tender Agent at DTC through the ATOP procedures of Notes tendered electronically must be received and not withdrawn (in accordance with the terms and conditions of the Offer) by the Tender Agent prior to the Expiration Date. Valid tenders of Notes in the Offer made prior to the Expiration Date will be accepted in accordance with the procedures described in the preceding sentence or otherwise in compliance with this Letter of Transmittal. You are solely responsible for ensuring that your Notes are validly tendered in the Offer. It is suggested that Noteholders tender their Notes sufficiently in advance of the Expiration Date to permit delivery by DTC of the agent's message to the Tender Agent prior to such time. The delivery will be deemed made when the agent's message is actually received and confirmed by the Tender Agent. Noteholders who deposit their Notes to the Offer, and whose Notes are taken up by the Corporation, will be paid an amount in cash equal to all accrued and unpaid interest, if any, outstanding on such Notes from the last interest payment date on such Notes up to, but excluding, the date they are taken up by the Corporation pursuant to the Offer.

Notes deposited pursuant to the Offer may be withdrawn by a Noteholder: (i) at any time prior to the Expiration Date; (ii) at any time if the Notes have not been taken up by the Corporation before actual receipt by the Tender Agent of a notice of withdrawal in respect of such Notes; (iii) if the Notes have been taken up but not paid for by the Corporation within three business days of being taken up; and (iv) before the expiration of 10 days from the date that a notice of change or notice of variation (other than a variation that (A) consists solely of an increase in the consideration offered for the Notes under the Offer where the time for deposit is not extended for greater than 10 days, or (B) consists solely of the waiver of a condition of the Offer (in each case, subject to applicable law)) has been given in accordance with the Offer to Purchase.

Withdrawal of Notes deposited pursuant to the Offer may be accomplished by complying with the applicable ATOP procedures for withdrawal of tenders or deposits. The Tender Agent must receive the "request message" relating to a Noteholder's withdrawal prior to the Expiration Date, assuming no additional withdrawal rights are so required. Any Notes properly withdrawn will thereafter be deemed not deposited for purposes of the Offer. However, withdrawn Notes may be redeposited prior to the Expiration Date by again following the procedures described in the section "*Procedure for Depositing Notes*" of the Offer to Purchase.

All questions as to the form, validity and eligibility (including time of receipt) of notices of withdrawal will be determined by the Corporation, in its sole discretion, which determination shall be final and binding. None of the Corporation, the Tender Agent, the trustee of the Notes or any other person shall be under any duty to give any notice of any defects or irregularities in any notice of withdrawal and none of them shall incur any liability for failure to give any such notice.

2. *Minimum Tenders.* The Offer is not conditional upon any minimum principal amount of Notes being deposited under the Offer. However, no alternative, conditional or contingent tenders will be accepted. The entire principal amount of Notes set forth in a participant's DTC account will be deemed to have been tendered, unless otherwise indicated. If the entire principal amount of Notes is not tendered or not accepted for purchase, Notes representing such untendered amount will be returned by credit to the participant's account at DTC promptly after the Notes are taken up under the Offer.

3. *Transfer Taxes.* The Corporation will pay or cause to be paid all transfer taxes with respect to the purchase of any Notes pursuant to the Offer. If, however, payment is to be made to, or if Notes not tendered or not accepted for purchase are to be registered in the name of or delivered to, any persons other than the registered Noteholders, the amount of any transfer taxes (whether imposed on the registered Noteholder or such other person) payable on account of the transfer to such other person will be deducted from the payment unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

4. *Irregularities.* All questions as to the validity (including time of receipt) and acceptance of tenders of Notes will be determined by the Corporation, in its sole discretion, which determination shall be final and binding. Alternative, conditional or contingent tenders will not be considered valid. The Corporation reserves the absolute right to reject any or all tenders in respect of the Notes the acceptance of which would, in the Corporation's opinion, be unlawful. The Corporation also reserves the right, in the Corporation's sole discretion, to waive any defects, irregularities or conditions of tender of Notes. The Corporation's interpretation of the terms and conditions of the Offer (including the instructions in this Letter of Transmittal) will be final and binding. Any defect or irregularity in connection with tenders of Notes must be cured within such time as the Corporation determines, unless waived by the Corporation. Valid tenders of Notes shall not have been deemed to have been made until all defects or irregularities have been waived by the Corporation or cured. All tendering Noteholders, by tender of Notes in the Offer, waive any right to receive notice of the acceptance of their Notes for purchase. Neither the Corporation, the Tender Agent, the trustee of the Notes nor any other person will be under any duty to give notice of any defects or irregularities in tenders of Notes, or will incur any liability to Noteholders for failure to give any such notice.

5. *Waiver of Conditions.* The Corporation expressly reserves the absolute right, in the Corporation's sole discretion, to amend or waive any of the conditions of the Offer, in whole or in part, at any time and from time to time, subject to applicable law. In the case of an amendment to a condition of the Offer or a waiver of a condition to the Offer, the Corporation will give notice to Noteholders of such amendment or waiver as may be required by applicable law.

6. *Information Reporting and Backup Withholding.* Payments made to Noteholders may be subject to information reporting and backup withholding of U.S. federal income tax, currently at a rate of 24%. Certain Noteholders are not subject to these information reporting and backup withholding requirements. To avoid backup withholding, a Noteholder who is a U.S. person for U.S. federal income tax purposes (a "U.S. Holder") and that does not otherwise establish an exemption should complete and return an IRS Form W-9 certifying that the U.S. Holder is a U.S. person, that the taxpayer identification number provided is correct, and that the U.S. Holder is not subject to backup withholding. Failure to provide the correct information on the IRS Form W-9 may subject the tendering U.S. Holder to a \$50 penalty imposed by the IRS. To avoid backup withholding, a holder that is a non-U.S. person for U.S. federal income tax purposes generally is required to complete and submit an IRS Form W-8BEN or IRS Form W-8BEN-E, or other applicable IRS Form W-8, certifying the holder's non-U.S. status. IRS forms may be obtained from the IRS website, www.irs.gov.

Holders are urged to consult their own tax advisors to determine whether they are exempt from backup withholding or other withholding taxes.

7. *Requests for Assistance or Additional Copies.* Any questions regarding the terms of the Offer, requests for additional copies of documentation related to the Offer, and any questions or requests for assistance in tendering may be directed to the Tender Agent or the Dealer Manager at the locations, telephone numbers and email set forth on the second page of this Letter of Transmittal. Noteholders may also contact their investment dealer, broker, bank, trust company or other nominee for assistance concerning the Offer.