CANADA JETLINES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018

(Unaudited)
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

		SEPTEMBER 30, 2018		DECEMBER 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents (Note 11)	$	**2,902,363**	$	2,981,046
Receivables		**174,418**		119,994
Prepaid expenses		**113,057**		96,077
		3,189,838		3,197,117
Investment in Voleo, Inc. (Note 5)		**200,000**		200,000
Deposits (Note 6)		**2,934,951**		162,727
Equipment (Note 7)		**7,660**		4,987
	$	**6,332,449**	$	3,564,831
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	**552,856**	$	455,569
Due to related parties (Note 11)		**182,681**		43,262
		735,537		498,831
Future reclamation provision (Note 8)		**20,807**		20,807
		756,344		519,638
Shareholders' equity				
Share capital (Note 10)		**20,964,978**		14,848,347
Reserves		**1,630,203**		1,327,913
Deficit		**(17,019,076)**		(13,131,067)
		5,576,105		3,045,193
	$	**6,332,449**	$	3,564,831

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

Approved on November 16, 2018 on behalf of the Board of Directors:

"Jason Grant" Director
Jason Grant

"Réjean Bourque" Director
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
(Unaudited)
(Expressed in Canadian Dollars)

	THREE MONTH PERIODS ENDED SEPTEMBER 30,				NINE MONTH PERIODS ENDED SEPTEMBER 30,			
		2018		**2017**		**2018**		**2017**
OPERATING ITEMS								
Aircraft launch, licensing and route network	$	**193,063**	$	174,810	$	**714,273**	$	515,288
Consulting		**-**		-		**-**		4,560
Depreciation (Note 7)		**867**		827		**1,998**		1,731
Finance income		**(17,235)**		(14,462)		**(64,678)**		(31,920)
Foreign exchange loss (gain)		**40,677**		(2,680)		**5,756**		(1,964)
Impairment of deposits (Note 6)		**97,087**		-		**97,087**		-
Interest expense (Note 9)		**-**		-		**-**		3,674
Listing expense (Note 4)		**-**		-		**-**		4,990,119
Marketing and investor relations		**148,587**		242,454		**447,049**		539,485
Office and administration		**63,055**		45,086		**158,125**		125,415
Professional fees		**314,616**		232,592		**1,023,869**		623,551
Regulatory costs		**102,386**		88,142		**331,674**		162,791
Salaries and benefits		**269,161**		190,738		**708,189**		682,513
Share-based payments (Note 10)		**131,357**		215,488		**364,715**		519,435
Travel		**44,992**		45,238		**81,092**		83,875
Loss from continuing operations		**(1,388,613)**		(1,218,233)		**(3,869,149)**		(8,218,553)
Loss from discontinued operations (Note 8)		**(7,834)**		(3,150)		**(18,860)**		(13,835)
Net loss and comprehensive loss for the period	$	**(1,396,447)**	$	(1,221,383)	$	**(3,888,009)**	$	(8,232,388)
Basic and diluted loss per share	$	**(0.02)**	$	(0.02)	$	**(0.06)**	$	(0.14)
Weighted average number of shares outstanding		**71,480,593**		57,645,105		**69,283,925**		57,639,339

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 NINE MONTH PERIODS ENDED SEPTEMBER 30,
(Unaudited)
(Expressed in Canadian Dollars)

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	**(3,888,009)**	$	(8,232,388)
Items not affecting cash:				
Accrued interest on short-term loan		**-**		3,674
Depreciation		**1,998**		1,731
Impairment of deposits		**97,087**		-
Listing expense		**-**		4,936,879
Share-based payments		**364,715**		519,435
Foreign exchange loss (gain)		**(4,784)**		2,818
Non-cash working capital item changes:				
Receivables		**(54,424)**		(89,890)
Prepaid expenses		**(16,980)**		(41,031)
Accounts payable and accrued liabilities		**97,287**		(180,886)
Due to related parties		**139,419**		124,459
Net cash used in operating activities		**(3,263,691)**		(2,955,199)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Canada Jetlines Operations Ltd.		**-**		225,991
Deposits on aircraft		**(2,864,527)**		(122,639)
Purchase of equipment		**(4,671)**		(6,048)
Net cash provided by (used in) investing activities		**(2,869,198)**		97,304
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issuance of shares		**6,084,747**		6,842,110
Share issue costs		**(30,541)**		(389,276)
Short-term loan advances		**-**		50,000
Net cash provided by financing activities		**6,054,206**		6,502,834
Net change in cash and cash equivalents during the period		**(78,683)**		3,644,939
Cash and cash equivalents, beginning of the period		**2,981,046**		91,397
Cash and cash equivalents, end of the period	$	**2,902,363**	$	3,736,336
Cash and cash equivalents				
Cash	$	**2,879,363**	$	3,713,336
Liquid short term investments		**23,000**		23,000
	$	**2,902,363**	$	3,736,336
Cash received for				
Interest	$	**62,711**	$	29,888
Taxes	$	**-**	$	-

Supplemental disclosures with respect to cash flows (Note 12)

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

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

	Share Capital								
	Number of Shares		Amount		Reserves		Deficit		Total
Balance – December 31, 2016	**15,268,638**	**$**	**2,879,895**	**$**	**600,763**	**$**	**(4,086,844)**	**$**	**(606,186)**
Issuance of shares – reverse takeover (Note 4)	19,145,527		5,743,658		-		-		5,743,658
Issuance of shares – prospectus offering (Note 10)	22,778,700		6,833,610		-		-		6,833,610
Issuance of shares – warrants exercised (Note 10)	25,000		8,500		-		-		8,500
Issuance of shares – finders' fees (Note 10)	443,544		133,063		-		-		133,063
Share issue costs (Note 10)	-		(764,416)		-		-		(764,416)
Agents warrants issued (Note 10)	-		(116,978)		116,978		-		-
Share-based payments – stock options (Note 10)	-		-		325,155		-		325,155
Share-based payments – performance shares (Note 10)	-		-		177,244		-		177,244
Share-based payments – warrants (Note 10)	-		-		17,036		-		17,036
Loss for the period	-		-		-		(8,232,388)		(8,232,388)
Balance – September 30, 2017	**57,661,409**		**14,717,332**		**1,237,176**		**(12,319,232)**		**3,635,276**
Issuance of shares – warrants exercised (Note 10)	198,596		73,183		(13,606)		-		59,577
Issuance of shares – debt settlement (Note 10)	250,000		70,000		-		-		70,000
Agents warrants issued (Note 10)	-		(12,168)		12,168		-		-
Share-based payments – stock options (Note 10)	-		-		92,175		-		92,175
Loss for the period	-		-		-		(811,835)		(811,835)
Balance – December 31, 2017	**58,110,005**		**14,848,347**		**1,327,913**		**(13,131,067)**		**3,045,193**
Issuance of shares – stock options exercised (Note 10)	1,100,000		473,694		(134,694)		-		339,000
Issuance of shares – warrants exercised (Note 10)	11,957,655		5,246,808		(201,061)		-		5,045,747
Issuance of shares – private placement (Note 10)	1,627,907		700,000		-		-		700,000
Share issue costs (Note 10)	-		(30,541)		-		-		(30,541)
Agents warrants issued (Note 10)	-		(273,330)		273,330		-		-
Share-based payments – stock options (Note 10)	-		-		307,921		-		307,921
Share-based payments – restricted share units (Note 10)	-		-		56,794		-		56,794
Loss for the period	-		-		-		(3,888,009)		(3,888,009)
Balance – September 30, 2018	**72,795,567**	**$**	**20,964,978**	**$**	**1,630,203**	**$**	**(17,019,076)**	**$**	**5,576,105**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Jetlines Ltd. (the "Company" or "Jetlines") was incorporated under the laws of British Columbia and continued as a Federal corporation pursuant to the *Canada Business Corporations Act* effective February 28, 2017 in connection with the completion of a reverse takeover transaction (Note 4). The Company's principal business activity is the start-up of an ultra-low cost carrier ("ULCC") scheduled airline service. The address of the Company's registered office is #1240 – 1140 West Pender Street, Vancouver, British Columbia, Canada V6E 4G1. The Company's shares trade on the TSX Venture Exchange (the "Exchange" 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 September 30, 2018, the Company had working capital of $2,454,301 and a deficit of $17,019,076. 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). Should there be delays in obtaining the necessary funds required to commence commercial operations, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

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

2. BASIS OF PRESENTATION

Statement of compliance

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

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

2. BASIS OF PRESENTATION *(continued)*

Basis of consolidation

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

Details of the Company’s subsidiaries are as follows:

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

Significant accounting judgments and estimates

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

Critical accounting estimates

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

Share-based payments

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

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.

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 5). The Company estimates the fair value of this investment based on information available to management, including but not limited to subsequent financings completed by Voleo and announcements with respect to corporate transactions.

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, 2017 and have been consistently followed in the preparation of these condensed interim consolidated financial statements, except as outlined below.

Financial instruments

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

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

Financial assets

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

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

Financial liabilities

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

Restricted share units

Restricted share units are measured at fair value on the grant date based on the market value of the Company's shares. The share-based payment expense is recognized over the vesting period with a corresponding increase to reserves within equity. Upon redemption, the amount reflected in reserves is credited to share capital.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment

Equipment is comprised of computers and office equipment and is carried at cost, less accumulated depreciation. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided for at the following rates:

Assets	**Rate**
Computer equipment	3 years, straight-line method
Office equipment	5 years, straight-line method

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of loss and comprehensive loss.

Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The residual values, useful lives, and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate.

New accounting pronouncement

The following accounting pronouncement has been made, but is not yet effective for the Company as at September 30, 2018.

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

4. REVERSE TAKEOVER (“RTO”)

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

(Expressed in Canadian Dollars)

4. REVERSE TAKEOVER ("RTO") *(continued)*

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

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

The Transaction was recorded as follows:

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

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

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

5. INVESTMENT IN VOLEO, INC.

As at September 30, 2018, the investment in Voleo consists of 1,000,000 common shares with a carrying value of $200,000 (December 31, 2017 - $200,000). Voleo is a privately held mobile-focused fintech company and has developed mobile applications and software platforms to meet the investment expectations of millennial investors, including social trading applications for stocks and cryptocurrencies.

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

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

(Expressed in Canadian Dollars)

6. DEPOSITS

		As at September 30, 2018		As at December 31, 2017
Aircraft security deposits (Note 16)	$	2,834,951	$	62,727
Related party security deposit (Note 11)		100,000		100,000
	$	2,934,951	$	162,727

During the nine month period ended September 30, 2018, the Company paid security deposits in the amount of $2,864,527 (US$2,215,000) in accordance with aircraft purchase and lease agreements (Note 16).

During the nine month period ended September 30, 2018, the Company recorded an impairment of aircraft security deposits in the amount of $97,087 (US$75,000) as a result of terminating a purchase agreement with The Boeing Company (Note 16).

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

7. EQUIPMENT

		Computer Equipment		Office Equipment		Total
Cost						
Balance - December 31, 2016	$	10,668	$	-	$	10,668
Additions		6,048		-		6,048
Balance - December 31, 2017		16,716		-		16,716
Additions		3,559		1,112		4,671
Balance - September 30, 2018	$	20,275	$	1,112	$	21,387
Accumulated Depreciation						
Balance - December 31, 2016	$	9,490	$	-	$	9,490
Depreciation		2,239		-		2,239
Balance - December 31, 2017		11,729		-		11,729
Depreciation		1,924		74		1,998
Balance - September 30, 2018	$	13,653	$	74	$	13,727
Net Book Value						
As at December 31, 2017	$	4,987	$	-	$	4,987
As at September 30, 2018	$	6,622	$	1,038	$	7,660

8. DISCONTINUED OPERATIONS

Exploration and evaluation assets

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

The Company holds the following uranium exploration and evaluation assets:

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

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

Bootheel (Wyoming, USA)

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

Maintenance costs

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

During the nine month period ended September 30, 2018, the Company incurred maintenance costs in the amount of $18,860 (2017 - $13,835) which have been presented as discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss.

Reclamation bond

Pursuant to the Transaction, a reclamation bond related to the Bootheel property in the amount of $10,598 (US$8,300) was included in the net assets acquired (Note 4). During the year ended December 31, 2017, the reclamation bond was released by the Wyoming Department of Environmental Quality but had not been received by the Company. As at December 31, 2017, amounts receivable include $10,412 (US$8,300) for the bond refund which was received during the nine month period ended September 30, 2018.

Future reclamation provision

As at September 30, 2018, the balance of the future reclamation provision is $20,807 (December 31, 2017 - $20,807) and relates to a property which was abandoned in a prior year. Although the Company no longer has title to the underlying property, it may be required to incur cleanup costs in the future. The timing of the cleanup costs is uncertain.

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

9. SHORT-TERM LOAN

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

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

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

As at September 30, 2018 and December 31, 2017, the Bridge Loan and accrued interest are eliminated on consolidation.

10. SHARE CAPITAL AND RESERVES

Authorized

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

As at September 30, 2018, the Company had 59,187,079 common voting shares and 13,608,488 variable voting shares outstanding.

As at September 30, 2018, 2,582,642 (December 31, 2017 - 4,679,402) Voting Shares were held in escrow and restricted from trading. These trading restrictions expire on March 6, 2019 (860,880 Voting Shares), September 6, 2019 (860,880 Voting Shares) and March 6, 2020 (860,882 Voting Shares).

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. 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).

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

10. SHARE CAPITAL AND RESERVES *(continued)*

Share issuances

During the nine month period ended September 30, 2018:

- The Company issued 1,100,000 shares for gross proceeds of $339,000 pursuant to the exercise of 1,100,000 stock options. The fair value of the stock options in the amount of $134,694 was credited to share capital.

- The Company issued 11,957,655 shares for gross proceeds of $5,045,747 pursuant to the exercise of 11,957,655 share purchase warrants. The fair value of the share purchase warrants in the amount of $201,061 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.

During the year ended December 31, 2017:

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

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

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

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

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

Share purchase warrants

The following is a summary of share purchase warrants activities during the nine month period ended September 30, 2018 and the year ended December 31, 2017:

	Number of Share Purchase Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2016	**5,918,431**	**$0.40**
RTO (Note 4)	13,333,315	$0.38
Issued	13,497,049	$0.47
Exercised	(223,596)	$0.30
Expired	(2,653,262)	$0.37
Outstanding, December 31, 2017	**29,871,937**	**$0.43**
Issued	604,731	$0.50
Exercised	(11,957,655)	$0.42
Expired	(178,500)	$0.50
Outstanding, September 30, 2018	**18,340,513**	**$0.43**

During the nine month period ended September 30, 2018:

- The Company issued 604,731 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 $273,330 was estimated at the issue dates using the Black-Scholes Option Pricing Model and recorded as share issue costs in the condensed interim consolidated statements of changes in shareholders' equity (deficiency).

During the year ended December 31, 2017:

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

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

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

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

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

Share purchase warrants *(continued)*

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

	For the nine month period ended September 30, 2018	For the nine month period ended September 30, 2017
Risk-free interest rate	1.76%	0.73%
Expected life (years)	1.03	2.0
Annualized volatility	40%	40%
Dividend yield	0%	0%

As at September 30, 2018, the Company had the following share purchase warrants outstanding and exercisable:

Number of share purchase warrants	Exercise price	Remaining life (years)	Expiry date
150,000	$0.38	0.04	October 13, 2018
334,500	$0.38	0.07	October 26, 2018
395,253	$0.38	0.15	November 22, 2018
298,077[(1)]	$0.30	0.42	February 28, 2019
8,249,576	$0.50	0.42	February 28, 2019
300,000	$0.30	0.44	March 10, 2019
8,613,107	$0.38	0.96	September 16, 2019
18,340,513			

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

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.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

Share-based payments *(continued)*

Stock options *(continued)*

The following is a summary of stock option activities during the nine month period ended September 30, 2018 and the year ended December 31, 2017:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2016	**675,000**	**$0.34**
Granted	6,125,000	$0.28
Outstanding, December 31, 2017	**6,800,000**	**$0.28**
Granted	1,230,000	$0.73
Exercised	(1,100,000)	$0.31
Forfeited	(860,000)	$0.27
Outstanding, September 30, 2018	**6,070,000**	**$0.37**

As at September 30, 2018, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
450,000	450,000	$0.34	1.81	July 22, 2020
3,115,000	2,231,250	$0.30	3.42	February 28, 2022
150,000	75,000	$0.30	3.53	April 10, 2022
225,000	112,500	$0.21	3.61	May 9, 2022
675,000	487,500	$0.20	3.68	June 1, 2022
225,000	112,500	$0.21	3.75	July 1, 2022
505,000	126,250	$0.76	4.30	January 18, 2023
450,000	112,500	$0.74	4.33	January 29, 2023
225,000	56,250	$0.70	4.35	February 5, 2023
50,000	-	$0.59	4.74	June 27, 2023
6,070,000	**3,763,750**			

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 nine month period ended September 30, 2018, the Company recognized share-based payment expense with respect to stock options in the amount of $307,921 (2017 - $325,155).

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

Share-based payments *(continued)*

Stock options *(continued)*

The following weighted average assumptions were used to estimate the weighted average grant date fair value of stock options granted during the nine month periods ended September 30, 2018 and 2017:

	For the nine month period ended September 30, 2018	For the nine month period ended September 30, 2017
Risk-free interest rate	2.04%	1.08%
Expected life (years)	5.0	5.0
Annualized volatility	40%	40%
Dividend yield	0%	0%

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).

During the nine month period ended September 30, 2018, the Company granted 3,778,004 RSUs (2017 - Nil RSUs) with a weighted average grant date fair value of $0.54 per unit (2017 - $Nil per unit) and vesting periods of two or three years.

As at September 30, 2018, 3,778,004 RSUs were outstanding (December 31, 2017 - Nil RSUs).

During the nine month period ended September 30, 2018, the Company recognized share-based payment expense with respect to RSUs in the amount of $56,794 (2017 - $Nil).

Performance shares

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

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

During the nine month period ended September 30, 2018, the Company recorded share-based payments related to performance shares in the amount of $Nil (2017 - $177,244).

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

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

Key management personnel

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

Remuneration attributed to key management personnel for the nine month periods ended September 30, 2018 and 2017 is summarized as follows:

		For the nine month period ended September 30, 2018		For the nine month period ended September 30, 2017
Short-term benefits [(1)]	$	1,144,633	$	763,627
Share-based payments (Note 10)		271,152		293,954
	$	1,415,785	$	1,057,581

(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 nine month periods ended September 30, 2018 and 2017 include the following:

		For the nine month period ended September 30, 2018		For the nine month period ended September 30, 2017
King & Bay West	$	638,710	$	398,034

As at September 30, 2018, King & Bay West holds a security deposit in accordance with the management services agreement between King & Bay West and the Company (the "Management Services Agreement") in the amount of $100,000 (December 31, 2017 - $100,000) (Notes 4 and 6). Upon termination of the Management Services Agreement, the security deposit will be applied to the final invoice rendered by King & Bay West to the Company.

As at September 30, 2018, cash and cash equivalents include $500,000 (December 31, 2017 - $Nil) which is restricted from the Company's use pursuant to an employment agreement between the Company and an executive officer. The future payment of the restricted funds in the amount of $500,000 to the executive officer is contingent upon the occurrence of certain events and/or conditions.

11. RELATED PARTY TRANSACTIONS *(continued)*

Other related party transactions and balances *(continued)*

As at September 30, 2018, amounts due to related parties include the following:

- MJM Consulting Corp., an entity owned by Mark Morabito, Executive Chair of the Company - $2,168 (December 31, 2017 - $Nil) in relation to expenses incurred on behalf of the Company.
- King & Bay West - $167,273 (December 31, 2017 - $43,262) in relation to the services described above.
- Javier Suarez, Chief Executive Officer of the Company - $12,489 (December 31, 2017 - $Nil) in relation to accrued compensation and expenses incurred on behalf of the Company.
- Other officers of the Company - $751 (December 31, 2017 - $Nil) in relation to expenses incurred on behalf of the Company.

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

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Non-cash transactions affecting cash flows from investing or financing activities during the nine month period ended September 30, 2018 are summarized below:

- The Company issued 604,731 share purchase warrants to agents in connection with underlying agent warrants. The fair value of $273,330 was recorded as share issue costs (Note 10).
- The Company recorded an impairment of aircraft security deposits in the amount of $97,087 (Note 6).

Non-cash transactions affecting cash flows from investing or financing activities during the nine month period ended September 30, 2017 are summarized below:

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

13. SEGMENTED INFORMATION

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

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

14. CAPITAL MANAGEMENT

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

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

The Company currently is not subject to externally imposed capital requirements. There were no material changes in the Company's approach to capital management during the nine month period ended September 30, 2018.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Credit risk

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

The Company is subject to credit risk on its cash and cash equivalents, 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 September 30, 2018, the Company had working capital of $2,454,301 and a deficit of $17,019,076. As a result of proceeds raised from the issuance of shares, and the ability to defer certain discretionary expenditures and reduce operating costs should there be delays in obtaining the necessary funds required to commence commercial operations, management has assessed that working capital is sufficient to support ongoing operating expenditures and meet its liabilities as they fall due. However, 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 (Note 16).

Market risk

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

(a) Interest rate risk

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

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

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

Market risk *(continued)*

(b) Currency risk

At present the Company's expenditures are predominantly in Canadian dollars. The Company has US dollar commitments with respect to aircraft leases (Note 16). 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 September 30, 2018, a 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately $270,000 based on US dollar denominated monetary assets and liabilities.

16. COMMITMENTS

Aircraft

The Company's commitments with respect to the lease of aircraft are summarized in the table below.

Year ending December 31,		Aircraft lease(1)
2019	US$	5,116,978
2020		5,910,288
2021		5,910,288
2022		5,910,288
2023		5,910,288
2024		5,910,288
2025		1,231,310
	US$	35,899,728

(1) Includes security deposits, minimum monthly base rent and maintenance contributions, as described below.

<u>Aircraft lease</u>

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"). The terms of the leases will commence on the delivery date of the aircraft for a period of six years.

The Airbus Lease Agreements require security deposits as follows:

Due Date	Amount
April 26, 2018	US$876,000 (paid)
June 15, 2018	US$876,000 (paid)
October 1, 2018	US$438,000 (paid)
Three business days prior to aircraft delivery	US$438,000

Effective three business days prior to the delivery date of each aircraft, monthly base rent becomes payable based on a maximum number of take-off and landing cycles in a calendar year. At the end of each calendar year, supplemental rent is due and payable in the event that the maximum number of cycles is exceeded.

16. COMMITMENTS *(continued)*

Aircraft *(continued)*

Aircraft lease *(continued)*

In addition to base rent, the Company will incur maintenance contributions based on the utilization of the aircraft during the lease period and subject to escalation and adjustment in accordance with the Airbus Lease Agreement. The Company will also be responsible for the payment of all maintenance costs in excess of the maintenance contributions paid.

The Company has not hedged its exposure to exchange rate fluctuations between the US and Canadian dollar with respect to the Airbus Lease Agreements. The payments are denominated in US dollars and therefore, the Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Assuming an exchange rate where US$1 equals CAD$1.2945, a 10% increase or decrease in the exchange rate will increase or decrease the future cash flows by approximately CAD$4.6 million.

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.

The terms of the Boeing Agreement required the Company to pay security deposits. As at September 30, 2018, Boeing held security deposits in the amount of $97,087 (US$75,000) for which the Company recorded an impairment loss during the nine month period ended September 30, 2018 as a result of the Boeing Agreement being terminated (Note 6).

17. SUBSEQUENT EVENTS

The following events occurred subsequent to the nine month period ended September 30, 2018:

- On October 2, 2018, the Company issued 334,500 shares for gross proceeds of $127,110 pursuant to the exercise of 334,500 share purchase warrants.
- On October 10, 2018, the Company issued 150,000 shares for gross proceeds of $57,000 pursuant to the exercise of 150,000 share purchase warrants.
- On October 31, 2018, the Company cancelled 1,778,004 RSUs which had not vested.
- On November 1, 2018, the Company granted 750,000 RSUs which vest over three years.
- On November 2, 2018, the Company issued 150,000 shares for gross proceeds of $57,000 pursuant to the exercise of 150,000 share purchase warrants.
- On November 8, 2018, the Company granted 225,000 stock options with an exercise price of $0.57 and term of five years.