

Canada Jetlines Ltd.
Management Discussion & Analysis
For the Nine Month Period Ended September 30, 2018
Date Prepared: November 16, 2018

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 nine month period ended September 30, 2018. The information provided herein should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017 and the accompanying notes thereto.

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

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

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

FORWARD LOOKING STATEMENTS

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

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

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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 in connection with the completion of a reverse takeover transaction, as detailed below. The Company’s principal business activity is the start-up of an ultra-low cost carrier (“ULCC”) scheduled airline service. The Company’s shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol “JET” and the OTC Market Group’s OTCQB Marketplace under the symbol “JETMF”.

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

Jetlines expects that by applying the ULCC model, a new market of Canadian travelers will be created comprised of persons who: (1) are not presently flying from Canadian airports due to high airfares; (2) are not flying because of the lack of jet service from Canada’s over 30 secondary airports; (3) are using American ULCC airlines in United States border towns near Canada; or (4) are not flying to trans-border destinations because the service is 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.

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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).

In the three month period ended September 30, 2018, the Company submitted documents to Transport Canada that are required to obtain an Air Operator Certificate.

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”). All references to share and per share amounts have been retroactively restated to reflect the share exchange.

Prior to the Transaction, the Company was a dormant publicly listed company and did not meet the definition of a business. Accordingly, the Transaction 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 International Financial Reporting Standards (“IFRS”) 2, *Share-based payment*, at the fair value of the equity instruments retained by the shareholders of the Company, based on the market value of the Company’s shares on the closing date of the Transaction.

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

OUTLOOK

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

Jetlines has partnered with AerCap, a global leader in aircraft leasing and aviation finance, and has signed definitive lease agreements for two Airbus A320 aircraft, effective June 12, 2018. Delivery of the two aircraft is expected by the first half of 2019. The timing of the launch of airline operations remains subject to the completion of a financing to raise the funds necessary to commence operations and the completion of the licensing process which is described below.

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

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

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

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 50 twinjet narrow-body aircraft is available in Canada before growth will be linked to a percentage increase of the annual GDP.

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

EXPLORATION AND EVALUATION ASSETS

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

The Company holds the following uranium exploration and evaluation assets:

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

Central Mineral Belt (“CMB”) Project

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

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Bootheel Uranium Project

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

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

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

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Loss from Continuing Operations

For the nine month period ended September 30, 2018, the Company reported a loss from continuing operations in the amount of \$3,869,149 or \$0.06 per share, compared to a loss from continuing operations of \$8,218,553 or \$0.14 per share for the same period of the prior year. The decrease in loss from continuing operations in the amount of \$4,349,404 is directly attributable to the closing of the Transaction and resulting listing expense recorded in the amount of \$4,990,119 during the nine month period ended September 30, 2017. The listing expense includes the costs of closing the Transaction and is essentially comprised of the difference between the non-cash fair value of the equity instruments retained by the shareholders of the Company and the non-cash fair value of the net assets of the Company acquired by Jetlines Operations.

The nine month period ended September 30, 2017 reflects the loss from continuing operations of Jetlines Operations only for the period from January 1, 2017 to February 28, 2017, the Transaction closing date, and the consolidated entity thereafter.

During the nine month period ended September 30, 2018, the Company incurred aircraft launch, licensing and route network related costs in the amount of \$714,273 (2017 - \$515,288) in connection with the CTA licensing process, the Transport Canada AOC submission, securing aircraft, stakeholder relations and advancement of the Company's overall business plan. The increase in aircraft launch, licensing and route network related costs for the nine month period ended September 30, 2018 in the amount of \$198,985 is attributable to the procurement of aircraft, completion of the related definitive lease agreements, and the submission of operations manuals to Transport Canada.

During the nine month period ended September 30, 2018 the Company incurred marketing and investor relations expenses in the amount of \$447,049 (2017 - \$539,485) which includes ongoing investor outreach, marketing through social media, merchandising, research coverage, attendance at conferences, and overall public relations. The decrease in marketing and investor relations in the amount of \$92,436 is explained by non-recurring items such as corporate re-branding, a new website and a merchandising portal that were initiated subsequent to closing the Transaction during fiscal 2017.

During the nine month period ended September 30, 2018, the Company incurred office and administration expenses in the amount of \$158,125 (2017 - \$125,415) to support ongoing corporate activities and initiatives. The increase in office and administration expenses in the amount of \$32,710 was driven by increased overall activities and personnel.

Professional fees for the nine month period ended September 30, 2018 totaled \$1,023,869 (2017 - \$623,551), representing an increase of \$400,318 which is explained by accounting, audit and legal fees, executive and international recruitment, the transition from a private to a public entity, and increased corporate activities with respect to the Company's strategic objectives.

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Regulatory costs increased to \$331,674 for the nine month period September 30, 2018 from \$162,791 for the same period of the prior year and is explained by the transition from a private to public entity upon closing the Transaction and the Company's annual general meeting. Regulatory costs include transfer agent, listing and filing fees and the cost of Board and shareholder meetings. In addition, effective May 1, 2017, the Company commenced paying directors' fees to non-management board members which are included in regulatory costs.

The Company incurred salaries and benefits in the amount of \$708,189 for the nine month period ended September 30, 2018 compared to \$682,513 for the same period of the prior year, representing an increase of \$25,676 relating to organizational changes effected since the closing of the Transaction, including augmenting the Company's leadership team and obligations to departing personnel.

The Company recorded share-based payments expense for the nine month period ended September 30, 2018 in the amount of \$364,715 (2017 - \$519,435) which reflects the fair value of equity-settled awards recognized over the respective vesting periods.

During the nine month period ended September 30, 2018, the Company incurred travel expenses in the amount of \$81,092 (2017 - \$83,875) with respect to executive and directors' meetings and recruitment initiatives.

Finance income for the nine month period ended September 30, 2018 in the amount of \$64,678 (2017 - \$31,920) relates to interest income earned on excess cash on hand. The increase in finance income is explained by increased cash balances held by the Company as a result of proceeds received from the issuance of shares.

The Company recorded a foreign exchange loss for the nine month period ended September 30, 2018 in the amount of \$5,756 (2017 – gain of \$1,964) with respect to transactions and balances denominated in US dollars and the impact of fluctuations in the exchange rate.

During the nine month period ended September 30, 2018, the Company recorded an impairment loss with respect to security deposits on aircraft in the amount of \$97,087. Refer to "Statement of Financial Position Information" and "Commitments" for additional detail of security deposits on aircraft.

Loss from Discontinued Operations

During the nine month period ended September 30, 2018, the Company incurred maintenance costs in the amount of \$18,860 (2017 - \$13,835) which are presented as discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss. Refer to "Exploration and Evaluation Assets" for additional discussion of the historical exploration and evaluation properties to which discontinued operations relate.

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SUMMARY OF QUARTERLY RESULTS

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

Description	Q3 September 30, 2018 (\$)	Q2 June 30, 2018 (\$)	Q1 March 31, 2018 (\$)	Q4 December 31, 2017 (\$)
Loss from continuing operations	(1,388,613)	(1,531,499)	(949,037)	(849,141)
Loss and comprehensive loss	(1,396,447)	(1,534,652)	(956,910)	(811,835)
Loss per share	(0.02)	(0.02)	(0.02)	(0.01)
Description	Q3 September 30, 2017 (\$)	Q2 June 30, 2017 (\$)	Q1 March 31, 2017 (\$)	Q4 December 31, 2016 (\$)
Loss from continuing operations	(1,218,233)	(1,476,408)	(5,523,912)	(313,493)
Loss and comprehensive loss	(1,221,383)	(1,484,473)	(5,526,532)	(313,493)
Loss per share	(0.02)	(0.03)	(0.10)	(0.02)

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

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

For the quarter ended December 31, 2016, loss from continuing operations reflects Jetlines Operations' focused efforts to complete the Transaction and maintain lower levels of expenditures prior to closing.

THIRD QUARTER

Loss from Continuing Operations

For the three month period ended September 30, 2018, the Company reported a loss from continuing operations in the amount of \$1,388,613 (2017 - \$1,218,233) or \$0.02 per share (2017 - \$0.02 per share).

During the three month period ended September 30, 2018, the Company incurred aircraft launch, licensing and route network related costs in the amount of \$193,063 (2017 - \$174,810) in connection with the CTA licensing process, the Transport Canada AOC submission, securing aircraft, stakeholder and advancement of the Company's business plan. The increase in aircraft launch, licensing and route network related costs for the three month period ended September 30, 2018 in the amount of \$18,253 is attributable to the submission of operations manuals to Transport Canada.

During the three month period ended September 30, 2018 the Company incurred marketing and investor relations expenses in the amount of \$148,587 (2017 - \$242,454) which includes ongoing investor outreach, marketing through social media, merchandising, research coverage, and overall public relations. The decrease in marketing and investor relations expenses in the amount of \$93,867 is explained by non-recurring items such as corporate re-branding, a new website and a merchandising portal that were initiated subsequent to closing the Transaction during fiscal 2017.

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During the three month period ended September 30, 2018, the Company incurred office and administration expenses in the amount of \$63,055 (2017 - \$45,086) to support ongoing corporate activities. The increase in office and administration expenses in the amount of \$17,969 was driven by increased overall activities and personnel.

Professional fees for the three month period ended September 30, 2018 totaled \$314,616 (2017 - \$232,592), representing an increase of \$82,024 which is explained by accounting, audit and legal fees, executive recruitment, and increased corporate activities with respect to the Company's strategic objectives.

Regulatory costs increased to \$102,386 for the three month period September 30, 2018 from \$88,142 for the same period of the prior year and is primarily attributable to the Company's annual general meeting. Regulatory costs include transfer agent, listing and filing fees and the cost of Board and shareholder meetings.

The Company incurred salaries and benefits in the amount of \$269,161 for the three month period ended September 30, 2018 compared to \$190,738 for the same period of the prior year, representing an increase of \$78,423 relating to organizational changes effected since the closing of the Transaction, including augmenting the Company's leadership team and obligations to departing personnel.

The Company recorded share-based payments expense for the three month period ended September 30, 2018 in the amount of \$131,357 (2017 - \$215,488) which reflects the fair value of equity-settled awards recognized over the respective vesting periods.

During the three month period ended September 30, 2018, the Company incurred travel expenses in the amount of \$44,992 (2017 - \$45,238) with respect to executive and directors' meetings and recruitment initiatives.

Finance income for the three month period ended September 30, 2018 in the amount of \$17,235 (2017 - \$14,462) relates to interest income earned on excess cash on hand. The increase in finance income is explained by increased cash balances held by the Company as a result of proceeds received from the issuance of shares.

The Company recorded a foreign exchange loss for the three month period ended September 30, 2018 in the amount of \$40,677 (2017 - gain of \$2,680). During the three month period ended September 30, 2018, the Company incurred increased US dollar denominated transactions and balances in connection with aircraft leases. Refer to "Statement of Financial Position Information" and "Commitments" below for additional detail of aircraft leases.

During the three month period ended September 30, 2018, the Company recorded an impairment loss with respect to security deposits on aircraft in the amount of \$97,087. Refer to "Statement of Financial Position Information" and "Commitments" for additional detail of security deposits on aircraft.

Loss from Discontinued Operations

During the three month period ended September 30, 2018, the Company incurred maintenance costs in the amount of \$7,834 (2017 - \$3,150) which are presented as discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss. Refer to "Exploration and Evaluation Assets" for additional discussion of the historical exploration and evaluation properties to which discontinued operations relate.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, the Company had cash and cash equivalents of \$2,902,363 (December 31, 2017 - \$2,981,046) and working capital of \$2,454,301 (December 31, 2017 - \$2,698,286). The decrease in working capital of \$243,985 is explained by operating costs incurred and aircraft security deposits paid, net of proceeds received from the exercise of stock options and warrants during the nine month period ended September 30, 2018. Refer to "Statement of Financial Position Information" for further details with respect to account balance changes for the nine month period ended September 30, 2018.

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

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

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

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

Cash Flows

The Company's cash flows for the nine month periods ended September 30, 2018 and 2017 are summarized as follows:

	September 30, 2018	September 30, 2017
Cash used in operating activities	\$ (3,263,691)	\$ (2,955,199)
Cash provided by (used in) investing activities	(2,869,198)	97,304
Cash provided by financing activities	6,054,206	6,502,834
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

Operating Activities

Cash used in operating activities adjusts loss for the period for non-cash items including, but not limited to, depreciation, accrued interest, listing expense recorded as a result of the Transaction, share-based payments, impairment losses 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 nine month period ended September 30, 2018.

Investing Activities

During the nine month period ended September 30, 2018, the Company paid aircraft security deposits totaling \$2,864,527 (US\$2,215,000), as detailed in "Commitments", and purchased office and computer equipment in the amount of \$4,671.

During the nine month period ended September 30, 2017, pursuant to the Transaction, the Company acquired cash in the amount of \$225,991, net of aircraft security deposits paid in the amount of \$122,639 (US\$100,000) and computer equipment purchased in the amount of \$6,048.

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Financing Activities

Financing activities for the nine month period ended September 30, 2018 include gross proceeds received of \$6,084,747 pursuant to a private placement and the exercise of stock options and warrants, net of share issue costs of \$30,541.

Financing activities for the nine month period ended September 30, 2017 consisted of shares issued for gross proceeds of \$6,842,110, net of share issue costs paid of \$389,276, and a loan advance in the amount of \$50,000 received prior to closing the Transaction. In addition, deferred transaction costs in the amount of \$375,140 were included in the net assets acquired pursuant to the Transaction and applied to the share issue costs of the prospectus offering for cumulative cash share issue costs in the amount of \$764,416.

STATEMENT OF FINANCIAL POSITION INFORMATION

	As at September 30, 2018	As at December 31, 2017
Cash and cash equivalents	\$ 2,902,363	\$ 2,981,046
Receivables	174,418	119,994
Prepaid expenses	113,057	96,077
Investment in Voleo, Inc.	200,000	200,000
Deposits	2,934,951	162,727
Equipment	7,660	4,987
Total Assets	\$ 6,332,449	\$ 3,564,831
Accounts payable and accrued liabilities	\$ 552,856	\$ 455,569
Due to related parties	182,681	43,262
Future reclamation provision	20,807	20,807
Share capital	20,964,978	14,848,347
Reserves	1,630,203	1,327,913
Deficit	(17,019,076)	(13,131,067)
Total Liabilities and Equity	\$ 6,332,449	\$ 3,564,831

Assets

Cash and cash equivalents decreased by \$78,683 during the nine month period ended September 30, 2018 as a result of operating costs incurred and aircraft security deposits paid, net of proceeds received from the exercise of stock options and warrants. Cash flows are detailed in "Liquidity and Capital Resources". Operating activities are detailed in "Review of Consolidated Financial Results".

Receivables increased by \$54,424 during the nine month period ended September 30, 2018 and relates primarily to Goods and Services Tax ("GST") input tax credits paid on increased operating activities.

As at September 30, 2018, prepaid expenses increased by \$16,980 compared to the balance as at December 31, 2017 and is explained by various annual renewals, including directors' and officers' insurance, public company listing fees, and mineral property holding costs.

As at September 30, 2018 and December 31, 2017, the investment in Voleo, Inc. ("Voleo") consists of 1,000,000 common shares with a carrying value of \$200,000. The common shares of Voleo were included in the net assets acquired pursuant to the Transaction during the year ended December 31, 2017.

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The balance of the non-current deposits as at September 30, 2018 consists of aircraft security deposits in the amount of \$2,834,951 (December 31, 2017 - \$62,727) and a related party security deposit in the amount of \$100,000 (December 31, 2017 - \$100,000). The increase in deposits during the nine month period ended September 30, 2018 in the amount of \$2,772,224 is explained by aircraft security deposits paid in the amount of \$2,864,527 (US\$2,215,000) and the impact of foreign exchange in the amount of \$4,784, net of an impairment loss recorded in the amount of \$97,087 (US\$75,000). The impairment loss was recorded as a result of terminating a purchase agreement with Boeing. Refer to “Commitments” and “Related Party Transactions” for additional detail of aircraft security deposits and the related party security deposit, respectively.

As at September 30, 2018, the Company’s equipment had a net book value of \$7,660 (December 31, 2017 - \$4,987). During the nine month period ended September 30, 2018 the Company purchased additional equipment in the amount of \$4,671 and recorded depreciation expense in the amount of \$1,998 for a net increase in the amount of \$2,673 to equipment.

Liabilities

During the nine month period ended September 30, 2018, accounts payable and accrued liabilities increased by \$97,287 and is explained by increased activities and the timing of payments to third parties.

As at September 30, 2018, the balance due to related parties in the amount of \$182,681 (December 31, 2017 - \$43,262) relates to services rendered to or expenses incurred on behalf of the Company which were unpaid at period end. For further details with respect to related party balances and transactions, refer to “Related Party Transactions”.

As at September 30, 2018 and December 31, 2017, the balance of the future reclamation provision relates to cleanup costs for an exploration and evaluation property which the Company abandoned in a prior year. The timing of the cleanup costs is uncertain. The future reclamation provision in the amount of \$20,807 was included in the net assets acquired pursuant to the Transaction.

Equity

Share capital increased by \$6,116,631 during the nine month period ended September 30, 2018 and is explained by the proceeds received from stock options and warrants exercised (\$6,084,747) and fair value adjustments for stock options and warrants exercised (\$335,755), net of share issue costs paid (\$30,541) and the fair value of additional agent share purchase warrants issued (\$273,330). Equity transactions are further detailed in “Share Capital”.

Reserves increased by \$302,290 during the nine month period ended September 30, 2018 and is explained by the fair value of additional agent share purchase warrants issued (\$273,330) and share-based payments related to stock options and restricted share units (\$364,715), net of fair value adjustments for stock options and warrants exercised (\$335,755) during the period.

Deficit increased by the loss for the nine month period ended September 30, 2018 in the amount of \$3,888,009.

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.

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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 September 30, 2018
Common voting shares – issued and outstanding	59,187,079
Variable voting shares – issued and outstanding	13,608,488
Voting Shares issuable on vesting of restricted share units	3,778,004
Voting Shares issuable on exercise of stock options	6,070,000
Voting Shares issuable on exercise of warrants	18,489,551
Voting Shares – fully diluted	101,133,122

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.

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.

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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		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 that is owned by Mr. Mark J. 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 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 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). 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.

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.

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- 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.

GOING CONCERN

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

As at September 30, 2018, the Company had working capital of \$2,454,301 and a deficit of \$17,019,076. As a result of the concurrent financing of the Transaction, subsequent stock option and warrant exercises, and the ability to defer certain discretionary expenditures and reduce operating costs should there be delays in obtaining the necessary funds required to commence commercial operations, management has assessed that working capital is sufficient for the Company to maintain its operations and activities for the next 12 months, as detailed in "Outlook" and "Liquidity and Capital Resources".

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.

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

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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.

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

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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.

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. 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.

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(a) Interest rate risk

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

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

(b) Currency risk

At present the Company's expenditures are predominantly in Canadian dollars. The Company has US dollar commitments with respect to the purchase and lease of aircrafts, as detailed in "Commitments" below. 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.

RISK FACTORS

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

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.

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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 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.

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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

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
	<hr/>
	US\$ 35,899,728

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

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"). 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

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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.

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 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.

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.

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.

Canada Jetlines Ltd.
Management Discussion & Analysis
For the Nine Month Period Ended September 30, 2018
Date Prepared: November 16, 2018

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.

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.