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, 2019. The information provided herein should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018 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; 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 including the commencement of ticket sales and launch of airline operations..

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 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 disputes with The Boeing Company ("Boeing") regarding the agreement 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. 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 legacy 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 average base fares that are approximately 50% below current Canadian legacy airlines. 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. 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.

Subsequent to granting the Exemption Order, 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 all 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).

OUTLOOK

The proceeds from the issuance of shares are being used to further the business objectives of the Company in launching an ULCC airline in Canada through its pre-operating stage, including making deposit payments for initial aircraft, advancing the domestic licensing process, augmenting the leadership team with operations, financial and commercial personnel, branding and marketing activities, signing of commercial and operational agreements, as well as advancing internet, digital media and information technology systems initiatives. Further funding, in the form of debt, equity or other facilities, will be required to take delivery of aircraft, 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.

The Company has announced financing transactions with its European airline partner SmartLynx Airlines SIA ("SmartLynx") for up to $15 million and a South Korean special purpose fund led and established by InHarv Partners Ltd. for up to $7 million. Refer to "Commitments – Financing" for additional detail. Management will continue its fundraising efforts in the coming months to raise the capital necessary to take delivery of aircraft, commence operations, and complete the licensing process which is described below.

The Company has set a targeted launch date for commercial service of December 17, 2019, using Vancouver International Airport as its home airport. As a result of this determination, the Company and AerCap have mutually agreed to terminate the leases for two Airbus A320 aircraft, and the Company has entered into definitive lease agreements with SmartLynx for the lease of two alternative Airbus A320s that will be available for delivery in the fourth quarter of fiscal 2019, in line with the expected commencement of the Company's operations. Refer to "Subsequent Events" for additional detail.

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 issued 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.

The Company 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 completion of the Transport Canada Air Operator Certificate ("AOC") 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.

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 90 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 further aircraft at an average incremental rate of approximately four per year.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Loss from Continuing Operations

For the three month period ended March 31, 2019, the Company reported a loss from continuing operations in the amount of $2,074,417 or $0.03 per share, compared to a loss from continuing operations of $949,037 or $0.02 per share for the same period of the prior year. The increase in loss from continuing operations in the amount of $1,125,380 is explained by increased corporate and operational activities detailed below.

During the three month period ended March 31, 2019, the Company incurred aircraft launch, licensing and route network related costs in the amount of $710,467 in connection with the AOC and licensing processes, inspecting aircraft, negotiating airport agreements, recruiting and training, procuring and implementing IT systems, advancing financing efforts, and communicating with key stakeholders. During the three month period ended March 31, 2018, the Company incurred costs in the amount of $177,608 as it commenced the AOC and licensing processes.

During the three month period ended March 31, 2019, the Company incurred marketing and investor relations expenses in the amount of $300,735 (2018 - $158,240) which includes ongoing investor outreach, marketing through social media and other channels, merchandising, research coverage, business development and overall public relations. The increase in marketing and investor relations for the three month period ended March 31, 2019 in the amount of $142,495 compared to the same period of the prior year is attributable to the engagement of a marketing agency of record and the rollout of a marketing and branding plan for fiscal 2019.

During the three month period ended March 31, 2019, the Company incurred office and administration expenses in the amount of $66,426 (2018 - $36,165) to support ongoing corporate activities and operational initiatives. The increase in office and administration expenses in the amount of $30,261 was driven by increased overall activities and personnel.

Professional fees for the three month period ended March 31, 2019 totaled $379,404 (2018 - $239,474), representing an increase of $139,930 which is explained by accounting, audit, consulting and legal fees and increased corporate activities with respect to the Company's strategic objectives.

Regulatory costs increased to $93,391 for the three month period ended March 31, 2019 from $79,859 for the same period of the prior year. The increase in the amount of $13,532 is explained by increased corporate transactions during the three month period ended March 31, 2019. Regulatory costs include transfer agent, listing and filing fees, the cost of Board and shareholder meetings and directors' fees to non-management board members.

The Company incurred salaries and benefits in the amount of $278,118 for the three month period ended March 31, 2019 compared to $165,260 for the same period of the prior year, representing an increase of $112,858 relating to organizational changes to augment the Company's leadership team. Salaries and benefits reflect senior management and executive leadership personnel. Operational and commercial personnel are included in aircraft, licensing and route network expenses and marketing, respectively.

The Company recorded share-based payments expense for the three month period ended March 31, 2019 in the amount of $197,299 (2018 - $118,355) which reflects the fair value of equity-settled awards recognized over the respective vesting periods.

Finance income for the three month period ended March 31, 2019 in the amount of $13,478 (2018 - $23,512) relates to interest income earned on excess cash on hand and is a function of average cash and cash equivalent balances during the period.

The Company recorded a foreign exchange loss for the three month period ended March 31, 2019 in the amount of $58,869 (2018 – gain of $2,939) with respect to transactions and balances denominated in US dollars and the impact of fluctuations in the exchange rate. The increase in the foreign exchange loss recorded during the three month period ended March 31, 2019 compared to the prior period in the amount of $61,808 is explained by increased aircraft security deposits which are denominated in US dollars. Refer to "Statement of Financial Position Information" and "Commitments" for additional detail of security deposits on aircraft.

Gain (Loss) from 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.

During the three month period ended March 31, 2019, the Company recorded a gain from discontinued operations in the amount of $4,132. 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. This gain was partially offset by maintenance costs, including mineral leases and claims and insurance, incurred prior to disposal in the amount of $16,675.

During the three month period ended March 31, 2018, the Company recorded a loss from discontinued operations in the amount of $7,873 with respect to maintenance costs incurred on the mineral resource properties.

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 consolidated financial statements.

Description	Q1 March 31, 2019 ($)	Q4 December 31, 2018 ($)	Q3 September 30, 2018 ($)	Q2 June 30, 2018 ($)
Loss from continuing operations	**(2,074,417)**	**(1,817,245)**	(1,388,613)	(1,531,499)
Loss and comprehensive loss	**(2,070,285)**	**(1,824,835)**	(1,396,447)	(1,534,652)
Loss per share	**(0.03)**	**(0.02)**	(0.02)	(0.02)
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)

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends except that the Company's loss from continuing operations and comprehensive loss have been increasing over the last two quarters due to increased activities related to the buildout of the airline.

As from the foregoing, expenditures over the last eight quarters have been relatively consistent and reflect the advancement of the Company's strategic objectives.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2019, the Company had cash and cash equivalents in the amount of $2,975,866 (December 31, 2018 - $1,220,555) and working capital in the amount of $2,865,192 (December 31, 2018 - $979,811). The increase in working capital in the amount of $1,885,381 is explained by proceeds received from the issuance of shares during the three month period ended March 31, 2019, net of operating activities.

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 issuance of shares are being used to further the business objectives of the Company in launching an ultra-low cost carrier airline in Canada through its pre-operating stage, including making deposit payments on initial aircraft, advancing the domestic licensing process, augmenting the leadership team with operations, financial and commercial personnel, branding and marketing activities, signing of commercial and operational agreements, as well as advancing internet, digital media and information technology systems initiatives. 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, take delivery of initial aircraft (including making deposit and lease payments for aircraft), finalizing sales and administrative systems and other launch activities.

The Company's cash and cash equivalents and restricted cash 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, 2019 and 2018 are summarized in the table below.

	March 31, 2019	March 31, 2018
Cash used in operating activities	$ (1,822,337)	$ (944,205)
Cash used in investing activities	(16,020)	(32,133)
Cash provided by financing activities	3,593,668	4,770,066
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**

Operating Activities

Cash used in operating activities adjusts loss for the period for non-cash items including, but not limited to, depreciation, 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 periods ended March 31, 2019 and 2018.

Investing Activities

During the three month period ended March 31, 2019, the Company purchased equipment in the amount of $16,020.

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

Financing Activities

Financing activities for the three month period ended March 31, 2019 consist of gross proceeds received of $3,597,561 (2018 - $4,794,151) pursuant to the exercise of stock options and warrants, net of share issue costs paid of $3,893 (2018 - $24,085).

STATEMENT OF FINANCIAL POSITION INFORMATION

	As at March 31, 2019		As at December 31, 2018	
Cash and cash equivalents	$	2,975,866	$	1,220,555
Restricted cash		500,000		500,000
Receivables		112,581		215,166
Prepaid expenses		380,827		144,917
Spare parts inventory		137,252		-
Investment in Voleo, Inc.		200,000		200,000
Deposits		3,026,634		3,224,974
Equipment		36,717		23,883
Total Assets	**$**	**7,369,877**	**$**	**5,529,495**
Accounts payable and accrued liabilities	**$**	1,122,705	$	858,798
Due to related parties		118,629		242,029
Future reclamation provision		-		20,807
Share capital		25,247,332		21,370,708
Reserves		1,795,407		1,881,064
Deficit		(20,914,196)		(18,843,911)
Total Liabilities and Equity	**$**	**7,369,877**	**$**	**5,529,495**

Assets

Cash and cash equivalents increased by $1,755,311 during the three month period ended March 31, 2019 as a result of proceeds received from the issuance of shares, net of operating costs incurred. Cash flows are detailed in "Liquidity and Capital Resources". Operating activities are detailed in "Review of Consolidated Financial Results".

The balance of restricted cash as of March 31, 2019 and December 31, 2018 is discussed further in "Related Party Transactions".

Receivables decreased by $102,585 during the three month period ended March 31, 2019 and relates primarily to Goods and Services Tax ("GST") input tax credits received, net of GST paid.

As at March 31, 2019, prepaid expenses increased by $235,910 compared to the balance as at December 31, 2018 and is primarily explained by deposits paid in advance of airline operations, including engineering and maintenance, software licenses, and data subscriptions, as well as annual listing expenses and insurance premiums paid.

As at March 31, 2019 and December 31, 2018, the investment in Voleo, Inc. ("Voleo") consists of 1,000,000 common shares with a carrying value of $200,000.

During the three month period ended March 31, 2019, deposits in the amount of $137,252 were transferred to spare parts inventory. No amounts were recognized as an expense with respect to spare parts inventory; and the Company did not recognize any impairment losses or reversals thereof during the periods presented.

The balance of the non-current deposits as at March 31, 2019 consists of aircraft security deposits in the amount of $2,926,634 (December 31, 2018 - $2,987,722), a deposit on spare parts in the amount of $Nil (December 31, 2018 - $137,252), and a related party security deposit in the amount of $100,000 (December 31, 2018 - $100,000). The decrease in deposits during the three month period ended March 31, 2019 in the amount of $198,340 is explained by the impact of foreign exchange in the amount of $61,088 and the transfer to spare parts inventory in the amount of $137,252. Refer to "Commitments" and "Related Party Transactions" for additional detail of aircraft security deposits and the related party security deposit, respectively.

As at March 31, 2019, the Company's equipment had a net book value of $36,717 (December 31, 2018 - $23,883). During the three month period ended March 31, 2019, the Company purchased additional equipment in the amount of $16,020 and recorded depreciation expense in the amount of $3,186 for a net increase in the amount of $12,834 to equipment.

Liabilities

During the three month period ended March 31, 2019, accounts payable and accrued liabilities increased by $263,907 and is explained by increased corporate, operational and commercial activities and the timing of payments to third parties.

As at March 31, 2019, the balance due to related parties in the amount of $118,629 (December 31, 2018 - $242,029) 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, 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. Refer to "Review of Consolidated Financial Results".

Equity

Share capital increased by $3,876,624 during the three month period ended March 31, 2019 and is explained by proceeds received from share issuances ($3,597,561) and fair value adjustments for stock options and warrants exercised ($285,983), net of share issue costs paid ($3,893) and the fair value of additional agent share purchase warrants issued ($3,027). Equity transactions are further detailed in "Share Capital".

Reserves decreased by $85,657 during the three month period ended March 31, 2019 and is explained by the fair value adjustments for stock options and warrants exercised ($285,983), net of the fair value of additional agent share purchase warrants issued ($3,027) and share-based payments related to stock options and restricted share units ($197,299).

Deficit increased by the loss for the three month period ended March 31, 2019 in the amount of $2,070,285.

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 (and the recent changes to the rules for airline ownership under the *Transportation Modernization Act*), references above to 25% are increased to 49%.

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, 2019
Common voting shares – issued and outstanding	67,988,561
Variable voting shares – issued and outstanding	13,698,855
Variable voting share issuable for subscription receipts	22,727,272
Voting Shares issuable on vesting of restricted share units	2,250,000
Voting Shares issuable on exercise of stock options	5,300,000
Voting Shares issuable on exercise of warrants	8,607,607
Voting Shares – fully diluted	120,572,295

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.

Subscription Receipts

On December 27, 2018, the Company closed a private placement with 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.

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.

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”).

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.

Subsequent to the three month period ended March 31, 2019, the Company and SmartLynx amended certain terms of the Offering. Refer to “Subsequent Events” below.

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).

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, 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		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 that is owned by Mark Morabito, the Executive Chair 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 arm's length 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, 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. 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 Company's 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.

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.

Transactions with related parties, are described above, were for services rendered to the Company in the normal course of operations, and were measured based on the consideration established and agreed to by the related parties. All services were made on terms equivalent to those that prevail with arm's length transactions.

GOING CONCERN

The accompanying condensed interim consolidated financial statements of the Company 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.

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.

Estimating fair value for granted restricted share units requires estimating the number or 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.

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, 2018 and have been consistently followed in the preparation of the accompanying 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.

No transitional adjustment was required upon adoption of IFRS 16 on January 1, 2019. Refer to the accompanying condensed interim consolidated financial statements for additional disclosure with respect to IFRS 16.

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.

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

(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. 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.

RISK FACTORS

The development and ultimate operation of an 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.

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. In particular, the Company needs to raise additional debt or equity financing in order to actually take delivery of its initial aircraft. Failure to complete such financing will result in an indefinite delay to the Company's estimated timeline to launch commercial operations.

Potential Dispute with Respect to the Boeing Agreement

The Company, through its subsidiary Jetlines Operations, entered into the Boeing Agreement (defined below) for the firm purchase of five Boeing 737 MAX aircraft with delivery commencing in 2023. The terms of the Boeing Agreement required the Company to make initial deposits. In addition to the initial deposits under the Boeing Agreement, the terms of the Boeing Agreement required the Company 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 contained 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 would be due and payable immediately. As disclosed above, the Company entered into lease agreements for Airbus aircraft. 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. 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 materially adversely to the business of the Company.

The Company may not be able to meet the deadlines under the financing with SmartLynx, which would allow SmartLynx to terminate its financing commitments

On December 27, 2018, the Company closed a private placement with SmartLynx pursuant to which the Company sold 22,727,272 Subscription Receipts at a price of $0.33 per Subscription Receipt for gross proceeds of $7,500,000. 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 upon receipt by the escrow agent, prior to the Deadline of the Release Notice confirming that: (a) the Company has completed the Funding Milestone by June 30, 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.

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 June 30, 2019 (unless waived by SmartLynx) or commits certain other material breaches and SmartLynx terminates the underlying agreements. Due to the Company's updated launch timeline, there is a risk that it will not achieve the milestones set out in the agreements with SmartLynx, allowing SmartLynx to terminate the Offering and receive the return of its proceeds from escrow. If this were to occur, the Company would need to raise funding for other sources and this may impact its plan commercial operations launch timeline.

The Company may be a party to litigation in the normal course of business or otherwise, which could affect its financial position and liquidity

From time to time, the Company is a party to or otherwise involved in legal proceedings, claims and government inspections or investigations and other legal matters, both inside and outside Canada, arising in the ordinary course of our business or otherwise. The Company is currently involved in legal proceedings and claims that have not yet been fully resolved, and additional claims may arise in the future. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Litigation is subject to significant uncertainty and may be expensive, time-consuming, and disruptive to our operations. Although the Company will vigorously defend ourselves in such legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain. For these and other reasons, the Company may choose to settle legal proceedings and claims, regardless of their actual merit. If a legal proceeding is resolved against the Company, it could result in significant compensatory damages, and in certain circumstances punitive or trebled damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief imposed on us. If our existing insurance does not cover the amount or types of damages awarded, or if other resolution or actions taken as a result of the legal proceeding were to restrain the Company's ability to operate or market our services, our consolidated financial position, results of operations or cash flows could be materially adversely affected. In addition, legal proceedings, and any adverse resolution thereof, can result in adverse publicity and damage to the Company's reputation, which could adversely impact its business.

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

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. Refer to "Subsequent Events" below. 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. Refer to "Share Capital" and "Subsequent Events" for additional detail.

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.

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.

Aircraft Purchase

On December 11, 2014, the Company signed a purchase agreement with 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 enters 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 obligations 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.

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, 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. 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.

- The Company and SmartLynx amended the escrow release conditions of the Offering completed during the year ended December 31, 2018. 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.

- 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.

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.