CANADA JETLINES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018

(Unaudited)
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of Canada Jetlines Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CANADA JETLINES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited)
(Expressed in Canadian Dollars)

		MARCH 31, 2018		DECEMBER 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents	$	**6,774,774**	$	2,981,046
Receivables		**124,628**		119,994
Prepaid expenses		**256,366**		96,077
		7,155,768		3,197,117
Investment in Voleo, Inc. (Note 5)		**200,000**		200,000
Deposits (Note 6)		**196,699**		162,727
Equipment (Note 7)		**5,460**		4,987
	$	**7,557,927**	$	3,564,831
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	**468,198**	$	455,569
Due to related party (Note 11)		**92,218**		43,262
		560,416		498,831
Future reclamation provision (Note 8)		**20,807**		20,807
		581,223		519,638
Shareholders' equity				
Share capital (Note 10)		**19,694,539**		14,848,347
Reserves		**1,370,142**		1,327,913
Deficit		**(14,087,977)**		(13,131,067)
		6,976,704		3,045,193
	$	**7,557,927**	$	3,564,831

Nature of operations and going concern (Note 1)
Commitments (Note 16)
Subsequent events (Note 17)

Approved on May 29, 2018 on behalf of the Board of Directors:

"Stanley Gadek"	Director	*"John Sutherland"*	Director
Stanley Gadek		John Sutherland	

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

CANADA JETLINES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTH PERIODS ENDED MARCH 31,
(Unaudited)
(Expressed in Canadian Dollars)

		2018		2017
OPERATING ITEMS				
Consulting	$	**-**	$	4,560
Depreciation (Note 7)		**527**		392
Finance income		**(23,512)**		(3,233)
Foreign exchange loss (gain)		**(2,939)**		562
Interest expense (Note 9)		**-**		3,674
Licensing and route network		**177,608**		100,758
Listing expense (Note 4)		**-**		4,990,119
Marketing and investor relations		**158,240**		35,660
Office and administration		**36,165**		26,069
Professional fees		**239,474**		96,692
Regulatory costs		**79,859**		17,347
Salaries and benefits (Note 11)		**165,260**		117,435
Share-based payments (Notes 10 and 11)		**118,355**		113,625
Travel		**-**		20,252
Loss from continuing operations		**(949,037)**		(5,523,912)
Loss from discontinued operations (Note 8)		**(7,873)**		(2,620)
Net loss and comprehensive loss for the period	$	**(956,910)**	$	(5,526,532)
Basic and diluted loss per share	$	**(0.02)**	$	(0.10)
Weighted average number of shares outstanding		**65,933,244**		57,636,409

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

CANADA JETLINES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31,
(Unaudited)
(Expressed in Canadian Dollars)

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	**(956,910)**	$	(5,526,532)
Items not affecting cash:				
Accrued interest on short-term loan		**-**		3,674
Depreciation		**527**		392
Listing expense		**-**		4,936,879
Share-based payments		**118,355**		113,625
Foreign exchange loss (gain)		**(2,839)**		63
Non-cash working capital item changes:				
Receivables		**(4,634)**		(12,043)
Prepaid expenses		**(160,289)**		(7,709)
Accounts payable and accrued liabilities		**12,629**		(178,613)
Due to related party		**48,956**		82,832
Net cash used in operating activities		**(944,205)**		(587,432)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Canada Jetlines Operations Ltd.		**-**		225,991
Deposit on aircraft purchase agreement		**(31,133)**		-
Purchase of equipment		**(1,000)**		-
Net cash provided by (used in) investing activities		**(32,133)**		225,991
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issuance of shares		**4,794,151**		6,833,610
Share issue costs		**(24,085)**		(389,276)
Short-term loan advances		**-**		50,000
Net cash provided by financing activities		**4,770,066**		6,494,334
Net change in cash and cash equivalents during the period		**3,793,728**		6,132,893
Cash and cash equivalents, beginning of the period		**2,981,046**		91,397
Cash and cash equivalents, end of the period	$	**6,774,774**	$	6,224,290
Cash and cash equivalents				
Cash	$	**6,751,774**	$	6,201,290
Liquid short term investments		**23,000**		23,000
	$	**6,774,774**	$	6,224,290
Cash received for				
Interest	$	**23,057**	$	2,237
Taxes	$	**-**	$	-

Supplemental disclosures with respect to cash flows (Note 12)

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

CANADA JETLINES LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	Amount	Reserves	Deficit	Total
Balance – December 31, 2016	**15,268,638**	**$ 2,879,895**	**$ 600,763**	**$ (4,086,844)**	**$ (606,186)**
Issuance of shares – reverse takeover (Note 4)	19,145,527	5,743,658	-	-	5,743,658
Issuance of shares – prospectus offering (Note 10)	22,778,700	6,833,610	-	-	6,833,610
Share issue costs (Note 10)	-	(764,416)	-	-	(764,416)
Issuance of shares – finders' fees (Note 10)	443,544	133,063	-	-	133,063
Agents warrants issued (Note 10)	-	(116,978)	116,978	-	-
Share-based payments – stock options (Note 10)	-	-	45,904	-	45,904
Share-based payments – performance shares (Note 10)	-	-	50,685	-	50,685
Share-based payments – warrants (Note 10)	-	-	17,036	-	17,036
Loss for the period	-	-	-	(5,526,532)	(5,526,532)
Balance – March 31, 2017	**57,636,409**	**14,708,832**	**831,366**	**(9,613,376)**	**5,926,822**
Issuance of shares – warrants exercised (Note 10)	223,596	81,683	(13,606)	-	68,077
Issuance of shares – debt settlement (Note 10)	250,000	70,000	-	-	70,000
Agents warrants issued (Note 10)	-	(12,168)	12,168	-	-
Share-based payments – stock options (Note 10)	-	-	371,426	-	371,426
Share-based payments – performance shares (Note 10)	-	-	126,559	-	126,559
Loss for the period	-	-	-	(3,517,691)	(3,517,691)
Balance – December 31, 2017	**58,110,005**	**14,848,347**	**1,327,913**	**(13,131,067)**	**3,045,193**
Issuance of shares – stock options exercised (Note 10)	1,035,000	447,112	(127,612)	-	319,500
Issuance of shares – warrants exercised (Note 10)	10,558,086	4,658,925	(184,274)	-	4,474,651
Share issue costs (Note 10)	-	(24,085)	-	-	(24,085)
Agents warrants issued (Note 10)	-	(235,760)	235,760	-	-
Share-based payments – stock options (Note 10)	-	-	118,355	-	118,355
Loss for the period	-	-	-	(956,910)	(956,910)
Balance – March 31, 2018	**69,703,091**	**$ 19,694,539**	**$ 1,370,142**	**$ (14,087,977)**	**$ 6,976,704**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Jetlines Ltd. (the "Company" or "Jetlines") was incorporated under the laws of British Columbia and continued as a Federal corporation pursuant to the *Canada Business Corporations Act* effective February 28, 2017 in connection with the completion of a reverse takeover transaction (Note 4). The Company's principal business activity is the start-up of an ultra-low cost carrier ("ULCC") scheduled airline service. The address of the Company's registered office is #1240 – 1140 West Pender Street, Vancouver, British Columbia, Canada V6E 4G1. The Company's shares trade on the TSX Venture Exchange (the "Exchange") under the symbol "JET" and the OTC Market Group's OTCQB Marketplace under the symbol "JETMF".

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At present, the Company has no current operating income or cash flows. The continuing operations of the Company are dependent upon the Company's ability to continue to raise adequate financing and to commence profitable operations in the future. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

As at March 31, 2018, the Company had working capital of $6,595,352 and a deficit of $14,087,977. Proceeds raised from the issuance of shares will be used to further the business objectives of the Company in launching a ULCC in Canada; however further funding, in the form of debt, equity or other facilities, will be required to meet domestic licensing financial capability requirements and to complete the build-out of the airline. Should there be delays in obtaining the necessary funds required to commence commercial operations, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Boards ("IASB") and in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements do not include all the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

2. BASIS OF PRESENTATION *(continued)*

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Canada Jetlines Operations Ltd. ("Jetlines Operations"), Target Exploration and Mining Corp. ("Target"), Crosshair Energy USA, Inc. ("Crosshair USA") as well as The Bootheel Project LLC ("BHP LLC") in which the Company has a 81% interest. A wholly owned subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's subsidiaries are as follows:

Name	Place of incorporation	Interest %	Principal activity
Canada Jetlines Operations Ltd.	Canada	100% ownership by the Company	Start-up of a ULCC scheduled airline service
Target Exploration and Mining Corp.	British Columbia, Canada	100% ownership by the Company	Maintenance of mineral interests (Note 8)
Crosshair Energy USA, Inc.	Nevada, United States	100% ownership by Target	Maintenance of mineral interests (Note 8)
Bootheel Project LLC	Colorado, United States	81% ownership by Crosshair USA	Maintenance of mineral interests (Note 8)

Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

Share-based payments

Estimating fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Fair value of equity investment

The Company holds common shares of Voleo, Inc. ("Voleo"), a privately held company for which a quoted market price in an active market is not available (Note 5). The Company estimates the fair value of this investment based on information available to management, including but not limited to subsequent financings completed by Voleo and announcements with respect to corporate transactions.

2. BASIS OF PRESENTATION *(continued)*

Significant accounting judgments and estimates *(continued)*

Critical accounting estimates *(continued)*

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Future reclamation provision

The Company assesses its provision for reclamation related to its historical exploration and evaluation activities at each reporting period or when new material information becomes available. Accounting for reclamation obligations requires management to make estimates of the future costs that will be incurred to complete the reclamation to comply with existing laws and regulations. Actual future costs that will be incurred may differ from those amounts estimated as a result of changes to environmental laws and regulations, timing of future cash flows, changes to future costs, technical advances, and other factors. In addition, the actual work required may prove to be more extensive than estimated because of unexpected geological or other technical factors. The measurement of the present value of the future obligation is dependent on the selection of a suitable discount rate and the estimate of future cash outflows. Changes to either of these estimates may materially affect the present value calculation of the obligation.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Going concern

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as previously discussed in Note 1.

Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended December 31, 2017 and have been consistently followed in the preparation of these condensed interim consolidated financial statements, except as outlined below.

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* (“IFRS 9”). IFRS 9 provides three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

The implementation of the new standard has not had a material impact on the measurement of the Company’s reported financial results; however additional disclosures have been provided.

Financial assets

The Company initially recognizes financial assets on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies all of its financial assets, except the investment in Voleo, as subsequently measured at amortized cost. The investment in Voleo is classified as FVTPL and measured at fair value under the fair value hierarchy based on level three inputs. All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income are classified as FVTPL.

Financial liabilities

The Company measures all of its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

New accounting pronouncement

The following accounting pronouncement has been made, but is not yet effective for the Company as at March 31, 2018.

- IFRS 16, *Leases* - On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15, *Revenue from Contracts with Customers* has also been applied. The Company will adopt IFRS 16 in its consolidated financial statements on January 1, 2019. The impact of the adoption of this standard has not yet been determined.

4. REVERSE TAKEOVER ("RTO")

On February 28, 2017, the Company acquired all of the issued and outstanding shares of Jetlines Operations by completing a three-cornered amalgamation pursuant to a definitive agreement dated April 12, 2016 (the "Transaction"). The shareholders of Jetlines Operations exchanged all of their issued and outstanding shares for 15,268,638 shares of the Company as consideration. One and one-half (1.5) shares of the Company were issued in exchange for every one (1) share held of Jetlines Operations. Outstanding warrants and stock options of the Company and Jetlines Operations automatically became exercisable for or could be exchanged for options to acquire shares of the Company, subject to all necessary adjustments to reflect the terms of the Transaction and subject to the terms governing the warrants and stock options. As at the date of the Transaction, the Company had no stock options outstanding and 20,000,000 pre-amalgamation warrants outstanding. Each warrant was exercisable at a pre-amalgamation price of $0.25 per share until September 16, 2019. The fair value of the warrants was $Nil at the date of issuance and therefore was not included as part of the consideration incurred by Jetlines Operations. All references to share and per share amounts have been retroactively restated to reflect the share exchange.

Prior to the Transaction, the Company was a dormant publicly listed company and did not meet the definition of a business. Accordingly, the Transaction has been accounted for as a purchase of the net assets of the Company by Jetlines Operations. The purchase consideration was determined as an equity-settled share-based payment in accordance with IFRS 2, *Share-based payment*, at the fair value of the equity instruments retained by the shareholders of the Company, based on the market value of the Company's shares on the closing date of the Transaction.

For financial reporting purposes, the Company is considered a continuation of Jetlines Operations, the legal subsidiary, except with regard to authorized and issued share capital which is that of the Company, the legal parent.

The Transaction was recorded as follows:

Consideration:		
Value of equity instruments	$	5,743,658
Transaction costs		186,303
		5,929,961
Value of net assets:		
Cash and cash equivalents		225,991
Loan receivable (Note 9)		267,210
Other receivables		20,622
Deferred transaction costs (Notes 10 and 12)		375,140
Prepaid expenses and deposits (Note 6)		200,101
Investment in Voleo, Inc. (Note 5)		200,000
Reclamation bond (Note 8)		10,598
Accounts payable and accrued liabilities		(339,013)
Future reclamation provision (Note 8)		(20,807)
		939,842
Listing expense	**$**	**4,990,119**

The value of equity instruments in the amount of $5,743,658 represents 19,145,527 outstanding shares of the Company valued at $0.30 per share which was the price per share for the concurrent prospectus offering completed (Note 10).

Transaction costs in the amount of $186,303 include finders' fees and other professional fees in the amounts of $177,417 and $8,886, respectively. The Company paid cash finders' fees in the amount of $44,354 and issued 443,544 shares valued at $133,063 or $0.30 per share which was the price per share for the concurrent prospectus offering completed (Note 10).

5. INVESTMENT IN VOLEO, INC.

As at March 31, 2018, the investment in Voleo consists of 1,000,000 common shares with a carrying value of $200,000 (December 31, 2017 - $200,000). Voleo is a privately held mobile-focused fintech company and has developed mobile applications and software platforms to meet the investment expectations of millennial investors, including social trading applications for stocks and cryptocurrencies.

The investment was included in the net assets acquired pursuant to the Transaction (Note 4).

The Executive Chairman of the Company is also the Executive Chairman of Voleo.

6. DEPOSITS

		As at March 31, 2018		As at December 31, 2017
Related party security deposit (Note 11)	$	100,000	$	100,000
Aircraft security deposits (Note 16)		96,699		62,727
	$	196,699	$	162,727

During the three month period ended March 31, 2018, the Company paid a deposit in the amount of $31,133 (US$25,000) in accordance with an aircraft purchase agreement (Note 16).

The related party security deposit in the amount of $100,000 was included in the net assets acquired pursuant to the Transaction (Note 4).

7. EQUIPMENT

		Computer Equipment
Cost		
Balance - December 31, 2016	$	10,668
Additions		6,048
Balance - December 31, 2017		16,716
Additions		1,000
Balance - March 31, 2018	$	17,716
Accumulated Depreciation		
Balance - December 31, 2016	$	9,490
Depreciation		2,239
Balance - December 31, 2017		11,729
Depreciation		527
Balance - March 31, 2018	$	12,256
Net Book Value		
Aa at December 31, 2017	$	4,987
As at March 31, 2018	$	5,460

8. DISCONTINUED OPERATIONS

Exploration and evaluation assets

Prior to the closing of the Transaction, the Company was in the business of acquiring, exploring and evaluating mineral resource properties. As a result of closing the Transaction, the Company is evaluating strategic opportunities with respect to selling or disposing of its exploration and evaluation assets.

The Company holds the following uranium exploration and evaluation assets:

Central Mineral Belt ("CMB") – Silver Spruce (Labrador, Canada)

The Company has a 100% interest in the CMB Silver Spruce property subject to a 2% net smelter royalty ("NSR") payable to Silver Spruce Resources Inc. and a 2% NSR payable to Expedition Mining Inc. on 60% of any production from the property.

Bootheel (Wyoming, USA)

The Bootheel property is currently owned by the Bootheel Project LLC of which the Company currently controls an 81% interest, subject to certain royalties. The remaining 19% ownership of The Bootheel Project, LLC is held by UR-Energy USA Inc. ("URE").

Maintenance costs

The Company incurs maintenance costs, including mineral leases and claims and insurance, with respect to its exploration and evaluation assets while management evaluates opportunities for sale or disposal.

During the three month period ended March 31, 2018, the Company incurred maintenance costs in the amount of $7,873 (2017 - $2,620) which have been presented as discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss.

Reclamation bond

Pursuant to the Transaction, a reclamation bond related to the Bootheel property in the amount of $10,598 (US$8,300) was included in the net assets acquired (Note 4). During the year ended December 31, 2017, the reclamation bond was released by the Wyoming Department of Environmental Quality but had not been received by the Company. As at December 31, 2017, amounts receivable include $10,412 (US$8,300) for the bond refund which was received during the three month period ended March 31, 2018.

Future reclamation provision

As at March 31, 2018, the balance of the future reclamation provision is $20,807 (December 31, 2017 - $20,807) and relates to a property which was abandoned in a prior year. Although the Company no longer has title to the underlying property, it may be required to incur cleanup costs in the future. The timing of the cleanup costs is uncertain.

The future reclamation provision in the amount of $20,807 was included in the net assets acquired pursuant to the Transaction (Note 4).

9. SHORT-TERM LOAN

On February 24, 2016, the Company entered into a loan agreement with Jetlines Operations (the "Loan Agreement") to lend the principal amount of up to $150,000 which was amended to the principal amount of up to $350,000 on November 18, 2016 (the "Bridge Loan"). The Bridge Loan is secured by a general security agreement.

The Bridge Loan accrued interest on the principal amount outstanding at the rate of ten percent (10%) per annum from the date of each advance until the closing of the Transaction on February 28, 2017. Subsequent to February 28, 2017, the Bridge Loan is non-interest bearing and due on demand.

During the period from January 1, 2017 to February 28, 2017, Bridge Loan advances and accrued interest totaled $50,000 and $3,674, respectively.

As at March 31, 2018 and December 31, 2017, the Bridge Loan and accrued interest are eliminated on consolidation.

10. SHARE CAPITAL AND RESERVES

Authorized

The Company has authorized an unlimited number of common voting shares and variable voting shares without par value (the "Voting Shares"). The common voting shares and variable voting shares rank equally as to dividends on a share-for-share basis, and all dividends declared in any fiscal year shall be declared in equal or equivalent amounts per share on all Voting Shares then outstanding, without preference or distinction.

As at March 31, 2018, the Company had 60,344,387 common voting shares and 9,358,704 variable voting shares outstanding.

As at March 31, 2018, 3,631,022 (December 31, 2017 - 4,679,402) Voting Shares were held in escrow and restricted from trading. These trading restrictions expire on September 6, 2018 (1,048,380 Voting Shares), March 6, 2019 (860,880 Voting Shares), September 6, 2019 (860,880 Voting Shares) and March 6, 2020 (860,882 Voting Shares).

<u>Common voting shares</u>

A common voting share carries one vote per common voting share.

<u>Variable voting shares</u>

A variable voting share carries one vote per variable voting share, unless (a) the number of issued and outstanding variable voting shares exceeds 25% of the total number of all issued and outstanding Voting Shares (or any higher percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*); or (b) the total number of votes cast by or on behalf of holders of variable voting shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting. Due to the exemption order issued to the Company by the Minister of Transport, references above to 25% are increased to 49% for the duration of the exemption order.

If either of the above noted thresholds is surpassed at any time, the vote attached to each variable voting share will decrease automatically and without further act or formality to equal the maximum permitted vote per variable voting share.

10. SHARE CAPITAL AND RESERVES *(continued)*

Share issuances

During the three month period ended March 31, 2018:

- The Company issued 1,035,000 shares for gross proceeds of $319,500 pursuant to the exercise of 1,035,000 stock options. The fair value of the stock options in the amount of $127,612 was credited to share capital.

- The Company issued 10,558,086 shares for gross proceeds of $4,474,651 pursuant to the exercise of 10,558,086 share purchase warrants. The fair value of the share purchase warrants in the amount of $184,274 was credited to share capital.

- The Company incurred share issue costs in the amount of $24,085 in connection with the exercise of stock options and share purchase warrants.

During the year ended December 31, 2017:

- The Company closed a prospectus offering in connection with the Transaction and issued 22,778,700 units for gross proceeds of $6,833,610. Each unit consists of one share and one-half of one share purchase warrant. 11,389,350 share purchase warrants were issued with an exercise price of $0.50 and expiry of February 28, 2019. In connection with the prospectus offering, the Company paid share issue costs in the amount of $764,416. The Company also issued 1,708,401 agent warrants valued at $116,978 to third parties for finders' fees. Deferred transaction costs in the amount of $375,140 were included in the net assets acquired pursuant to the Transaction and applied to the share issue costs of the prospectus offering (Notes 4 and 12).

- The Company issued 443,544 shares valued at $133,063 to a third party in connection with closing the Transaction which were included in the consideration of the purchase price calculation (Note 4).

- The Company issued 250,000 shares valued at $70,000 and paid cash in the amount of $30,000 to settle amounts payable to a third party in the amount of $75,000, resulting in a loss on settlement of debt in the amount of $25,000.

- The Company issued 223,596 shares for gross proceeds of $68,077 pursuant to the exercise of 223,596 share purchase warrants. The fair value of the share purchase warrants in the amount of $13,606 was credited to share capital.

Performance shares

Performance shares are shares held in escrow on issuance and are released to the holder on the later of (a) the date on which the Company has received the necessary funds to launch airline operations and (b) a period of 24 months has elapsed since the issuance of the performance shares. The performance shares are forfeited by the holder upon resignation from the Company or termination for cause. Any differences between the fair value at issuance date and consideration received are expensed as share-based payment expense over the estimated vesting period.

As of February 28, 2017 upon closing the Transaction, all outstanding performance shares were deemed vested (Note 4).

During the three month period ended March 31, 2018 the Company recorded share-based payments related to performance shares in the amount of $Nil (2017 - $50,685).

10. SHARE CAPITAL AND RESERVES *(continued)*

Share purchase warrants

The following is a summary of share purchase warrants activities during the three month period ended March 31, 2018 and the year ended December 31, 2017:

	Number of Share Purchase Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2016	**5,918,431**	**$0.40**
RTO (Note 4)	13,333,315	$0.38
Issued	13,497,049	$0.47
Exercised	(223,596)	$0.30
Expired	(2,653,262)	$0.37
Outstanding, December 31, 2017	**29,871,937**	**$0.43**
Issued	487,594	$0.50
Exercised	(10,558,086)	$0.43
Expired	(178,500)	$0.50
Outstanding, March 31, 2018	**19,622,945**	**$0.43**

During the three month period ended March 31, 2018:

- The Company issued 487,594 share purchase warrants with an exercise price of $0.50 and expiry of February 28, 2019 in connection with agent warrants exercised for one share and one half of an additional share purchase warrant. The fair value of $235,760 was estimated at the issue dates using the Black-Scholes Option Pricing Model and recorded as share issue costs in the condensed interim consolidated statements of changes in shareholders' equity (deficiency).

During the year ended December 31, 2017:

- The Company issued 11,389,350 share purchase warrants with an exercise price of $0.50 and expiry of February 28, 2019 in connection with a prospectus offering.

- The Company issued 1,708,401 share purchase warrants with an exercise price of $0.30 and expiry of February 28, 2019 to agents in connection with a prospectus offering. Each share purchase warrant is exercisable into one share and one half of an additional share purchase warrant. Each additional share purchase warrant has an exercise price of $0.50 and expires on February 28, 2019. The fair value of $116,978 was estimated at the issue date using the Black-Scholes Option Pricing Model and recorded as share issue costs in the condensed interim consolidated statements of changes in shareholders' equity (deficiency).

- The Company issued 300,000 share purchase warrants with an exercise price of $0.30 and expiry of March 10, 2019 to the former Chief Financial Officer of Jetlines Operations upon his resignation from the position. The fair value of $17,036 was estimated at the issue date using the Black-Scholes Option Pricing Model and recorded as share-based payments in the condensed interim consolidated statements of loss and comprehensive loss.

- The Company issued 99,298 share purchase warrants with an exercise price of $0.50 and expiry of February 28, 2019 in connection with agent warrants exercised for one share and one half of an additional share purchase warrant. The fair value of $12,168 was estimated at the issue date using the Black-Scholes Option Pricing Model and recorded as share issue costs in the condensed interim consolidated statements of changes in shareholders' equity (deficiency).

10. SHARE CAPITAL AND RESERVES *(continued)*

Share purchase warrants *(continued)*

The following weighted average assumptions were used to estimate the fair value of share purchase warrants issued to agents and upon employee resignation:

	For the three month period ended March 31, 2018	**For the three month period ended March 31, 2017**
Risk-free interest rate	1.73%	0.73%
Expected life (years)	1.09	2.0
Annualized volatility	40%	40%
Dividend yield	0%	0%

As at March 31, 2018, the Company had the following share purchase warrants outstanding and exercisable:

Number of share purchase warrants	**Exercise price**	**Remaining life (years)**	**Expiry date**
46,500	$0.50	0.14	May 22, 2018
193,750	$0.38	0.19	June 9, 2018
150,000	$0.38	0.54	October 13, 2018
334,500	$0.38	0.57	October 26, 2018
428,586	$0.38	0.65	November 22, 2018
532,354[(1)]	$0.30	0.92	February 28, 2019
8,587,482	$0.50	0.92	February 28, 2019
300,000	$0.30	0.94	March 10, 2019
9,049,773	$0.38	1.46	September 16, 2019
19,622,945			

(1) Each share purchase warrant is exercisable into one share and one half of an additional share purchase warrant. Each additional share purchase warrant has an exercise price of $0.50 and expires on February 28, 2019.

Stock options

The Company's Stock Option Plan is a 10% rolling plan that allows a maximum 10% of the issued shares to be reserved for issuance under the plan. Options granted under the plan may not have a term exceeding 10 years and vesting provisions are at the discretion of the Board of Directors. On May 9, 2017, the Board of Directors approved an amendment to the Company's Stock Option Plan to increase the maximum number of shares that may be issued pursuant thereto to 11,525,000. The amendment is subject to the Exchange's acceptance and shareholder approval. The Company will require specific shareholder approval for any new stock option grants that are part of the increased maximum.

10. SHARE CAPITAL AND RESERVES *(continued)*

Stock options *(continued)*

The following is a summary of stock option activities during the three month period ended March 31, 2018 and the year ended December 31, 2017:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2016	**675,000**	**$0.34**
Granted	6,125,000	$0.28
Outstanding, December 31, 2017	**6,800,000**	**$0.28**
Granted	1,180,000	$0.74
Exercised	(1,035,000)	$0.31
Forfeited	(375,000)	$0.28
Outstanding, March 31, 2018	**6,570,000**	**$0.36**

As at March 31, 2018, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
450,000	450,000	$0.34	2.31	July 22, 2020
3,440,000	1,412,500	$0.30	3.92	February 28, 2022
150,000	37,500	$0.30	4.03	April 10, 2022
225,000	56,250	$0.22	4.08	May 1, 2022
225,000	56,250	$0.21	4.11	May 9, 2022
675,000	318,750	$0.20	4.18	June 1, 2022
225,000	56,250	$0.21	4.25	July 1, 2022
505,000	-	$0.76	4.80	January 18, 2023
450,000	-	$0.74	4.83	January 29, 2023
225,000	-	$0.70	4.85	February 5, 2023
6,570,000	**2,387,500**			

10. SHARE CAPITAL AND RESERVES *(continued)*

Stock options *(continued)*

The Company recognizes share-based payments expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's shares, forfeiture rate, and expected life of the options.

During the three month period ended March 31, 2018, the Company recognized share-based payment expense with respect to stock options in the amount of $118,355 (2017 - $45,904).

The following weighted average assumptions were used to estimate the weighted average grant date fair value of stock options granted during the three month periods ended March 31, 2018 and 2017:

	For the three month period ended March 31, 2018	For the three month period ended March 31, 2017
Risk-free interest rate	2.04%	1.09%
Expected life (years)	5.0	5.0
Annualized volatility	40%	40%
Dividend yield	0%	0%

11. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the condensed interim consolidated financial statements not disclosed elsewhere in these condensed interim consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Remuneration attributed to key management personnel for the three month periods ended March 31, 2018 and 2017 is summarized as follows:

		For the three month period ended March 31, 2018		For the three month period ended March 31, 2017
Short-term benefits [1]	$	292,324	$	165,268
Share-based payments (Note 10)		80,756		69,057
	$	373,080	$	234,325

[1] Short-term benefits include base salaries and directors' fees, pursuant to contractual employment or consultancy arrangements, management and consulting fees

11. RELATED PARTY TRANSACTIONS *(continued)*

Other related party transactions and balances

King & Bay West Management Corp. ("King & Bay West") is an entity owned by Mark Morabito, Executive Chairman of the Company, and provides administrative, management, finance, legal, regulatory, business development and corporate communications services to the Company.

Transactions entered into with related parties other than key management personnel during the three month periods ended March 31, 2018 and 2017 include the following:

	For the three month period ended March 31, 2018	For the three month period ended March 31, 2017
King & Bay West	$ 197,622	$ 62,182

As at March 31, 2018, King & Bay West holds a security deposit in accordance with the management services agreement between King & Bay West and the Company (the "Management Services Agreement") in the amount of $100,000 (December 31, 2017 - $100,000) (Notes 4 and 6). Upon termination of the Management Services Agreement, the security deposit will be applied to the final invoice rendered by King & Bay West to the Company.

As at March 31, 2018, the amount due to a related party in the amount of $92,218 (December 31, 2017 - $43,262) is payable to King & Bay West in relation to the services described above. The amount due is unsecured, non-interest bearing and has no stated terms of repayment.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Non-cash transactions affecting cash flows from investing or financing activities during the three month period ended March 31, 2018 are summarized below:

- The Company issued 487,594 share purchase warrants to agents in connection with underlying agent warrants. The fair value of $235,760 was recorded as share issue costs (Note 10).

Non-cash transactions affecting cash flows from investing or financing activities during the three month period ended March 31, 2017 are summarized below:

- The Company applied deferred transactions costs in the amount of $375,140 which were acquired in the Transaction to share issue costs (Notes 4 and 10).
- The Company issued 1,708,401 share purchase warrants to agents in connection with a prospectus offering. The fair value of $116,978 was recorded as share issue costs (Note 10).
- The Company recognized a listing expense in the amount of $4,990,119 pursuant to the Transaction (Note 4). The listing expense constitutes a non-cash transaction with the exception of cash payments relating to finders' fees and other professional fees in the amounts of $44,354 and $8,886, respectively.

13. SEGMENTED INFORMATION

The Company operates in one segment, which is the development of a ULCC and its operations and head office are in Canada.

The Company's discontinued operations related to exploration and evaluation of mineral properties within North America (Note 8).

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its strategic investments, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire assets or dispose of assets. In order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Company currently is not subject to externally imposed capital requirements. There were no material changes in the Company's approach to capital management during the three month period ended March 31, 2018.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and cash equivalents and receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company has no investments in asset-backed commercial paper. The Company's receivables consist mainly of Goods and Services Tax receivable due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 14. As at March 31, 2018, the Company had working capital of $6,595,352 and a deficit of $14,087,977. As a result of proceeds raised from the issuance of shares, and the ability to defer certain discretionary expenditures and reduce operating costs should there be delays in obtaining the necessary funds required to commence commercial operations, management has assessed that working capital is sufficient to support ongoing operating expenditures and meet its liabilities as they fall due.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investments included in cash and cash equivalents is minimal because these investments generally have a fixed yield rate.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Market Risk *(continued)*

(b) Currency risk

The Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. The Company has US dollar commitments with respect to the purchase of aircrafts (Note 16). At this time, the Company does not have any currency hedges in place for fluctuations in the exchange rate between the Canadian dollar and the US dollar. As at March 31, 2018, a 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately $10,000.

16. COMMITMENTS

Aircraft Purchase

On December 11, 2014, the Company signed a definitive purchase agreement with The Boeing Company ("Boeing") to acquire up to twenty-one Boeing 737 MAX aircraft for delivery commencing in 2023 (the "Boeing Agreement"). The Boeing Agreement includes five firm orders, purchase rights for an additional sixteen 737 MAX and some conversion rights to the 737-8 MAX aircraft. The following is a summary of the key terms of the Boeing Agreement, as amended.

- The Company will purchase five Boeing 737-7 MAX aircraft, beginning with expected monthly deliveries in January 2023, for an aggregate estimated base price of US$423 million, subject to certain terms and conditions. The cost for the airframe and engines is based on the 2014 price with an escalation factor to determine final price at delivery. Variable costs include the cost of optional equipment furnished by Boeing and the cost of optional equipment furnished by the Company. The variable cost items, while estimated, remain subject to final determination. The Company estimates that assuming scheduled delivery in 2023, and taking into account presently known facts and assumptions, the escalated basic list price for the five aircraft would be approximately US$547 million.

- The Company is required in connection with the five firm orders to pay deposits ("Initial Payments") as follows:

Due Date	Amount
January 30, 2015	US$50,000 (paid)
February 1, 2018	US$25,000 (paid)
June 1, 2018	US$125,000
August 1, 2018	US$1,755,700
February 1, 2019	US$1,755,700
August 1, 2019	1% less previous payments

- In addition to the Initial Payments, the Company is required to make the following payments on account of the basic list price of the five firm orders (the "Pre-Delivery Payments"):

Month Prior to Scheduled Delivery Month	% of the Total Basic List Price of the Five Firm Orders
24	4%
21, 18, 12	5% each
Total	20% (including Initial Payments)

16. COMMITMENTS *(continued)*

Aircraft Purchase *(continued)*

- The following shows the Company's calendar year contractual commitments with respect to the Initial Payments and Pre-Delivery Payments as at March 31, 2018:

Calendar Year	Amount (USD)
2018	$ 1,880,700
2019	3,511,340
2020	-
2021	76,538,560
2022	27,335,200
Total	**$ 109,265,800**

- The Company may elect to defer the Pre-Delivery Payments in accordance with the following schedule (which payments are referred to as the "Deferred Advance Payments"):

Month Prior to Scheduled Delivery Month	% of the Total Basic List Price of the Five Firm Orders
24	4%
21, 18, 12	5% each
Total	20% (including Initial Payments)

- The Company is required to pay interest on the Deferred Advance Payments from the day on which each advance payment would have been due in accordance with Boeing's regular payment schedule until the date of actual delivery of the applicable aircraft. Interest on Deferred Advance Payments is payable from the calendar day on which each advance payment would have been due in accordance with the table above until delivery of the applicable Aircraft. The rate used to calculate such interest will be the 3-month LIBOR as set forth in The Wall Street Journal, US edition, plus nine-hundred (900) basis points. The effective rate will be the rate in effect on the first business day of the calendar quarter in which the advance payment was initially deferred, and will be reset every calendar quarter. Interest on unpaid amounts will be calculated using a 360 day year, compounded quarterly. Accrued interest on the Deferred Advance Payments for each Aircraft will be due and payable on the date of each Aircraft delivery.

- The Company will have the right to purchase up to 16 additional Boeing 737-7 MAX aircraft. This purchase right is exercisable by the Company by notice not less than 24 months before the desired date of delivery. The additional aircraft are offered subject to available position for delivery prior to December 31, 2024. The price of the aircraft subject to the purchase right will be determined based on the provisions of the Boeing Agreement using the then current prices for such aircraft at the time of exercise of the purchase right subject to the escalation factors in the Boeing Agreement.

- The Company will have the right to substitute any Boeing 737-7 MAX ordered with a Boeing 737-8 MAX with a scheduled month of delivery 24 months after delivery of the first Boeing 737-8MAX aircraft to a Boeing customer. The Company may exercise this right of substitution by providing notice to Boeing not less than the first day of the month that is: (i) 12 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted if the Company has previously received a substituted aircraft; or (ii) 15 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted, if the Company has not previously received a substituted aircraft. The acquisition of any substituted aircraft will be subject to the execution of a definitive purchase agreement and product capabilities of the Boeing 737-8 MAX. Pricing will be based on the pricing for the Boeing 737-8 MAX aircraft as set out in the Boeing Agreement, subject to adjustments for configuration specifications by Boeing which arise between the date of the Boeing Agreement and the date of execution of the definitive agreement for the substitution Boeing 737-8 MAX.

16. COMMITMENTS *(continued)*

Aircraft Purchase *(continued)*

- The Company may not terminate the Boeing Agreement unless there is a non-excusable delivery delay in which case either party may terminate the agreement with respect to an aircraft if there is a non-excusable delay for that aircraft which in the aggregate exceeds 180 days. Boeing has agreed to pay the Company a pre-determined liquidated damages amount in the event of a non-excusable delay associated with the delivery of aircraft. The Boeing Agreement also contains a clause that if the Company enters into an agreement to operate or purchase non-Boeing aircraft, the full 1% deposit (less previous payments) for all aircraft will be due and payable immediately.
- Boeing has agreed to provide a service life policy and product assurance in respect of certain components of the aircraft.
- Boeing has agreed to provide promotional support to the Company in respect of the entry of the Boeing 737-7 MAX into the Company's operations.

The Company has not hedged its exposure to exchange rate fluctuations between the US and Canadian dollar with respect to the Boeing Agreement. The purchase price of the five aircraft is denominated in US dollars and therefore, the Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Assuming an exchange rate where US$1 equals CAD$1.2894, a 10% increase or decrease in the exchange rate will increase or decrease the aggregate base purchase price by approximately CAD$54.6 million and increase or decrease the aggregate escalated purchase price by CAD$70.5 million.

17. SUBSEQUENT EVENTS

The following events occurred subsequent to the three month period ended March 31, 2018:

- On April 23, 2018, the Company paid a refundable deposit in the amount of US$876,000 pursuant to a term sheet to lease two Airbus A320 aircraft. The term sheet is subject to executing a definitive lease agreement and other conditions customary to a transaction of this nature.
- The Company issued 807,728 shares for gross proceeds of $354,781 pursuant to the exercise of 30,000 stock options and 777,728 share purchase warrants.
- The Company announced that Mr. Lukas Johnson will be appointed as Chief Executive Officer effective June 18, 2018. Mr. Johnson will be making a $700,000 investment into Jetlines Operations. Mr. Johnson will acquire, through a newly created subordinate class of shares of Jetlines Operations (the "Subordinate Shares"), a 5% equity interest in Jetlines Operations. The Subordinate Shares will have limited rights and will be subject to certain restrictions, including a two-year restriction on transfer. At the end of the two-year transfer restriction, the shares will be redeemable by either the Company or Mr. Johnson for a payment by the Company, with the amount of the payment to be determined by a formula based on the market capitalization of the Company at the time, with such payment to be made by the Company in cash or, subject to the approval of the Exchange, in shares of the Company.

GENERAL

This Management Discussion & Analysis ("MD&A") is intended to supplement and complement the condensed interim consolidated financial statements and accompanying notes of Canada Jetlines Ltd. (the "Company" or "Jetlines") for the three month period ended March 31, 2018. The information provided herein should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 and the accompanying notes thereto.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived therefrom are prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

Management is responsible for the preparation and integrity of the financial statements and MD&A, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company's statutory filings on www.sedar.com.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. These forward-looking statements relate to future events or the future performance of the Company. All statements other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other comparable terminology. These forward-looking statements are only predictions. Actual events or results may differ materially. In addition, this MD&A may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Forward-looking statements in this MD&A speak only as of the date of this MD&A.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: expectations as to future operations of the Company; the Company's anticipated financial performance following completion of the Transaction (as defined below); future development and growth prospects; expected operating costs, general and administrative costs, costs of services and other costs and expenses; expected revenues, ability to meet current and future obligations; ability to obtain aircraft, equipment, services and supplies in a timely manner; ability to obtain financing on acceptable terms or at all; the Company's business model and strategy; the anticipated increase in the size of the airline passenger market in Canada; the ability of the Company to operate at lower costs than competitors, the ability of the Company to offer airfares at a lower price than competitors; and timelines for the Company to achieve key milestones in its development process. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Neither the Company nor any other person assumes responsibility for the outcome of the forward-looking statements. Many of the risks and other factors are beyond the control of the Company, which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A. The risks and other factors include, but are not limited to: failure to realize the anticipated benefits of the Transaction (as defined below); failure of the Company to operate and grow the airline business effectively; the availability of financial resources to fund the Company's expenditures; competition for, among other things, capital reserves and skilled personnel; protection of intellectual property; the impact of competition and the competitive response to the Company's business strategy; third party performance of obligations under contractual arrangements; prevailing regulatory, tax and other applicable laws and

regulations; stock market volatility and market valuations; risks related to the acceleration of payments under the agreement with Boeing to acquire 737-Max aircraft; uncertainty in global financial markets; the successful negotiation of the sale and leaseback of aircrafts; the completion of the financing necessary to commence airline operations; and the other factors described under the heading "Risk Factors" in this MD&A.

These factors should not be considered exhaustive. With respect to forward-looking statements contained in this MD&A, the Company has made assumptions regarding, among other things: the impact of increasing competition; conditions in general economic and financial markets; current technology; cash flow; future exchange rates; timing and amount of capital expenditures; effects of regulation by governmental agencies; future operating costs; and the Company's ability to obtain financing on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive and that additional information on these and other factors that could affect the Company's operations or financial results is discussed in this MD&A. The above summary of assumptions and risks related to forward-looking statements is included in this MD&A in order to provide readers with a more complete perspective on the future operations of the Company. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company is not under any duty to update or revise any of the forward-looking statements except as expressly required by applicable securities laws.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of British Columbia and continued as a Federal corporation pursuant to the Canada Business Corporations Act effective February 28, 2017 in connection with the completion of a reverse takeover transaction, as detailed below. The Company's principal business activity is the start-up of an ultra-low cost carrier ("ULCC") scheduled airline service. The Company's shares trade on the TSX Venture Exchange (the "Exchange") under the symbol "JET" and the OTC Market Group's OTCQB Marketplace under the symbol "JETMF".

The Company is currently in the pre-operating stage. Jetlines plans to launch an airline in Canada that applies ULCC operating principles. Its vision is to be Canada's ultra-low fare carrier of choice, with a mission of providing Canadians with the best value in air travel while focusing on safety and reliability. The Company expects that passenger demand will be stimulated through low airfares and revenue will be generated from both base airfare and the sale of ancillary products. Consistent with the successful ULCC model applied in other countries, Jetlines intends to focus on cost discipline in order to keep operating costs low. Jetlines plans to operate scheduled point-to-point all jet air service nationally, to the USA and other Mexican and Caribbean destinations.

Jetlines expects that by applying the ULCC model, a new market of Canadian travelers will be created comprised of persons who: (1) are not presently flying from Canadian airports due to high airfares; (2) are not flying because of the lack of jet service from Canada's over 30 secondary airports; (3) are using American ULCC airlines in United States border towns near Canada; or (4) are not flying to trans-border destinations because the service in not currently offered, or is offered via multiple stops and connections. Jetlines anticipates this new market of passengers to be comprised of price sensitive travelers, which could include budget conscious leisure travelers, students, families and business travelers seeking to contain costs.

Canada has six cities/metro areas with a population of greater than 1 million and there are 30 metro areas with a population of more than 100,000.

Adopting proven ULCC business principles, Jetlines expects to have a cost base at least 40% below existing airlines in the Canadian market and comparable to other ULCCs in the U.S. Jetlines plans to offer a fully unbundled approach to fares, allowing it to offer base fares approximately 50% below current Canadian competitors. The worldwide use of other ULCC airlines such as Allegiant Air and Spirit Airlines in the United States, Air Asia in Asia, and Ryanair and EasyJet in Europe demonstrates the power of these ULCC airlines to attract and significantly stimulate passenger traffic and lead the markets they operate in, while generating strong returns for shareholders.

On May 16, 2016, Jetlines submitted to the Honourable Marc Garneau, Minister of Transport, a request for the issuance of an exemption order pursuant to subsection 62(1) of the *Canada Transportation Act* ("**CTA**"). The request was for Jetlines to be exempt from the current 25% foreign voting interest limit in the CTA and be permitted to have up to an aggregate of 49% foreign voting interests. Under law, the Minister may grant an exemption, if the government believes it is in the "public interest" to do so. On December 2, 2016 the formal exemption order (the "Exemption Order") was issued to the Company by Minister Garneau.

The Exemption Order was granted for a five-year term ending on December 1, 2021 and will permit the Company's subsidiary, Canada Jetlines Operations Ltd. ("Jetlines Operations"), to conduct domestic air services once it satisfies all of the remaining licensing requirements. The Exemption Order was issued subject to certain conditions, including:

- at all times, at least 51% of the voting interest of Jetlines must be owned by Canadians;
- no single foreign investor or its affiliates can own more than a 25% voting interest in Jetlines;
- no non-Canadian air carrier or its affiliates can own more than a 25% voting interest in Jetlines;
- at all times Jetlines must be controlled in fact by Canadians; and
- at the end of the term of the Exemption Order, Jetlines must conform to the legislative framework regarding the ownership of Canadian air carries that is in place at such time.

The Exemption Order will permit foreign ownership in Jetlines at up to 49% voting interests, subject to the conditions noted above. Management believes that this greatly improves the Jetlines' ability to source the necessary capital to commence airline operations.

REVERSE TAKEOVER ("RTO")

On February 28, 2017, the Company acquired all of the issued and outstanding shares of Jetlines Operations by completing a three-cornered amalgamation pursuant to a definitive agreement dated April 12, 2016 (the "Transaction"). The shareholders of Jetlines Operations exchanged all of their issued and outstanding shares for 15,268,638 shares of the Company as consideration. One and one-half (1.5) shares of the Company were issued in exchange for every one (1) share held of Jetlines Operations. Outstanding warrants and stock options of the Company and Jetlines Operations automatically became exercisable for options to acquire shares of the Company, subject to all necessary adjustments to reflect the terms of the Transaction and subject to the terms governing the warrants and stock options. All references to share and per share amounts have been retroactively restated to reflect the share exchange.

Prior to the Transaction, the Company was a dormant publicly listed company and did not meet the definition of a business. Accordingly, the Transaction has been accounted for as a purchase of the net assets of the Company by Jetlines Operations. The purchase consideration was determined as an equity-settled share-based payment in accordance with International Financial Reporting Standards ("IFRS") 2, *Share-based payment*, at the fair value of the equity instruments retained by the shareholders of the Company, based on the market value of the Company's shares on the closing date of the Transaction.

For financial reporting purposes, the Company is considered a continuation of Jetlines Operations, the legal subsidiary, except with regard to authorized and issued share capital which is that of the Company, the legal parent.

OUTLOOK

The proceeds from the concurrent financing of the Transaction and subsequent stock option and warrant exercises are being used to further the business objectives of the Company in launching an ULCC airline in Canada through its pre-operating stage, including advancing the domestic licensing process, augmenting the leadership team with operations and commercial personnel, branding and marketing activities, as well as advancing internet, digital media and information technology systems initiatives. Management believes that it has sufficient funds to carry out most or all of the aforementioned pre-operating activities, however further funding, in the form of debt, equity or other facilities, will be required to meet domestic licensing financial capability requirements and to complete the build-out of the airline with aircraft, personnel, inventory, training, paying necessary up-front deposits, finalizing sales and administrative systems and other launch activities. Current estimates are that the Company will require an additional $55 million in combined debt, equity or other facilities to enter into operations with two aircraft, expand by four aircraft per year and maintain an acceptable level of working capital.

The process to start a new airline commences with the Canadian Transportation Agency (the "Agency"), which acting on behalf of the Canadian Government, is an independent, quasi-judicial tribunal and regulator with the powers of a superior court. As a regulator, the Agency makes determinations and issues authorities, licenses and permits to transportation carriers under federal jurisdiction. There are four criteria that must be satisfied to achieve a domestic 705 license:

1. Jetlines is a Canadian company or is exempted from that requirement under section 62 of the CTA;
2. Jetlines holds a Canadian aviation document (Air Operator Certificate issues by Transport Canada) that is valid in respect of the air service to be provided under the licence;
3. Jetlines has the liability insurance coverage required by section 7 of the CTA in respect of the air service to be provided under the licence and has complied with section 8 of the CTA; and
4. Where Jetlines is required to meet the financial requirements set out in section 8.1 of the CTA, Jetlines meets those requirements.

The application to acquire a domestic service, large aircraft license includes establishing an agreed value for the work, deposits and reserves required to complete the pre-revenue build-out and the first 90 days of operations.

Management has retained a team of experienced subject matter experts in order to complete the Transport Canada Air Operator Certificate process. Pending funding to the approval of the Agency, the acquisition of an aircraft, the completion of the Transport Canada Air Operator Certificate and being properly insured, the Company will receive its airline licence to operate as an ULCC airline in Canada. The Company can make a request to the Agency to sell airline tickets prior to the licensing process being completed. The pre-selling of airline tickets combined with full operational funding could allow first operational flight to occur forthwith the completion of the licensing process.

With respect to aircraft acquisition, the current market for leased aircraft has tightened considerably during 2017 and early 2018. The principal reasons are the well documented engine manufacturing issues for the Airbus neo-powered aircraft, the increased demand for the Boeing freighter conversion program for Boeing 737-800s and world-wide traffic demand exceeding projections. All of these factors have led to increased demand and decreased supply of used aircraft available for lease. Jetlines previously secured aircraft under a letter of intent; however, the lessor was unable to provide a definitive delivery date.

At this stage Jetlines is in advanced negotiations with several major aircraft lessors to secure the aircraft required to support both its start-up and growth plans. On April 23, 2018, the Company paid a refundable deposit pursuant to a term sheet to lease two aircraft (see "Subsequent Events"). However, it will not attain a June 2018 start-up date as previously projected. Once Jetlines has secured definitive aircraft delivery dates, it will provide new public guidance on its projected start-up date.

Upon receipt of its licence to operate in Canada and once otherwise eligible, Jetlines intends to apply for a foreign air carrier permit or an exemption therefrom from the U.S. Department of Transportation (the "U.S. Department") in order to allow Jetlines to fly into destinations in the United States. Jetlines also intends to concurrently apply for similar approvals from the regulatory authorities in Mexico and certain Caribbean countries. Provided such licences, permits or exemptions are received, Jetlines expects to grow its business significantly by increasing its route network throughout Canada and to selected locations in the United States, Mexico and the Caribbean. Jetlines believes a total new opportunity of more than 50 twinjet narrow-body aircraft is available in Canada before growth will be linked to a percentage increase of the annual GDP.

Jetlines expects to commence operations with two aircraft and to lease and/or acquire further aircraft at an average incremental rate of approximately four per year.

EXPLORATION AND EVALUATION ASSETS

Prior to the closing of the Transaction, the Company was in the business of acquiring, exploring and evaluating mineral resource properties. As a result of closing the Transaction, the Company is evaluating strategic opportunities with respect to selling or disposing of its exploration and evaluation assets.

The Company holds the following uranium exploration and evaluation assets:

- Central Mineral Belt ("CMB") in Labrador, Canada
- Bootheel Uranium ("Bootheel") Project with UR-Energy USA, Inc. in Wyoming, USA

Central Mineral Belt ("CMB") Project

The CMB Project is located in central Labrador and the claims are subject to a 2% Net Smelter Return Royalty ("NSR") payable to Silver Spruce Resources Inc. and a 2% NSR payable to Expedition Mining Inc. on 60% of any production from the property. Further information on the CMB Project can be found in the NI 43-101 Technical Report dated April 16, 2015 which is available on SEDAR at www.sedar.com.

Bootheel Uranium Project

The Bootheel property is currently owned by the Bootheel Project LLC of which the Company currently has an 81% interest, subject to certain royalties. The remaining 19% ownership of The Bootheel Project, LLC is held by UR-Energy USA Inc. ("URE"). Further information on the Bootheel Uranium Project can be found in the NI 43-101 Technical Report dated May 20, 2015 which is available on SEDAR at www.sedar.com.

The Company incurs maintenance costs, including mineral leases and claims and insurance, with respect to its exploration and evaluation assets while management evaluates opportunities for sale or disposal.

During the three month period ended March 31, 2018, the Company incurred maintenance costs in the amount of $7,873 (2017 - $2,620) which are presented as discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Loss from Continuing Operations

For the three month period ended March 31, 2018, the Company reported a loss from continuing operations in the amount of $949,037 or $0.02 per share, compared to a loss from continuing operations of $5,523,912 or $0.10 per share for the same period of the prior year. The decrease in loss from continuing operations in the amount of $4,574,875 is directly attributable to the closing of the Transaction and resulting listing expense recorded in the amount of $4,990,119 during the three month period ended March 31, 2017. The listing expense includes the costs of closing the Transaction and is essentially comprised of the difference between the non-cash fair value of the equity instruments retained by the shareholders of the Company and the non-cash fair value of the net assets of the Company acquired by Jetlines Operations.

The three month period ended March 31, 2017 reflects the loss from operations of Jetlines Operations only for the period from January 1, 2017 to February 28, 2017, the Transaction closing date, and the consolidated entity thereafter.

During the three month period ended March 31, 2018 the Company incurred marketing and investor relations expenses in the amount of $158,240 (2017 - $35,660) which includes ongoing investor outreach, marketing through social media, merchandising, research coverage, attendance at conferences, and overall public relations. The increase in marketing and investor relations expenses for the three month period ended March 31, 2018 is explained by the closing of the Transaction on February 28, 2017 and the advancement of corporate initiatives commencing thereafter.

Professional fees for the three month period ended March 31, 2018 totaled $239,474 (2017 - $96,692), representing an increase of $142,782 which is explained by accounting, audit and legal fees, the transition from a private to a public entity, and increased corporate activities with respect to the Company's strategic objectives.

During the three month period ended March 31, 2018, the Company incurred licensing and route network related costs in the amount of $177,608 (2017 - $100,758) in connection with the CTA licensing process, government relations and advancement of the Company's business plan.

Regulatory costs increased to $79,859 for the three month period March 31, 2018 from $17,347 for the same period of the prior year as the Company transitioned from a private to public entity upon closing the Transaction. Regulatory costs include transfer agent, listing and filing fees and the cost of Board and shareholder meetings. In addition, effective May 1, 2017, the Company commenced paying directors' fees to non-management board members which are included in regulatory costs.

The Company incurred salaries and benefits in the amount of $165,260 for the three month period ended March 31, 2018 compared to $117,435 for the same period of the prior year, representing an increase of $47,825. The increase is explained by organizational changes effected since the closing of the Transaction as the Company continues to augment its leadership team.

The Company recorded share-based payments expense for the three month period ended March 31, 2018 in the amount of $118,355 (2017 - $113,625) which reflects the fair value of equity settled awards recognized over the respective vesting periods.

Travel expenses for the three month period ended March 31, 2018 decreased by $20,252 compared to the same period of the prior year due to the timing of executive and directors' meetings.

During the three month period ended March 31, 2018, the Company incurred office and administration expenses in the amount of $36,165 (2017 - $26,069). The increase in office and administration expenses in the amount of $10,096 was driven by increased corporate activities and personnel, as previously discussed.

Finance income for the three month period ended March 31, 2018 in the amount of $23,512 (2017 - $3,233) relates to interest income earned on excess cash on hand. The increase in finance income is explained by increased cash balances held by the Company as a result of proceeds received from the issuance of shares.

Loss from Discontinued Operations

During the three month period ended March 31, 2018, the Company incurred maintenance costs in the amount of $7,873 (2017 - $2,620) which are presented as discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss. Refer to "Exploration and Evaluation Assets" for additional discussion of the historical exploration and evaluation properties to which discontinued operations relate.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's financial operations for the last eight quarters. For more detailed information, please refer to the condensed interim consolidated financial statements.

Description	**Q1 March 31, 2018 ($)**	**Q4 December 31, 2017 ($)**	**Q3 September 30, 2017 ($)**	**Q2 June 30, 2017 ($)**
Loss from continuing operations	**(949,037)**	(849,141)	(1,218,233)	(1,476,408)
Loss and comprehensive loss	**(956,910)**	(811,835)	(1,221,383)	(1,484,473)
Loss per share	**(0.02)**	(0.01)	(0.02)	(0.03)
Description	**Q1 March 31, 2017 ($)**	**Q4 December 31, 2016 ($)**	**Q3 September 30, 2016 ($)**	**Q2 June 30, 2016 ($)**
Loss from continuing operations	**(5,523,912)**	(313,493)	(151,403)	(213,208)
Loss and comprehensive loss	**(5,526,532)**	(313,493)	(151,403)	(213,208)
Loss per share	**(0.10)**	(0.02)	(0.01)	(0.02)

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends.

Expenditures over the last four quarters have been relatively consistent and reflect the advancement of the Company's strategic objectives subsequent to closing the Transaction and concurrent financing. The loss for the quarter ended March 31, 2017 is larger because it includes a listing expense in the amount of $4,990,119, which as previously discussed, is primarily a non-cash item.

For the quarters ended in fiscal 2016, loss from continuing operations reflects Jetlines Operations' focused efforts to complete the Transaction and maintain lower levels of expenditures prior to closing.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, the Company had cash and cash equivalents of $6,774,774 (December 31, 2017 - $2,981,046) and working capital of $6,595,352 (December 31, 2017 – $2,698,286). The increase in working capital of $3,897,066 is explained by proceeds received from the exercise of stock options and warrants during the three month period ended March 31, 2018, net of operating costs. Refer to "Statement of Financial Position Information" for further details with respect to account balance changes for the three month period ended March 31, 2018.

At present the Company has no current operating income or cash flows. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. See "Risk Factors".

The proceeds from the concurrent financing of the Transaction and subsequent stock option and warrant exercises are being used to further the business objectives of the Company in launching an ultra-low cost carrier airline in Canada, including advancing the domestic licensing process, augmenting the leadership team with operations and commercial personnel, branding and marketing activities, as well as advancing internet, digital media and information technology systems initiatives. Management believes that it has sufficient funds to carry out most or all of the aforementioned pre-operating activities, however further funding, in the form of debt, equity or other facilities, will be required to meet domestic licensing financial capability requirements and to complete the build-out of the airline with aircraft, personnel, inventory, training, paying necessary up-front deposits, finalizing sales and administrative systems and other launch activities. Should there be delays in obtaining the necessary funds required to commence commercial operations, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

The Company's cash and cash equivalents are held in Schedule 1 Canadian financial institutions in highly liquid accounts and interest bearing investments. No amounts have been or are invested in asset-backed commercial paper.

To date, the Company's operations have been almost entirely financed from equity financings. The Company will continue to identify financing opportunities in order to provide additional financial flexibility. While the Company has been successful raising the necessary funds in the past, there can be no assurance it can do so in the future.

Cash Flows

The Company's cash flows for the three month periods ended March 31, 2018 and 2017 are summarized as follows:

	March 31, 2018	March 31, 2017
Cash used in operating activities	$ (944,205)	$ (587,432)
Cash provided by (used in) investing activities	(32,133)	225,991
Cash provided by financing activities	4,770,066	6,494,334
Change in cash and cash equivalents during the period	3,793,728	6,132,893
Cash and cash equivalents, beginning of the period	2,981,046	91,397
Cash and cash equivalents, end of the period	**$ 6,774,774**	**$ 6,224,290**

Operating Activities

Cash used in operating activities adjusts loss for the period for non-cash items including, but not limited to, depreciation, accrued interest, listing expense recorded as a result of the Transaction, share-based payments, and unrealized gains and losses. Cash used in operating activities also reflects changes in working capital items, such as amounts receivable, prepaid expenses and amounts payable, which fluctuate in a manner that does not necessarily reflect predictable patterns for the overall use of cash, the generation of which depends almost entirely on sources of external financing to fund operations.

Refer to "Review of Consolidated Financial Results" for further details with respect to operating activities for the three month period ended March 31, 2018.

Investing Activities

During the three month period ended March 31, 2018, the Company paid an aircraft deposit in the amount of $31,133 (US$25,000), as detailed in "Commitments", and purchased office equipment in the amount of $1,000.

During the three month period ended March 31, 2017, pursuant to the Transaction, the Company acquired cash in the amount of $225,991.

Financing Activities

Financing activities for the three month period ended March 31, 2018 include gross proceeds received in the amount of $4,794,151 pursuant to the exercise of stock options and warrants, net of share issue costs in the amount of $24,085.

Financing activities for the three month period ended March 31, 2017 consisted of shares issued for gross proceeds of $6,833,910, net of share issue costs paid of $389,276, and a loan advance in the amount of $50,000 received prior to closing the Transaction. In addition, deferred transaction costs in the amount of $375,140 were included in the net assets acquired pursuant to the Transaction and applied to the share issue costs of the prospectus offering for cumulative cash share issue costs in the amount of $764,416.

STATEMENT OF FINANCIAL POSITION INFORMATION

	As at March 31, 2018	As at December 31, 2017
Cash and cash equivalents	$ 6,774,774	$ 2,981,046
Receivables	124,628	119,994
Prepaid expenses	256,366	96,077
Investment in Voleo, Inc.	200,000	200,000
Deposits	196,699	162,727
Equipment	5,460	4,987
Total Assets	**$ 7,557,927**	**$ 3,564,831**
Accounts payable and accrued liabilities	$ 468,198	$ 455,569
Due to related party	92,218	43,262
Future reclamation provision	20,807	20,807
Share capital	19,694,539	14,848,347
Reserves	1,370,142	1,327,913
Deficit	(14,087,977)	(13,131,067)
Total Liabilities and Equity	**$ 7,557,927**	**$ 3,564,831**

Assets

Cash and cash equivalents increased by $3,793,728 during the three month period ended March 31, 2018 as a result of proceeds received from the exercise of stock options and warrants, net of operations. Cash flows are detailed in "Liquidity and Capital Resources". Operating activities are detailed in "Review of Consolidated Financial Results".

Receivables increased by $4,634 during the three month period ended March 31, 2018 and relates primarily to Goods and Services Tax ("GST") input tax credits paid on increased operating activities.

As at March 31, 2018, prepaid expenses increased by $160,289 compared to the balance as at December 31, 2017 and is explained by various annual renewals, including directors' and officers' insurance, public company listing fees, and mineral property holding costs.

As at March 31, 2018 and December 31, 2017, the investment in Voleo, Inc. ("Voleo") consists of 1,000,000 common shares with a carrying value of $200,000. The common shares of Voleo were included in the net assets acquired pursuant to the Transaction during the year ended December 31, 2017.

The balance of the non-current deposits as at March 31, 2018 consists of an aircraft security deposit in the amount of $96,699 (December 31, 2017 - $62,727) and a related party security deposit in the amount of $100,000 (December 31, 2017 - $100,000). The increase in deposits during the three month period ended March 31, 2018 in the amount of $33,972 is explained by the additional aircraft security deposit paid in the amount of $31,133 (US$25,000) and the impact of foreign exchange in the amount of $2,839. Refer to "Commitments" and "Related Party Transactions" for additional detail of the aircraft security deposit and related party security deposit, respectively.

As at December 31, 2017, the Company's computer equipment had a net book value of $5,460 (December 31, 2017 - $4,987). During the three month period ended March 31, 2018 the Company purchased additional computer equipment in the amount of $1,000 and recorded depreciation expense in the amount of $527 for a net increase in the amount of $473 to computer equipment.

Liabilities

During the three month period ended March 31, 2018, accounts payable and accrued liabilities increased by $12,629 and is explained by the timing of payments to third parties.

As at March 31, 2018, the balance due to a related party in the amount of $92,218 (December 31, 2017 - $43,262) relates to services rendered to or expenses incurred on behalf of the Company which were unpaid at period end. For further details with respect to related party balances and transactions, refer to "Related Party Transactions".

As at March 31, 2018 and December 31, 2017, the balance of the future reclamation provision relates to cleanup costs for an exploration and evaluation property which the Company abandoned in a prior year. The timing of the cleanup costs is uncertain. The future reclamation provision in the amount of $20,807 was included in the net assets acquired pursuant to the Transaction.

Equity

Share capital increased by $4,846,192 during the three month period ended March 31, 2018 and is explained by the proceeds received from stock options and warrants exercised ($4,794,151) and fair value adjustments for stock options and warrants exercised ($311,886), net of share issue costs paid ($24,085) and the fair value of additional agent share purchase warrants issued ($235,760). Equity transactions are further detailed in "Share Capital".

Reserves increased by $42,229 during the three month period ended March 31, 2018 and is explained by the fair value of additional agent share purchase warrants issued ($235,760) and share-based payments related to stock options ($118,355), net of the fair value adjustments for stock options and warrants exercised ($311,886) during the period.

Deficit increased by the loss for the three month period ended March 31, 2018 in the amount of $956,910.

SHARE CAPITAL

The Company's authorized capital consists of unlimited number of common voting shares without par value and an unlimited number of variable voting shares without par value (collectively, the "Voting Shares"). The common voting shares and variable voting shares rank equally as to dividends on a share-for-share basis, and all dividends declared in any fiscal year shall be declared in equal or equivalent amounts per share on all Voting Shares then outstanding, without preference or distinction.

Common voting shares

A common voting share carries one vote per common voting share.

Variable voting shares

A variable voting share carries one vote per variable voting share, unless (a) the number of issued and outstanding variable voting shares exceeds 25% of the total number of all issued and outstanding Voting Shares (or any higher percentage that the Governor in Council may specify pursuant to the Canada Transportation Act); or (b) the total number of votes cast by or on behalf of holders of variable voting shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the Canada Transportation Act) of the total number of votes that may be cast at such meeting. Due to the Exemption Order issued to the Company by the Minister of Transport, references above to 25% are increased to 49% for the duration of the exemption order.

If either of the above noted thresholds is surpassed at any time, the vote attached to each variable voting share will decrease automatically and without further act or formality to equal the maximum permitted vote per variable voting share.

The Company has securities outstanding as follows:

Security Description	As at March 31, 2018
Common voting shares – issued and outstanding	60,344,387
Variable voting shares – issued and outstanding	9,358,704
Stock options – outstanding	6,570,000
Voting Shares issuable on exercise of warrants	19,889,122
Voting Shares – fully diluted	96,162,213

Share issuances

During the three month period ended March 31, 2018:

- The Company issued 1,035,000 shares for gross proceeds of $319,500 pursuant to the exercise of 1,035,000 stock options. The fair value of the stock options in the amount of $127,612 was credited to share capital.

- The Company issued 10,558,086 shares for gross proceeds of $4,474,651 pursuant to the exercise of 10,558,086 share purchase warrants. The fair value of the share purchase warrants in the amount of $184,274 was credited to share capital.

- The Company incurred share issue costs in the amount of $24,085 in connection with the exercise of stock options and share purchase warrants.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying condensed interim consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Remuneration attributed to key management personnel for the three month periods ended March 31, 2018 and 2017 is summarized as follows:

		For the three month period ended March 31, 2018		For the three month period ended March 31, 2017
Short-term benefits [1]	$	292,324	$	165,268
Share-based payments		80,756		69,057
	$	373,080	$	234,325

[1] Short-term benefits include base salaries and directors' fees, pursuant to contractual employment or consultancy arrangements, management and consulting fees

Other related party transactions and balances

King & Bay West Management Corp. ("King & Bay") is an entity that is owned by Mr. Mark J. Morabito, the Executive Chairman of the Company. King & Bay West employs or retains certain directors, officers and consultants of the Company and provides administrative, management, finance, legal, regulatory, business development and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The fees are consistent with what King & Bay West charges its clients for similar services. The amount set out in the table below represents amounts paid or accrued to King & Bay West for the services of King & Bay West personnel and for overhead and third party costs incurred by King & Bay West on behalf of the Company.

Transactions entered into with related parties other than key management personnel during the three month periods ended March 31, 2018 and 2017 include the following:

		For the three month period ended March 31, 2018		For the three month period ended March 31, 2017
King & Bay West	$	197,622	$	62,182

As at March 31, 2018, King & Bay West holds a security deposit in accordance with the management services agreement between King & Bay West and the Company (the "Management Services Agreement") in the amount of $100,000 (December 31, 2017 - $100,000). Upon termination of the Management Services Agreement, the security deposit will be applied to the final invoice rendered by King & Bay West to the Company.

As at March 31, 2018, the amount due to a related party in the amount of $92,218 (December 31, 2017 - $43,262) is payable to King & Bay West in relation to the services described above. The amount due is unsecured, non-interest bearing and has no stated terms of repayment.

GOING CONCERN

The condensed interim consolidated financial statements of the Company have been prepared using IFRS on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At present, the Company has no current operating income or cash flows. The continuing operations of the Company are dependent upon the Company's ability to continue to raise adequate financing and to commence profitable operations in the future. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

As at March 31, 2018, the Company had working capital of $6,595,352 and a deficit of $14,087,977. As a result of the concurrent financing of the Transaction, subsequent stock option and warrant exercises, and the ability to defer certain discretionary expenditures and reduce operating costs should there be delays in obtaining the necessary funds required to commence commercial operations, management has assessed that working capital is sufficient for the Company to maintain its operations and activities for the next 12 months, as detailed in "Outlook" and "Liquidity and Capital Resources".

USE OF PROCEEDS

On February 28, 2017, the Company closed a prospectus offering in connection with the Transaction and issued 22,778,700 units for gross proceeds of $6,833,610. Each unit consists of one share and one-half of one share purchase warrant. As at March 31, 2018 the Company has used the proceeds as follows:

Activity	Initial Estimated Use of Proceeds	Actual Use of Proceeds
Aircraft launch activities, including leasing of initial aircraft	$ 2,315,420	$ 766,734
General and administrative expenses	1,021,108	3,128,999
Marketing	612,650	447,124
Reservation system procurement and development	501,385	-
Website for merchandising and destination content	350,000	133,617
Recruitment and training of air and cabin crew	362,650	-
Operations system procurement and development	250,000	-
Human resource management system and advisory	200,000	-
Canadian Transportation Agency licensing process	100,000	142,700
Transaction costs	787,521	808,770
Unallocated working capital	332,876	-
	$ 6,833,610	$ 5,427,944

The actual use of proceeds summarized above reflects activities subsequent to the completion of the Transaction on February 28, 2017 on a cash basis. Many of the activities have not yet been launched. In addition, timelines have been adjusted, as discussed in "Outlook". The actual use of proceeds to date is not necessarily representative of the allocation of total expected use of proceeds.

The variance reflected in general and administrative expenses in the table above is explained by certain amounts that were assumed to be funded with cash on hand prior to the completion of the Transaction and hence were excluded from the initial estimated use of proceeds. General and administrative expenses also include costs associated with recruitment, relocation and severance obligations as a result of organizational changes as the Company continues to augment its leadership team. Delays in the Company's launch date have also required additional general and administrative expenses.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the accompanying condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The accompanying condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Going concern

The preparation of the accompanying condensed interim consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1 of the condensed interim consolidated financial statements.

Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the Canadian dollar.

Key Sources of Estimation Uncertainty

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

Share-based payments

Estimating fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Fair value of equity investment

The Company holds common shares of Voleo, a privately held company for which a quoted market price in an active market is not available. The Company estimates the fair value of this investment based on information available to management, including but not limited to subsequent financings completed by Voleo and announcements with respect to corporate transactions.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Future reclamation provision

The Company assesses its provision for reclamation related to its historical exploration and evaluation activities at each reporting period or when new material information becomes available. Accounting for reclamation obligations requires management to make estimates of the future costs that will be incurred to complete the reclamation to comply with existing laws and regulations. Actual future costs that will be incurred may differ from those amounts estimated as a result of changes to environmental laws and regulations, timing of future cash flows, changes to future costs, technical advances, and other factors. In addition, the actual work required may prove to be more extensive than estimated because of unexpected geological or other technical factors. The measurement of the present value of the future obligation is dependent on the selection of a suitable discount rate and the estimate of future cash outflows. Changes to either of these estimates may materially affect the present value calculation of the obligation.

ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended December 31, 2017 and have been consistently followed in the preparation of the accompanying condensed interim consolidated financial statements, except as outlined below.

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 provides three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

The implementation of the new standard has not had a material impact on the measurement of the Company's reported financial results; however additional disclosures have been provided.

Financial assets

The Company initially recognizes financial assets on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies all of its financial assets, except the investment in Voleo, as subsequently measured at amortized cost. The investment in Voleo is classified as FVTPL and measured at fair value under the fair value hierarchy based on level three inputs. All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income are classified as FVTPL.

Financial liabilities

The Company measures all of its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

New accounting pronouncement

The following accounting pronouncement has been made, but is not yet effective for the Company as at March 31, 2018.

- IFRS 16, *Leases* - On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15, *Revenue from Contracts with Customers* has also been applied. The Company will adopt IFRS 16 in its consolidated financial statements on January 1, 2019. The impact of the adoption of this standard has not yet been determined.

FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and cash equivalents and receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company has no investments in asset-backed commercial paper. The Company's receivables consist mainly of Goods and Services Tax receivable due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management. See "Outlook" and "Liquidity and Capital Resources" sections for further details.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investments included in cash and cash equivalents is minimal because these investments generally have a fixed yield rate.

(b) Currency risk

The Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. The Company has US dollar commitments with respect to the purchase of aircraft. At this time, the Company does not have any currency hedges in place for fluctuations in the exchange rate between the Canadian dollar and the US dollar. As at March 31, 2018, a 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately $10,000.

RISK FACTORS

The development and ultimate operation of a ULCC airline involves significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Certain of the more prominent risk factors that may materially affect the Company's future performance, in addition to those referred to above, are listed hereunder.

Uncertainties associated with the Transaction

The Transaction has resulted in the integration of companies that previously operated independently. An important factor in the success of the Company going forward will be the ability of the management of the Company to integrate all or part of the operations, systems and technologies of the Company and Jetlines Operations. The Transaction or the integration of the two businesses can result in unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees. There can be no assurance that the business integration will be successful or that the combination will not adversely affect the business, financial condition or operating results of the Company or Jetlines Operations. There can be no assurance that the Company will not incur additional material costs in subsequent quarters to reflect additional costs associated with the Transaction or that that the benefits expected from the Transaction will be realized.

Entry into New Business Activities

Completion of the Transaction has resulted in a combination of the current business activities carried on by each of the Company and Jetlines Operations as separate entities. While the Company has had minimal operations for several years, the combination of these activities into the merged entity may expose the Company's shareholders and creditors to different business risks than those to which they were exposed prior to the Transaction. In particular, shareholders will gain exposure to the business of Jetlines Operations.

Ability to Obtain Additional Capital

The ability of the Company to execute its build-out strategy and achieve operations will depend on acquiring substantial additional financing through debt financing, equity financing or other means. There are no assurances that such financing will be available, or if available, available upon terms acceptable to the Company. Failure to obtain such financing may result in the delay or indefinite postponement of such growth strategy or even impact the ability of the Company to continue as a going concern.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by the Company through the issuance of securities from treasury, control of the Company may change and shareholders may suffer dilution. If additional financing is not available, or if available, not available on satisfactory terms, this could result in a material adverse effect or could require the Company to reduce, delay, scale back or eliminate portions of its actual or proposed operations at the applicable time or could prevent the Company from continuing as a going concern. In such circumstance, purchasers could lose their entire investment in the Company.

Ability to Obtain Aircraft

Critical to the Company's business model is a supply of modern and cost-effective aircraft that can service the various sectors required to fly the Company's planned route network. Should these aircraft not be available for start-up to complete the licensing process or to support the Company's growth strategy, or should the aircraft lease or maintenance costs increase drastically there could be an impact on the Company's ability to complete the licensing process, commence operations, growth strategy, cost structure and potential profitability.

Commitment of Jetlines Operations under the Boeing Agreement

Jetlines Operations has entered into the Boeing Agreement for the firm purchase of five Boeing 737 MAX aircraft with delivery commencing in 2023. Pursuant to the Boeing Agreement, Jetlines Operations is required to make the Initial Payments (defined below). In the event Jetlines Operations fails to make these Initial Payments by the agreed upon dates, Boeing has the unilateral right to terminate the Boeing Agreement or enter into negotiations with Jetlines Operations to amend certain terms of the Boeing Agreement. If Boeing elects to terminate the Boeing Agreement, Boeing is required to repay to Jetlines Operations an amount equal to any deposit and advance payments received by Boeing from Jetlines Operations less all of Boeing's costs and expenses accrued in connection with Boeing Agreement. In the event that the Boeing Agreement is terminated, the long term business operations of Jetlines Operations may be adversely affected. In addition, in the event that Boeing terminates the Boeing Agreement, Jetlines Operations may be subject to liability which may adversely affect the business of Jetlines Operations and the Company.

In addition to the initial deposits under the Boeing Agreement, Jetlines Operations will be required to make advance payments on account of the purchase price of the five Boeing 737 MAX aircraft commencing in 2021 and eventual aircraft delivery payments in 2023. The Boeing Agreement also provides Jetlines Operations with the option to acquire a further 16 Boeing 737-7 MAX or 737-8 MAX aircraft on payment terms set forth in the Boeing Agreement. To date, beyond the amounts of the initial deposits under the Boeing Agreement, Jetlines Operations has not made arrangements for financing for the payments of the purchase price of the aircraft required to be purchased by it under the Boeing Agreement or subject to option under the Boeing Agreement. There is no guarantee that financing for the payments on account of the purchase price under the Boeing Agreement will be available on reasonable commercial terms or at all. In the event that Jetlines Operations is unable to obtain aircraft acquisition financing on reasonable commercial terms, the operations of Jetlines Operations may be adversely affected and Jetlines Operations would be subject to material financial liabilities for which it would not be able to satisfy, each of which would have a material adverse effect. Further, the Boeing Agreement also contains a clause that if Jetlines Operations enters into an agreement to operate or purchase non-Boeing aircraft, the full 1% deposit (less previous payments) for all aircraft will be due and payable immediately. As a result, in the event Jetlines Operations enters into an agreement to operate or purchase non-Boeing aircraft and Boeing is able to successfully make a legal claim to enforce this provision, Jetlines Operations may be subject to liability which may materially adversely affect the business of Jetlines Operations and the Company.

General economic conditions in Canada, the United States and other parts of the world

Consumer purchases of discretionary items, which include the purchase of the Company's airfares and other products of the Company, may be adversely affected by economic conditions such as employment levels, salary and wage levels, the availability of consumer credit, inflation, interest rates, tax rates, fuel prices and consumer confidence with respect to current and future economic conditions. Consumer purchases may decline during recessionary periods or at other times when unemployment is higher or disposable income is lower. Consumer willingness to make discretionary purchases may decline, may stall or may be slow to increase due to national and regional economic conditions.

There remains considerable uncertainty and volatility in the Canadian and U.S. economy. Further or future slowdowns or disruptions in the economy could adversely affect passenger demand for the Company's airfares and products and could materially and adversely affect the Company and its growth plans. The Company may not be able to maintain its recent rate of growth in net revenue if there is a decline in consumer spending. In addition, a deterioration of economic conditions and future recessionary periods may impact the other risks faced by the Company's business, including those risks it may encounter as it attempts to execute growth plans.

The Company has a history of losses and expects to incur losses for the foreseeable future

The Company has incurred losses since its inception and expects to incur losses for the foreseeable future. The Company expects to continue to incur losses unless and until such time as airline operations commence and generate sufficient revenues to fund continuing operations. The development of the Company's airline operations will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of the licensing process, the results of consultant analysis and recommendations, the rate at which operating losses are incurred, and the execution of agreements with strategic partners and service providers. Some of these factors are beyond the Company's control. There can be no assurance that the Company will ever launch airline operations or achieve profitability.

The Company's securities are subject to price volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations that have not been necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding any potential success in creating revenues, cash flows or earnings. The value of the Company's common shares will be affected by such volatility.

COMMITMENTS

The Company has commitments for aircraft deposits as described below.

Aircraft Purchase

On December 11, 2014, the Company signed a definitive purchase agreement with The Boeing Company to acquire up to twenty-one Boeing 737 MAX aircraft for delivery commencing in 2023. The Boeing Agreement includes five firm orders, purchase rights for an additional sixteen 737 MAX and some conversion rights to the 737-8 MAX aircraft. The following is a summary of the key terms of the Boeing Agreement, as amended.

- The Company will purchase five Boeing 737-7 MAX aircraft, beginning with expected monthly deliveries in January 2023, for an aggregate estimated base price of US$423 million, subject to certain terms and conditions. The cost for the airframe and engines is based on the 2014 price with an escalation factor to determine final price at delivery. Variable costs include the cost of optional equipment furnished by Boeing and the cost of optional equipment furnished by the Company. The variable cost items, while estimated, remain subject to final determination. The Company estimates that assuming scheduled delivery in 2023, and taking into account presently known facts and assumptions, the escalated basic list price for the five aircraft would be approximately US$547 million.
- The Company is required in connection with the five firm orders to pay deposits ("Initial Payments") as follows:

Due Date	Amount
January 30, 2015	US$50,000 (paid)
February 1, 2018	US$25,000 (paid)
June 1, 2018	US$125,000
August 1, 2018	US$1,755,700
February 1, 2019	US$1,755,700
August 1, 2019	1% less previous payments

- In addition to the Initial Payments, the Company is required to make the following payments on account of the basic list price of the five firm orders (the “Pre-Delivery Payments”):

Month Prior to Scheduled Delivery Month	% of the Total Basic List Price of the Five Firm Orders
24	4%
21, 18, 12	5% each
Total	20% (including Initial Payments)

- The following shows the Company’s calendar year contractual commitments with respect to the Initial Payments and Pre-Delivery Payments as at March 31, 2018:

Calendar Year	Amount (USD)
2018	$ 1,880,700
2019	3,511,340
2020	-
2021	76,538,560
2022	27,335,200
Total	**$ 109,265,800**

- The Company may elect to defer the Pre-Delivery Payments in accordance with the following schedule (which payments are referred to as the "Deferred Advance Payments"):

Month Prior to Scheduled Delivery Month	% of the Total Basic List Price of the Five Firm Orders
24	4%
21, 18, 12	5% each
Total	20% (including Initial Payments)

- The Company is required to pay interest on the Deferred Advance Payments from the day on which each advance payment would have been due in accordance with Boeing's regular payment schedule until the date of actual delivery of the applicable aircraft. Interest on Deferred Advance Payments is payable from the calendar day on which each advance payment would have been due in accordance with the table above until delivery of the applicable Aircraft. The rate used to calculate such interest will be the 3-month LIBOR as set forth in The Wall Street Journal, US edition, plus nine-hundred (900) basis points. The effective rate will be the rate in effect on the first business day of the calendar quarter in which the advance payment was initially deferred, and will be reset every calendar quarter. Interest on unpaid amounts will be calculated using a 360 day year, compounded quarterly. Accrued interest on the Deferred Advance Payments for each Aircraft will be due and payable on the date of each Aircraft delivery.

- The Company will have the right to purchase up to 16 additional Boeing 737-7 MAX aircraft. This purchase right is exercisable by the Company by notice not less than 24 months before the desired date of delivery. The additional aircraft are offered subject to available position for delivery prior to December 31, 2024. The price of the aircraft subject to the purchase right will be determined based on the provisions of the Boeing Agreement using the then current prices for such aircraft at the time of exercise of the purchase right subject to the escalation factors in the Boeing Agreement.

- The Company will have the right to substitute any Boeing 737-7 MAX ordered with a Boeing 737-8 MAX with a scheduled month of delivery 24 months after delivery of the first Boeing 737-8MAX aircraft to a Boeing customer. The Company may exercise this right of substitution by providing notice to Boeing not less than the first day of the month that is: (i) 12 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted if the Company has previously received a substituted aircraft; or (ii) 15 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted, if the Company has not previously received a substituted aircraft. The acquisition of any substituted aircraft will be subject to the execution of a definitive purchase agreement and product capabilities of the Boeing 737-8 MAX. Pricing will be based on the pricing for the Boeing 737-8 MAX aircraft as set out in the Boeing Agreement, subject to adjustments for configuration specifications by Boeing which arise between the date of the Boeing Agreement and the date of execution of the definitive agreement for the substitution Boeing 737-8 MAX.

- The Company may not terminate the Boeing Agreement unless there is a non-excusable delivery delay in which case either party may terminate the agreement with respect to an aircraft if there is a non-excusable delay for that aircraft which in the aggregate exceeds 180 days. Boeing has agreed to pay the Company a pre-determined liquidated damages amount in the event of a non-excusable delay associated with the delivery of aircraft. The Boeing Agreement also contains a clause that if Jetlines Operations enters into an agreement to operate or purchase non-Boeing aircraft, the full 1% deposit (less previous payments) for all aircraft will be due and payable immediately.

- Boeing has agreed to provide a service life policy and product assurance in respect of certain components of the aircraft.

- Boeing has agreed to provide promotional support to the Company in respect of the entry of the Boeing 737-7 MAX into the Company's operations.

The Company has not hedged its exposure to exchange rate fluctuations between the US and Canadian dollar with respect to the Boeing Agreement. The purchase price of the five aircraft is denominated in US dollars and therefore, the Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Assuming an exchange rate where US$1 equals CAD$1.2894, a 10% increase or decrease in the exchange rate will increase or decrease the aggregate base purchase price by approximately CAD$54.6 million and increase or decrease the aggregate escalated purchase price by CAD$70.5 million.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off balance sheet financing arrangements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements and corresponding accompanying Management’s Discussion and Analysis. In contrast to the certificates under National Instrument 52-109 (Certification of Disclosure in an Issuer’s Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined by National Instrument 52-109.

SUBSEQUENT EVENTS

The following events occurred subsequent to the three month period ended March 31, 2018:

- On April 23, 2018, the Company paid a refundable deposit in the amount of US$876,000 pursuant to a term sheet to lease two Airbus A320 aircraft. The term sheet is subject to executing a definitive lease agreement and other conditions customary to a transaction of this nature.
- The Company issued 807,728 shares for gross proceeds of $354,781 pursuant to the exercise of 30,000 stock options and 777,728 share purchase warrants.
- The Company announced that Mr. Lukas Johnson will be appointed as Chief Executive Officer effective June 18, 2018. Mr. Johnson will be making a $700,000 investment into Jetlines Operations. Mr. Johnson will acquire, through a newly created subordinate class of shares of Jetlines Operations (the "Subordinate Shares"), a 5% equity interest in Jetlines Operations. The Subordinate Shares will have limited rights and will be subject to certain restrictions, including a two-year restriction on transfer. At the end of the two-year transfer restriction, the shares will be redeemable by either the Company or Mr. Johnson for a payment by the Company, with the amount of the payment to be determined by a formula based on the market capitalization of the Company at the time, with such payment to be made by the Company in cash or, subject to the approval of the Exchange, in shares of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com.

APPROVAL

The Board of Directors of the Company has approved the disclosures contained in this MD&A.