CANADA JETLINES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

(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, 2019		DECEMBER 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents	$	**2,975,866**	$	1,220,555
Restricted cash (Note 12)		**500,000**		500,000
Receivables (Note 4)		**112,581**		215,166
Prepaid expenses (Note 5)		**380,827**		144,917
Spare parts inventory (Note 6)		**137,252**		-
		4,106,526		2,080,638
Investment in Voleo, Inc. (Note 7)		**200,000**		200,000
Deposits (Note 8)		**3,026,634**		3,224,974
Equipment (Note 9)		**36,717**		23,883
	$	**7,369,877**	$	5,529,495
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	**1,122,705**	$	858,798
Due to related parties (Note 12)		**118,629**		242,029
		1,241,334		1,100,827
Future reclamation provision (Note 10)		**-**		20,807
		1,241,334		1,121,634
Shareholders' equity				
Share capital (Note 11)		**25,247,332**		21,370,708
Reserves		**1,795,407**		1,881,064
Deficit		**(20,914,196)**		(18,843,911)
		6,128,543		4,407,861
	$	**7,369,877**	$	5,529,495

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

Approved on May 29, 2019 on behalf of by the Board of Directors:

"Jason Grant" Director — *"Réjean Bourque"* Director
Jason Grant — Réjean Bourque

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)

		2019		2018
OPERATING ITEMS				
Aircraft launch, licensing and route network	$	**710,467**	$	177,608
Depreciation (Note 9)		**3,186**		527
Finance income		**(13,478)**		(23,512)
Foreign exchange loss (gain)		**58,869**		(2,939)
Marketing and investor relations		**300,735**		158,240
Office and administration		**66,426**		36,165
Professional fees		**379,404**		239,474
Regulatory costs		**93,391**		79,859
Salaries and benefits		**278,118**		165,260
Share-based payments (Note 11)		**197,299**		118,355
Loss from continuing operations		**(2,074,417)**		(949,037)
Gain (loss) from discontinued operations (Note 10)		**4,132**		(7,873)
Net loss and comprehensive loss for the period	$	**(2,070,285)**	$	(956,910)
Basic and diluted loss per share	$	**(0.03)**	$	(0.02)
Weighted average number of shares outstanding		**77,680,893**		65,933,244

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)

		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	**(2,070,285)**	$	(956,910)
Items not affecting cash:				
Change in estimate of future reclamation provision		**(20,807)**		-
Depreciation		**3,186**		527
Share-based payments		**197,299**		118,355
Foreign exchange loss (gain)		**61,088**		(2,839)
Non-cash working capital item changes:				
Receivables		**102,585**		(4,634)
Prepaid expenses		**(235,910)**		(160,289)
Accounts payable and accrued liabilities		**263,907**		12,629
Due to related parties		**(123,400)**		48,956
Net cash used in operating activities		**(1,822,337)**		(944,205)
CASH FLOWS FROM INVESTING ACTIVITIES				
Deposit on aircraft		**-**		(31,133)
Purchase of equipment		**(16,020)**		(1,000)
Net cash used in investing activities		**(16,020)**		(32,133)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issuance of shares		**3,597,561**		4,794,151
Share issue costs		**(3,893)**		(24,085)
Net cash provided by financing activities		**3,593,668**		4,770,066
Net change in cash and cash equivalents during the period		**1,755,311**		3,793,728
Cash and cash equivalents, beginning of the period		**1,220,555**		2,981,046
Cash and cash equivalents, end of the period	$	**2,975,866**	$	6,774,774
Cash and cash equivalents				
Cash	$	**2,952,866**	$	6,751,774
Short term investments		**23,000**		23,000
	$	**2,975,866**	$	6,774,774
Cash received for				
Interest	$	**11,831**	$	23,057
Taxes	$	**-**	$	-

Supplemental disclosures with respect to cash flows (Note 13)

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
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital								
	Number of Shares		Amount		Reserves		Deficit		Total
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 11)	1,035,000		447,112		(127,612)		-		319,500
Issuance of shares – warrants exercised (Note 11)	10,558,086		4,658,925		(184,274)		-		4,474,651
Share issue costs (Note 11)	-		(24,085)		-		-		(24,085)
Agents warrants issued (Note 11)	-		(235,760)		235,760		-		-
Share-based payments – stock options (Note 11)	-		-		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**
Issuance of shares – stock options exercised (Note 11)	365,000		108,234		(28,734)		-		79,500
Issuance of shares – warrants exercised (Note 11)	2,252,613		911,999		(16,864)		-		895,135
Issuance of shares – private placement (Note 11)	1,627,907		700,000		-		-		700,000
Share issue costs (Note 11)	-		(6,456)		-		-		(6,456)
Agents warrants issued (Note 11)	-		(37,608)		37,608		-		-
Share-based payments – stock options (Note 11)	-		-		260,828		-		260,828
Share-based payments – restricted share units (Note 11)	-		-		258,084		-		258,084
Loss for the period	-		-		-		(4,755,934)		(4,755,934)
Balance – December 31, 2018	**73,948,611**		**21,370,708**		**1,881,064**		**(18,843,911)**		**4,407,861**
Issuance of shares – stock options exercised (Note 11)	701,250		248,309		(66,059)		-		182,250
Issuance of shares – warrants exercised (Note 11)	7,037,555		3,635,235		(219,924)		-		3,415,311
Share issue costs (Note 11)	-		(3,893)		-		-		(3,893)
Agents warrants issued (Note 11)	-		(3,027)		3,027		-		-
Share-based payments – stock options (Note 11)	-		-		54,223		-		54,223
Share-based payments – restricted share units (Note 11)	-		-		143,076		-		143,076
Loss for the period	-		-		-		(2,070,285)		(2,070,285)
Balance – March 31, 2019	**81,687,416**	**$**	**25,247,332**	**$**	**1,795,407**	**$**	**(20,914,196)**	**$**	**6,128,543**

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. 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" or "TSXV") 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, 2019, the Company had working capital of $2,865,192 and a deficit of $20,914,196. 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, to complete the build-out of the airline, and fulfill commitments with respect to aircraft (Note 16).

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, 2018.

Basis of presentation

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries, and have been prepared using the accrual basis of accounting, except for certain cash flow information.

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 in which the Company had an 81% interest. Effective March 30, 2019, the Company resigned as a member of The Bootheel Project LLC and no longer has any interest in the Bootheel property (Note 10). 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	Inactive subsidiary
Crosshair Energy USA, Inc.	Nevada, United States	100% ownership by Target	Inactive subsidiary

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.

<u>Critical accounting estimates</u>

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.

Estimating fair value for granted restricted share units requires estimating the number of awards likely to vest on grant and at each reporting date up to the vesting date. The estimated forfeiture rate is adjusted for actual forfeitures in the period.

2. BASIS OF PRESENTATION *(continued)*

Significant accounting judgments and estimates *(continued)*

Critical accounting estimates *(continued)*

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 7). 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.

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 condensed interim 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, 2018 and have been consistently followed in the preparation of these condensed interim consolidated financial statements, except as outlined below.

Leases

Effective January 1, 2019, the Company adopted IFRS 16, *Leases* ("IFRS 16") which replaces IAS 17, *Leases* ("IAS 17") and its associated interpretative guidance. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases but can elect to exclude those with a term of less than 12 months, or those where the underlying asset is of low value. A lessee is required to recognize a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have also been impacted, including the definition of a lease. Transitional provisions have been provided.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right of use asset or the lease term using the straight line method as this most closely reflects the expected pattern consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate is a function of the Company's incremental borrowing rate, the nature of the underlying asset, the location of the asset and the length of the lease. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as expenses on a straight line basis over the lease term.

No transitional adjustment was required upon adoption of IFRS 16 on January 1, 2019.

Spare parts inventory

Inventories of spare parts are measured at cost being determined using a specific identification basis, net of related obsolescence provision, as applicable.

(Expressed in Canadian Dollars)

4. RECEIVABLES

		As at March 31, 2019		As at December 31, 2018
Sales and other tax credits	$	96,560	$	213,024
Other receivables		16,021		2,142
	$	112,581	$	215,166

5. PREPAID EXPENSES

		As at March 31, 2019		As at December 31, 2018
Aircraft launch	$	183,535	$	-
Deferred transaction costs (Note 11)		63,903		63,903
Insurance		59,417		48,558
Regulatory		41,355		13,459
Other		32,617		18,997
	$	380,827	$	144,917

6. SPARE PARTS INVENTORY

		As at March 31, 2019		As at December 31, 2018
Spare parts for aircraft	$	137,252	$	-

During the three month period ended March 31, 2019, deposits in the amount of $137,252 were transferred from deposits to spare parts inventory (Note 8).

During the three month periods ended March 31, 2019 and 2018, no amounts were recognized as an expense with respect to spare parts inventory. The Company did not recognize any impairment losses or reversals thereof during the periods presented.

7. INVESTMENT IN VOLEO, INC.

As at March 31, 2019, the investment in Voleo consisted of 1,000,000 common shares valued at $200,000. Voleo is a 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 Executive Chair of the Company is also the Executive Chair of Voleo.

Subsequent to the three month period ended March 31, 2019, Voleo completed a business combination with and became a wholly-owned subsidiary of Voleo Trading Systems Inc. (formerly “Logan Resources Ltd.”). In connection with the business combination, the Company’s investment in Voleo was exchanged for 1,700,000 common shares of Voleo Trading Systems Inc.

(Expressed in Canadian Dollars)

8. DEPOSITS

		As at March 31, 2019		As at December 31, 2018
Aircraft security deposits (Note 16)	$	2,926,634	$	2,987,722
Deposit on spare parts (Note 6)		-		137,252
Related party security deposit (Note 12)		100,000		100,000
	$	3,026,634	$	3,224,974

During the three month period ended March 31, 2019, the Company paid security deposits in the amount of $Nil. During the three month period ended March 31, 2018, the Company paid security deposits in the amount $31,133 (US$25,000) in accordance with an aircraft purchase agreement (Note 16).

During the three month period ended March 31, 2019, deposits in the amount of $137,252 were transferred from deposits to spare parts inventory (Note 6).

9. EQUIPMENT

		Computer Equipment		Office Equipment		Total
Cost						
Balance - December 31, 2017	$	16,716	$	-	$	16,716
Additions		21,814		1,112		22,926
Balance – December 31, 2018		38,530		1,112		39,642
Additions		16,020		-		16,020
Balance – March 31, 2019	$	54,550	$	1,112	$	55,662
Accumulated Depreciation						
Balance - December 31, 2017	$	11,729	$	-	$	11,729
Depreciation		3,900		130		4,030
Balance - December 31, 2018		15,629		130		15,759
Depreciation		3,130		56		3,186
Balance – March 31, 2019	$	18,759	$	186	$	18,945
Net Book Value						
As at December 31, 2018	$	22,901	$	982	$	23,883
As at March 31, 2019	$	35,791	$	926	$	36,717

(Expressed in Canadian Dollars)

10. DISCONTINUED OPERATIONS

The Company was previously in the business of acquiring, exploring and evaluating mineral resource properties. During the three month period ended March 31, 2019, the Company disposed of its remaining exploration and evaluation assets.

The gain (loss) from discontinued operations included in loss and comprehensive loss is presented below.

		For the three month period ended March 31, 2019		For the three month period ended March 31, 2018
Change in estimate of future reclamation provision	$	20,807	$	-
Property maintenance costs		(16,675)		(7,873)
Gain (loss) from discontinued operations	$	4,132	$	(7,873)

The Company incurred maintenance costs, including mineral leases and claims and insurance, with respect to its mineral resource properties prior to disposal.

As at March 31, 2019, the balance of the future reclamation provision was $Nil (December 31, 2018 - $20,807). During the three month period ended March 31, 2019, the estimate of future reclamation costs was revised to $Nil and the change in estimate in the amount of $20,807 was included in the gain from discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss.

11. 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, 2019, the Company had 67,988,561 common voting shares and 13,698,855 variable voting shares outstanding.

As at March 31, 2019, 1,721,762 Voting Shares were held in escrow and restricted from trading. These trading restrictions expire on 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. On June 27, 2018, the Honourable Marc Garneau, Minister of Transport, announced that, following the Royal Assent of the *Transportation Modernization Act*, new rules for airline ownership have officially come into force. These changes increase international ownership limits from 25% to 49% of voting interests for Canadian air carriers. A single international investor (individually or in affiliation) cannot hold more than 25% of the voting interests of a Canadian air carrier, and no combination of international air carriers can own more than 25% of a Canadian carrier (individually or in affiliation).

11. SHARE CAPITAL AND RESERVES *(continued)*

Authorized *(continued)*

Variable voting shares *(continued)*

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.

Share issuances

During the three month period ended March 31, 2019:

- The Company issued 701,250 shares for gross proceeds of $182,250 pursuant to the exercise of 701,250 stock options. The fair value of the stock options in the amount of $66,059 was credited to share capital.

- The Company issued 7,037,555 shares for gross proceeds of $3,415,311 pursuant to the exercise of 7,037,555 share purchase warrants. The fair value of the share purchase warrants in the amount of $219,924 was credited to share capital.

- The Company incurred share issue costs in the amount of $3,893 in connection with the issuance of shares.

During the year ended December 31, 2018:

- The Company issued 1,400,000 shares for gross proceeds of $399,000 pursuant to the exercise of 1,400,000 stock options. The fair value of the stock options in the amount of $156,346 was credited to share capital.

- The Company issued 12,810,699 shares for gross proceeds of $5,369,786 pursuant to the exercise of 12,810,699 share purchase warrants. The fair value of the share purchase warrants in the amount of $201,138 was credited to share capital.

- The Company issued 1,627,907 shares for gross proceeds of $700,000 in connection with a private placement.

- The Company incurred share issue costs in the amount of $30,541 in connection with the issuance of shares.

Subscription receipts

On December 27, 2018, the Company closed a private placement with SmartLynx Airlines SIA (“SmartLynx”) pursuant to which the Company sold 22,727,272 subscription receipts (each a “Subscription Receipt”) at a price of $0.33 (the “Offering Price”) per Subscription Receipt for gross proceeds of $7,500,000 (the “Offering”). Each Subscription Receipt entitles SmartLynx to receive, without payment of additional consideration or further action on the part of the holder, one unit of the Company (each a “Unit” and collectively the “Units”), upon receipt by the escrow agent, prior to August 31, 2019 (the “Deadline”), of a release notice from the Company and SmartLynx (the “Release Notice”) confirming that: (a) the Company has raised additional gross proceeds of $40 million (the “Funding Milestone”) from a subsequent financing by May 31, 2019 (such completion date subject to waiver by SmartLynx); (b) the receipt by the Company’s subsidiary, Jetlines Operations, of its Air Operator Certificate from Transport Canada; and (c) no termination event has occurred. Subsequent to the three month period ended March 31, 2019, the Company and SmartLynx amended certain terms of the Offering (Note 17).

Each Unit will consist of one variable voting share of the Company and one common share purchase warrant. Each share purchase warrant shall entitle the holder thereof to purchase one variable voting share of the Company at a price of $0.45 for a period of 36 months from the closing date.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Subscription receipts *(continued)*

If: (i) the Release Notice is not delivered by the Deadline, or (ii) the Offering is terminated in accordance with the terms of the subscription receipt agreement, then SmartLynx will be entitled to receive an amount per Subscription Receipt equal to the Offering Price and an entitlement to the interest earned thereon. Any shortfall will be funded by the Company. In addition, the Company is obligated to pay a termination fee of US$250,000 if the Company has not achieved the Funding Milestone by May 31, 2019 or commits certain other material breaches and SmartLynx terminates the underlying agreements (the "Termination Fee") (Note 17).

SmartLynx retains the option to acquire additional shares of the Company valued at up to $7,500,000 based on the maximum discounted market price permitted under TSXV rules at the time the option is exercised. The option is exercisable for a period of twelve months following the closing of the Offering.

As at March 31, 2019, the escrow agent holds $7,533,236 (December 31, 2018 - $7,501,746) in trust for SmartLynx with respect to the Subscription Receipts, comprising gross proceeds and accrued interest in the amounts of $7,500,000 (December 31, 2018 - $7,500,000) and $33,236 (December 31, 2018 - $1,746), respectively.

As at March 31, 2019, the balance of prepaid expenses includes deferred transaction costs with respect to the Offering in the amount of $63,903 (December 31, 2018 - $63,903) (Note 5).

Share purchase warrants

The following is a summary of share purchase warrants activities during the three month period ended March 31, 2019 and the year ended December 31, 2018:

	Number of Share Purchase Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2017	**29,871,937**	**$0.43**
Issued	605,293	$0.50
Exercised	(12,810,699)	$0.42
Expired	(211,834)	$0.48
Outstanding, December 31, 2018	**17,454,697**	**$0.43**
Issued	108,663	$0.50
Exercised	(7,037,555)	$0.49
Expired	(1,918,198)	$0.49
Outstanding, March 31, 2019	**8,607,607**	**$0.38**

During the three month period ended March 31, 2019:

- The Company issued 108,663 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 $3,027 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.

During the year ended December 31, 2018:

- The Company issued 605,293 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 $273,368 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.

(Expressed in Canadian Dollars)

11. 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, 2019	For the three month period ended March 31, 2018
Risk-free interest rate	1.79%	1.73%
Expected life (years)	0.02	1.09
Annualized volatility	40%	40%
Dividend yield	0%	0%

As at March 31, 2019, the Company had the following share purchase warrants outstanding and exercisable:

Number of share purchase warrants	Exercise price	Remaining life (years)	Expiry date
8,607,607	$0.38	0.46	September 16, 2019

Share-based payments

The maximum number of Voting Shares issuable pursuant to share-based payment arrangements, including stock options and restricted share units, is 14,000,000.

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the "Stock Option Plan"). The maximum price shall not be less than the closing price of the Company's shares on the last trading day preceding the date on which the grant of options is approved by the Board of Directors. Options have a maximum expiry period of ten years from the grant date. Vesting conditions are determined by the Board of Directors in its discretion with certain restrictions in accordance with the Stock Option Plan.

The following is a summary of stock option activities during the three month period ended March 31, 2019 and the year ended December 31, 2018:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2017	**6,800,000**	**$0.28**
Granted	1,605,000	$0.70
Exercised	(1,400,000)	$0.29
Forfeited	(897,500)	$0.28
Outstanding, December 31, 2018	**6,107,500**	**$0.39**
Exercised	(701,250)	$0.26
Forfeited	(106,250)	$0.25
Outstanding, March 31, 2019	**5,300,000**	**$0.41**

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Share-based payments *(continued)*

Stock options *(continued)*

As at March 31, 2019 the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
245,000	245,000	$0.30	0.26	July 4, 2019
110,000	110,000	$0.30	1.0	March 31, 2020
450,000	450,000	$0.34	1.31	July 22, 2020
2,340,000	2,340,000	$0.30	2.91	February 28, 2022
150,000	112,500	$0.30	3.03	April 10, 2022
225,000	168,750	$0.21	3.11	May 9, 2022
225,000	168,750	$0.21	3.25	July 1, 2022
505,000	252,500	$0.76	3.80	January 18, 2023
450,000	225,000	$0.74	3.83	January 29, 2023
225,000	112,500	$0.70	3.85	February 5, 2023
225,000	-	$0.57	4.60	November 8, 2023
150,000	-	$0.56	4.69	December 10, 2023
5,300,000	**4,185,000**			

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, 2019, the Company recognized share-based payment expense with respect to stock options in the amount of $54,223 (2018 - $118,355).

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, 2019 and 2018:

	For the three month period ended March 31, 2019	For the three month period ended March 31, 2018
Risk-free interest rate	-	2.04%
Expected life (years)	-	5.0
Annualized volatility	-	40%
Dividend yield	-	0%

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Share-based payments *(continued)*

Restricted share units

The Company grants restricted share units ("RSUs") to directors, officers, employees and consultants as compensation for services, pursuant to its Restricted Share Unit Plan (the "RSU Plan"). One restricted share unit has the same value as a Voting Share. The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion.

At the election of the Board of Directors, upon each vesting date, participants receive (a) the issuance of Voting Shares from treasury equal to the number of RSUs vesting, or (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Voting Share, calculated as the closing price of the Voting Shares on the TSXV for the trading day immediately preceding such payment date; or (c) a combination of (a) and (b).

On the grant date of RSUs, the Company determines whether it has a present obligation to settle in cash. If the Company has a present obligation to settle in cash, the RSUs are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company has a present obligation to settle in cash if the choice of settlement in shares has no commercial substance, or the Company has a past practice or a stated policy of setting in cash, or generally settles in cash whenever the counterparty asks for cash settlement.

If no such obligation exists, RSUs are accounted for as equity settled share-based payments and are valued using the share price on grant date. Upon settlement:

a. If the Company elects to settle in cash, the cash payment is accounted for as the repurchase of an equity interest (i.e. as a deduction from equity), except as noted in (c) below.
b. If the Company elects to settle by issuing shares, the value of RSUs initially recognized in reserves is reclassified to share capital, except as noted in (c) below.
c. If the Company elects the settlement alternative with the higher fair value, as at the date of settlement, the Company recognizes an additional expense for the excess value given (i.e. the difference between the cash paid and the fair value of shares that would otherwise have been issued, or the difference between the fair value of the shares and the amount of cash that would otherwise have been paid, whichever is applicable).

The following is a summary of RSU activities during the three month period ended March 31, 2019 and the year ended December 31, 2018:

	Number of RSUs	Weighted average grant date fair value per RSU
Outstanding, December 31, 2017	**-**	**-**
Granted	4,528,004	$0.70
Forfeited	(1,778,004)	$0.59
Outstanding, December 31, 2018	**2,750,000**	**$0.51**
Granted	250,000	$0.61
Forfeited	(750,000)	$0.52
Outstanding, March 31, 2019	**2,250,000**	**$0.51**

During the three month period ended March 31, 2019, the Company recognized share-based payments expense with respect to RSUs in the amount of $143,076 (2018 - $Nil).

(Expressed in Canadian Dollars)

12. 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, 2019 and 2018 is summarized as follows:

		For the three month period ended March 31, 2019		For the three month period ended March 31, 2018
Short-term benefits [(1)]	$	462,910	$	292,324
Share-based payments (Note 11)		180,252		80,756
	$	643,162	$	373,080

(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 West") is an entity owned by Mark Morabito, Executive Chair 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, 2019 and 2018 include the following:

		For the three month period ended March 31, 2019		For the three month period ended March 31, 2018
King & Bay West	$	273,347	$	197,622

As at March 31, 2019 and December 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 (Note 8). 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, 2019 and December 31, 2018, the balance of restricted cash in the amount of $500,000 is held in a separate guaranteed investment certificate pursuant to an employment agreement between the Company and its Chief Executive Officer, Javier Suarez. The future payment of the restricted funds to the Chief Executive Officer is contingent upon the occurrence of certain events and/or conditions.

Pursuant to employment agreements between the Company and executive officers, the Company would be required to pay bonuses up to $300,000 upon the occurrence of certain events, including the completion of financing and/or the receipt of the Air Operator Certificate by Jetlines Operations.

12. RELATED PARTY TRANSACTIONS *(continued)*

Other related party transactions and balances *(continued)*

As at March 31, 2019, amounts due to related parties include the following:

- MJM Consulting Corp., an entity owned by Mark Morabito, Executive Chair of the Company - $Nil (December 31, 2018 - $8,737) in relation to expenses incurred on behalf of the Company.

- King & Bay West - $103,590 (December 31, 2018 - $225,572) in relation to the services described above.

- Javier Suarez, Chief Executive Officer of the Company - $Nil (December 31, 2018 - $4,088) in relation to expenses incurred on behalf of the Company.

- Adsajama Consultancy Ltd., an entity owned by Alan Bird, Director of the Company - $7,038 (December 31, 2018 - $3,559) in relation to consulting and advisory services provided to the Company.

- Philip Larsen, Vice President of Maintenance of the Company - $73 (December 31, 2018 - $73) in relation to expenses incurred on behalf of the Company.

- Zygimantas Surintas, Director of the Company - $7,928 (December 31, 2018 - $Nil) in relation to accrued director fees.

The amounts due to related parties are unsecured, non-interest bearing and have no stated terms of repayment.

13. 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, 2019 are summarized below:

- Deposits in the amount of $137,252 were transferred to spare parts inventory (Notes 6 and 8).

- The Company issued 108,633 share purchase warrants to agents in connection with underlying agent warrants. The fair value of $3,027 was recorded as share issue costs (Note 11).

- The Company credited $66,059 to share capital in relation to the fair value of stock options exercised (Note 11).

- The Company credited $219,924 to share capital in relation to the fair value of share purchase warrants exercised (Note 11).

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 11).

- The Company credited $127,612 to share capital in relation to the fair value of stock options exercised (Note 11).

- The Company credited $184,274 to share capital in relation to the fair value of share purchase warrants exercised (Note 11).

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, 2019.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate 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, receivables and deposits. 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's deposits are primarily held by AerCap, a global leader in aircraft leasing and aviation finance. 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, 2019, the Company had working capital of $2,865,192 and a deficit of $20,914,196. The Company does not currently have sufficient funds to meet domestic licensing financial capability requirements, complete the build-out of the airline, and fulfill commitments with respect to aircraft (Notes 16 and 17).

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 and restricted cash is minimal because these investments generally have a fixed yield rate.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Market risk *(continued)*

(b) Currency risk

At present the Company's expenditures are predominantly in Canadian dollars. The Company has US dollar commitments with respect to aircraft leases (Notes 16 and 17). Future equity raised may be in either Canadian or US dollars. 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, 2019, a 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately $280,000 based on US dollar denominated monetary assets and liabilities.

16. COMMITMENTS

Financing

Convertible debentures

On March 28, 2019, the Company executed a letter of intent with a South Korean special purpose fund (the "SPV Fund") led and established by InHarv Partners Ltd. ("InHarv") for a financing of up to $14,000,000 which was to consist of convertible debentures (each, a "Debenture") and 1,785.71 variable voting share purchase warrants (each, a "Warrant") for every $1,000 of principal of the Debentures. The initial tranche provided for gross proceeds in the amount of $7,000,000. Each Warrant is exercisable into one additional variable voting share (each, a "Warrant Share") at an exercise price of $0.56 per Warrant Share for a period of 36 months from the date of closing.

The Debentures will have a maturity date of 36 months from the date of issuance (the "Maturity Date") and the principal amount of the Debentures, together with any accrued and unpaid interest, will be payable on the Maturity Date, unless earlier converted. The Debentures bear interest at a rate of 10% per annum, payable in cash annually, unless earlier converted. The principal amount of the Debentures is convertible into variable voting common shares of the Company at the option of the holders at a conversion price of $0.56 per variable voting common share. The Debentures are subject to an origination fee of 5% payable in variable voting common shares based on the market price at the time of issuance of such shares. The funds will be available to the Company once certain conditions have been satisfied. The Debentures will be secured by a charge over the assets of the Company.

Subsequent to the three month period ended March 31, 2019, the Company and InHarv amended certain terms of the financing and entered into a definitive subscription agreement (Note 17). The closing of the Debentures is conditional on the satisfaction of conditions to closing contained in the subscription agreement. These conditions include, among other things, approval of the TSX Venture Exchange, the execution of security documents and an investor rights agreement and the receipt of all other necessary consents, approvals and authorizations required by either party.

Subscription receipts

The Company has commitments with respect to the Subscription Receipts issued during the year ended December 31, 2018 (Notes 11 and 17).

16. COMMITMENTS *(continued)*

Aircraft

Aircraft lease

On June 12, 2018, the Company entered into definitive aircraft lease agreements for two Airbus A320 aircraft scheduled for delivery in fiscal 2019 (the "Airbus Lease Agreements"). Subsequent to the three month period ended March 31, 2019, the Airbus Lease Agreements were terminated (Note 17).

Security deposits paid by the Company in the amount of US$2,190,000 were retained by the lessor and may be applied in the lessor's determination as financial accommodation to potential future aircraft lease transactions between the Company and the lessor entered into prior to April 3, 2020 subject to certain conditions (Note 8).

Aircraft purchase

On December 11, 2014, the Company signed a 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 included five initial orders, purchase rights for an additional sixteen 737 MAX and some conversion rights to the 737-8 MAX aircraft.

The Boeing Agreement also contained a clause that if the Company entered into an agreement to operate or purchase non-Boeing aircraft, the full 1% deposit (less previous payments) for all aircraft would be due and payable immediately. As disclosed above, the Company has entered into the Airbus Lease Agreements. The Company and Boeing may be in a dispute regarding the continued validity of the Boeing Agreement in general as a result of, among other things, the Company's inability to secure Boeing aircraft for the start-up of airline operations and the obligation of Boeing and the Company thereunder. The Company has communicated to Boeing that the Boeing Agreement is terminated. To date Boeing has not objected to that termination, and Boeing has not commenced legal proceedings with respect to any alleged violation of the terms of the Boeing Agreement by the Company.

The ultimate resolution of any dispute with Boeing would be inherently unpredictable. As such, the Company's financial condition and results of operations could be adversely affected in any particular period by an unfavorable outcome. The potential financial and other impacts on the Company are uncertain but could be material and adverse.

17. SUBSEQUENT EVENTS

The following events occurred subsequent to the three month period ended March 31, 2019:

- The Company executed a letter of intent with SmartLynx with respect to the lease for two Airbus A320 aircraft each for a period of five months to commence on November 1, 2019 (the "SmartLynx LOI") and paid security deposits in the amount of US$380,000. The SmartLynx LOI was superseded by definitive lease agreements entered into on May 15, 2019.
- The Company terminated the Airbus Lease Agreements (Note 16). Security deposits paid by the Company in the amount of US$2,190,000 were retained by the lessor and may be applied in the lessor's determination as financial accommodation to potential future aircraft lease transactions between the Company and the lessor entered into prior to April 3, 2020 subject to certain conditions (Note 8).
- The Company and SmartLynx amended the escrow release conditions of the Offering completed during the year ended December 31, 2018 (Note 11). The proceeds in the amount of $7,500,000 shall be released to the Company as follows: (a) $5,250,000 upon (i) the Company completing the Funding Milestone from a subsequent financing by June 30, 2019 (such completion date subject to waiver by SmartLynx), and (ii) the receipt by Jetlines Operations from the Canada Transportation Agency an order providing an exemption from Section 59 of the *Canada Transportation Act*, to allow it to sell tickets for air travel; and (b) $2,250,000 upon the receipt by Jetlines Operations of its Air Operator Certificate from Transport Canada. In addition, the Termination Fee is required to be held in escrow. The Company is obligated to pay the Termination Fee if the Company has not achieved the Funding Milestone by June 30, 2019 or commits certain other material breaches and SmartLynx terminates the underlying agreements.

17. SUBSEQUENT EVENTS *(continued)*

- The Company granted 710,000 RSUs of which 660,000 RSUs vest over three years and 50,000 RSUs vest over one year.
- The Company granted 300,000 stock options with an exercise price of $0.44 which vest over two years.
- The Company entered into a subscription agreement with InHarv, on behalf of the SPV Fund to be called InHarv ULCC Growth Fund, for a financing of $7,000,000. The offering will consist of 7,000 units (each, an "InHarv Unit"), with each InHarv Unit comprised of one $1,000 principal amount (the "Principal Amount") Debentures and 2,439.02439 variable voting share purchase warrants (each, an "InHarv Warrant"), and with each InHarv Warrant entitling the holder thereof to acquire one variable voting share of the Company (each, an "InHarv Warrant Share") at a price of $0.41 per InHarv Warrant Share for a period of 36 months from the date of closing. The Company will issue a total of 17,073,170 InHarv Warrants to the SPV Fund as part of the InHarv Units subscribed for by the SPV Fund.

  The terms of the Debentures include: (i) a maturity date on such date that is 36 months from the date of issuance of the Debentures and the principal amount of the Debentures, together with any accrued and unpaid interest thereon, will be payable on the Maturity Date, unless earlier converted in accordance with its terms; (ii) each draw of the Principal Amount will accrue interest ("Interest") from the drawdown date of such draw at the rate of 10% per annum, which Interest will be payable in cash annually on the anniversary date of the drawdown date of such draw, and on the conversion date or the Maturity Date, as the case may be; (iii) all or a portion of the Principal Amount outstanding is convertible into variable voting shares of the Company at the option of the holder at a conversion price of $0.41 per share; and (iv) the Debentures are subject to an origination fee of 5%, payable in shares on each drawdown date at an issue price equal to the market price at the time of such drawdown date. The funds will be available for drawdown based on the satisfaction of certain conditions. $4,900,000 (70%) of the proceeds shall be available for drawdown by the Company once it receives from the Canada Transportation Agency an order allowing it to sell tickets for airline travel and the Company has completed additional financings for gross proceeds of $33,000,000. The remaining $2,100,000 (30%) of the proceeds shall be available for drawdown upon the receipt by the Company's subsidiary, Jetlines Operations, of its Air Operator Certificate from Transport Canada. The obligation of the Company to repay the Principal Amount and all unpaid Interest thereon to the SPV Fund will be secured by a security interest granted by the Company to the SPV Fund over all of the Company's present and after-acquired property pursuant to a general security agreement to be entered into.

  The closing of the Debentures is conditional on the satisfaction of conditions to closing contained in the subscription agreement. These conditions include, among other things, approval of the TSX Venture Exchange, the execution of security documents and an investor rights agreement and the receipt of all other necessary consents, approvals and authorizations required by either party.
- The Company issued 451,500 shares for gross proceeds of $169,313 pursuant to the exercise of 451,500 share purchase warrants.
- The Company issued 50,000 shares for gross proceeds of $15,000 pursuant to the exercise of 50,000 stock options.