CANADA JETLINES OPERATIONS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Canada Jetlines Operations Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Canada Jetlines Operations Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a working capital of $4,071,206 and accumulated deficit of $7,015,227 as at December 31, 2021 and has no current operating income or cash flows. Without additional financing, the Company will be unable to fund general and administrative expenses and working capital requirements for the next twelve months. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

March 28, 2022

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

		DECEMBER 31, 2021		DECEMBER 31, 2020
ASSETS				
Current assets				
Cash	$	**3,579,709**	$	3,170
Receivables (notes 4 and 9)		**159,987**		-
Prepaid expenses and deposits (note 5)		**1,152,869**		11,400
		4,892,565		14,570
Property and equipment (note 6)		**130,123**		-
Right-of-use asset (note 7)		**214,226**		-
	$	**5,236,914**	$	14,570
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities				
Accounts payable and accrued liabilities (notes 8 and 9)	$	**758,722**	$	351,374
Lease liability (note 7)		**62,637**		-
		821,359		351,374
Lease liability (note 7)		**207,240**		-
Long-term loan payable (note 10)		**40,000**		40,000
		1,068,599		391,374
Shareholders' equity (deficiency)				
Share capital (note 11)		**9,097,990**		2,879,895
Reserves (note 11)		**2,085,552**		10,932,488
Deficit		**(7,015,227)**		(14,189,187)
		4,168,315		(376,804)
	$	**5,236,914**	$	14,570

Nature of operations and going concern (note 1)
Commitments (note 17)
Subsequent events (notes 5, 18)

Approved on March 28, 2022 on behalf of the Board of Directors by:

"Ken McKenzie"	Chairman	*"Margaret Gilmour"*	Director
Ken McKenzie		Margaret Gilmour	

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

CANADA JETLINES OPERATIONS LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

		YEAR ENDED DECEMBER 31, 2021		YEAR ENDED DECEMBER 31, 2020
OPERATING EXPENSES				
Aircraft launch, licensing and route network	**$**	**112,410**	$	2,166
Consulting (note 9)		**787,211**		-
Crew training		**35,206**		-
Depreciation (notes 6 and 7)		**6,046**		-
Director fees (note 9)		**114,000**		-
Interest income		**(15,182)**		(792)
Foreign exchange loss		**12,941**		221
Investor relations and marketing		**159,019**		9,234
Office and administration		**246,353**		11,659
Professional fees		**395,335**		41,118
Rent		**7,195**		-
Share-based payments (notes 9 and 11)		**1,206,727**		-
Transaction costs – spin-out		**270,581**		-
Travel		**49,553**		-
Salaries and benefits		**16,893**		760
		(3,404,288)		(64,366)
Gain on sale of computer equipment		**-**		195
Gain on extinguishment of debt		**303,571**		222,004
Income (loss) and comprehensive income (loss) for the year	**$**	**(3,100,717)**	$	157,833
Basic and diluted income (loss) per share	$	**(0.07)**	$	0.00
Weighted average number of shares outstanding		**43,652,104**		33,403,145

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

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

	Share Capital								
	Number of Shares		Amount		Reserves		Deficit		Total
Balance – December 31, 2019	**33,403,145**	**$**	**2,879,895**	**$**	**10,947,575**	**$**	**(14,347,020)**	**$**	**(519,550)**
Distributions to former parent company	-		-		(15,087)		-		(15,087)
Income for the year	-		-		-		157,833		157,833
Balance – December 31 2020	**33,403,145**		**2,879,895**		**10,932,488**		**(14,189,187)**		**(376,804)**
Private placement (note 11)	17,060,329		6,767,865		-		-		6,767,865
Share issuance costs (note 11)	-		(549,770)		99,639		-		(450,131)
Contributions from former parent company	-		-		121,375		-		121,375
Reclassification of investment by former parent company (note 11)	-		-		(10,274,677)		10,274,677		-
Share-based payments (note 11)	-		-		1,206,727		-		1,206,727
Loss for the year	-		-		-		(3,100,717)		(3,100,717)
Balance – December 31, 2021	**50,463,474**	**$**	**9,097,990**	**$**	**2,085,552**	**$**	**(7,015,227)**	**$**	**4,168,315**

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

CANADA JETLINES OPERATIONS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ **(3,100,717)**	$ 157,833
Items not affecting cash:		
Depreciation	**6,046**	-
Gain on sale of computer equipment	**-**	(195)
Gain on extinguishment of debt	**(303,571)**	(222,004)
Foreign exchange gain	**-**	(610)
Share-based payments	**1,206,727**	-
Non-cash working capital item changes:		
Receivables	**8,813**	2,713
Prepaid expenses and deposits	**(1,141,469)**	69,469
Accounts payable and accrued liabilities	**656,698**	31,613
Net cash provided by (used in) operating activities	**(2,667,473)**	38,819
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(26,297)**	-
Proceeds on sale of computer equipment	**-**	910
Proceeds on sale of spare parts of aircraft	**-**	27,885
Net cash provided by (used in) investing activities	**(26,297)**	28,795
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	**6,599,065**	-
Share issuance costs	**(450,131)**	-
Contributions from (distributions to) former parent company	**121,375**	(209,267)
Proceeds from loan payable	**-**	40,000
Net cash provided by (used in) financing activities	**6,270,309**	(169,267)
Net change in cash during the year	**3,576,539**	(101,653)
Cash, beginning of the year	**3,170**	104,823
Cash, end of the year	$ **3,579,709**	$ 3,170

Supplemental disclosures with respect to cash flows (Note 12).

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Jetlines Operations Ltd. (the "Company" or "Jetlines") was amalgamated under the laws of British Columbia pursuant to the *Canada Business Corporations Act* ("CBCA") effective February 28, 2017. The Company's principal business activity is the start-up of a Canadian Low cost carrier airline that intends to begin operations, pending Canadian Transportation Agency approval, as a tour operator with flights into popular sun destinations in the USA, Mexico and the Caribbean. The address of the Company's registered office is #2400 – 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 3P3. The Company's shares trade on the NEO Exchange (the "Exchange" or "NEO") under the symbol "CJET". Until June 28, 2021, the Company was a wholly owned subsidiary of Global Crossing Airlines Group Inc. ("GlobalX"), whose shares trade on the NEO under the symbols "JET" and "JET.B".

On May 19, 2021, the Company entered into a Second Amended and Restatement Agreement with GlobalX to complete a plan of arrangement under the CBCA (the "Plan of Arrangement"), which was finalized on June 28, 2021. Pursuant to the Plan of Arrangement, the Company subdivided its issued and outstanding voting shares on a 1 to 2.1877 basis (the "Share Split") and distributed 25,052,359 voting shares to GlobalX shareholders, with the remaining 8,350,786 voting shares being retained by GlobalX. Upon completion of the Plan of Arrangement, the Company had 11,070,675 common voting shares and 22,332,470 variable voting shares issued and outstanding. All share and per share information within these consolidated financial statements reflect the Share Split.

These consolidated financial statements have been prepared by management 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 operations for the foreseeable future. The continuing operations of the Company are dependent upon the Company's ability to raise adequate financing and to commence profitable operations in the future. The Company is evaluating financing its future requirements through a combination of debt, equity and/or other facilities. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

As at December 31, 2021, the Company had a working capital $4,071,206 and accumulated deficit of $7,015,227. At present, the Company has no current operating income or cash flows. Without additional financing, the Company will be unable to fund general and administrative expenses and working capital requirements for the next twelve months. In addition, the Company does not have the required financing to meet domestic licensing financial capability requirements, to complete the build-out of the airline and to secure aircraft. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These 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. Changes in future conditions or anticipated future conditions could require material write-downs to the carrying values of the Company's assets. These adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements for the year ended December 31, 2021 were authorized by the Board of Directors for issuance on March 28, 2022.

2. BASIS OF PRESENTATION *(continued)*

Basis of presentation

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, Canada Jetlines Vacations Ltd. ("CJV"). CJV was incorporated during the year ended December 31, 2021 under the Canada Business Corporations Act, with the purpose to act as a tour operator and travel agency. All intercompany transactions and balances have been eliminated on consolidation.

Significant accounting judgments and estimates

The preparation of these 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 consolidated financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

During the year ended December 31, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The Covid-19 pandemic continues, and while some jurisdictions have eased restrictions recently, various governments have previously enacted restrictions on the movement of people and goods during periods of increasing positive infection rates. Although multiple vaccines have been released and are being administered to the public, there have been coincidental mutations to the virus known as COVID-19 and which have been reported to be more virulent. Should vaccines prove less effective against the new virus strains resulting in a resurgence of COVID-19 during the year, it is anticipated that additional governments would again issue public health orders which might include restricting the movement of people and goods.

These public health orders have had a significant impact on the airline industry, as many include travel restrictions in response to COVID-19. The Company is not yet operating as an airline, so the primary current implication of COVID-19 is the potential to disrupt the Company's ability to obtain additional financing to fund ongoing operations. As the Company has no material operating income or cash flows, it is reliant on additional financing to fund ongoing operations. Once the Company begins airline operations, future disruptions from COVID-19 would impact the Company's financial position, results of operations and cash flows in future periods.

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:

Valuation of restricted share units

The value of the restricted share units was based on the fair value of the of the Company's shares on the date of grant. The determination of the fair value of the Company's shares involved significant estimate as the Company's shares were not publicly traded on the date the restricted shares units were granted.

2. BASIS OF PRESENTATION *(continued)*

Significant accounting judgments and estimates *(continued)*

Critical accounting estimates *(continued)*

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. There are currently no critical accounting judgements.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company classifies its financial instruments as follows:

Financial assets/ liabilities	IFRS 9 Classification
Cash	FVTPL
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Long-term loan payable	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of income (loss) and comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of income (loss) and comprehensive income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss) and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss) and comprehensive income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of income (loss) and comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no prior impairment loss been recognized for the asset.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and share purchase warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the shares issued in private placements is determined to be the more easily measurable component and are valued using the closing share price at the date of issuance. The remaining balance between the unit price and fair value of shares, if any, is allocated to the attached share purchase warrants.

In situations where shares are issued or received as non-monetary consideration and the fair value of the asset or services received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares issued or received is based on the trading price of those shares on the appropriate security exchange on the date of the agreement to issue or receive such shares.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Where equity-settled compensation arrangements are awarded to employees, the fair value of the equity instruments at the date of grant is charged to profit or loss over the vesting period. Where equity instruments are awarded to employees, the fair value of the benefit (fair value of the equity instrument less consideration received) at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of equity instruments that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the equity instruments granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of the equity instruments are modified before they vest, the increase in the fair value of the equity instruments, measured immediately before and after the modification, is also charged to the statement of income (loss) and comprehensive income (loss) over the remaining vesting period.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received, unless the fair value of the goods and services received cannot be reasonably measured, in which case they are measured using the fair value of the equity instruments issued. Expenses are recorded in the statement of income (loss) and comprehensive income (loss). Amounts related to the cost of issuing shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based compensation are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of equity-settled share-based compensation is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Restricted share units

The Company has established a restricted share plan under which restricted share units are granted to eligible directors, employees and contractors of the Company. The restricted share units are considered equity-settled and are measured using the quoted market price of the Company's common shares at the grant date and recognized as share-based payments over the vesting period, with a corresponding amount recognized as equity.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to shares of the Company by the weighted average number of shares outstanding for the relevant period.

For diluted per share computations, assumptions are made regarding potential shares outstanding during the period. The weighted average number of shares is increased to include the number of additional shares that would be outstanding if, at the beginning of the period, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's shares at their average market price during the period, thereby reducing the weighted average number of shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share. For the periods presented, the calculations provided to be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and impairment losses. 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 using the straight-line method:

Assets	Rate
Computer software	3 years
Computer equipment	3 years
Cabin interior and improvements	Lesser of useful life and lease term
Leasehold improvements	Lease term

The useful life of cabin interior and improvements is defined to be the period over which the assets are expected to be available for use by the Company. 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.

Where an item of property and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognized using the asset and liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or recognized in profit or loss thereafter.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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

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

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

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

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

4. RECEIVABLES

	December 31, 2021	December 31, 2020
Share subscriptions receivable (note 9)	$ 69,175	$ -
Leasehold improvements costs recovery	58,783	-
Sales and other tax credits	32,029	-
	$ 159,987	$ -

(Expressed in Canadian Dollars)

5. PREPAID EXPENSES AND DEPOSITS

	December 31, 2021	December 31, 2020
Aircraft related deposits	$ 879,801	$ -
Insurance	176,446	11,400
Professional fees	47,600	-
Rent	28,397	-
Other	20,625	-
	$ 1,152,869	$ 11,400

On February 25, 2022, the Company received a refund of a deposit of US$230,000 ($293,088), which was held by GlobalX due to the termination of a letter of intent related to the lease of a future delivery of an aircraft.

6. PROPERTY AND EQUIPMENT

	Computer Software	Computer Equipment	Leasehold Improvements	Cabin Interior and Improvements	Total
Cost					
Balance – December 31, 2019 and 2020	$ -	$ -	$ -	$ -	$ -
Additions	38,000	62,633	29,534	2,371	132,538
Balance – December 31, 2021	$ 38,000	$ 62,633	$ 29,534	$ 2,371	$ 132,538
Accumulated Depreciation					
Balance – December 31, 2019 and 2020	$ -	$ -	$ -	$ -	$ -
Depreciation	-	2,068	347	-	2,415
Balance – December 31, 2021	$ -	$ 2,068	$ 347	$ -	$ 2,415
Net Book Value					
As at December 31, 2020	$ -	$ -	$ -	$ -	$ -
As at December 31, 2021	$ 38,000	$ 60,565	$ 29,187	$ 2,371	$ 130,123

Computer software includes proprietary travel booking and payment management software (the "Travel Software") for when airline operations become active. As at December 31, 2021, the Travel Software was not available for use as the airline operations were not active, thus no amortization has been recorded during the year.

(Expressed in Canadian Dollars)

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has entered into a lease agreement with Airway Centre Inc., with respect to its office premises in Mississauga, Ontario. The lease commenced on December 1, 2021, with monthly lease payments of $5,420 until November 30, 2026.

A continuity of the carrying amount of the right-of-use asset for the years ended December 31, 2021 and 2020 is as follows:

		December 31, 2021
Balance – December 31, 2019 and 2020	$	-
Additions		217,857
Depreciation		(3,631)
Balance – December 31, 2021	$	214,226

A reconciliation of the carrying amount of the lease liability for the years ended December 31, 2021 and 2020 is as follows:

		December 31, 2021
Balance – December 31, 2019 and 2020	$	-
Additions		269,877
Balance – December 31, 2021	$	269,877
Less: current portion	$	62,637
Non-current portion	$	207,240

Future minimum lease payments are as follows:

		December 31, 2021
Less than 1 year	$	65,037
1 to 5 years		254,730
More than 5 years		-
Total	$	319,767

Short-term leases are leases with a lease term of twelve months or less. As at December 31, 2021, the Company did not have any short-term leases. As at December 31, 2021, the Company did not have any leases of low-value assets.

The right-of-use asset and corresponding lease liability were initially measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 7% per annum.

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2021	As at December 31, 2020
Trade payables	$ 379,960	$ 311,374
Accrued liabilities	378,762	40,000
	$ 758,722	$ 351,374

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these 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 and corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, and Vice Presidents.

Remuneration attributed to key management personnel for the years ended December 31, 2021 and 2020 is summarized as follows:

	December 31, 2021	December 31, 2020
Consulting	$ 529,452	$ -
Director fees	114,000	-
Share-based payments	443,343	-
	$ 1,086,795	$ -

Related party balances

Receivables

As at December 31, 2021, receivables include the following amounts due from related parties:

Related Party	Role	December 31, 2021	December 31, 2020
Eddy Doyle	CEO and President	$ 13,500	$ -
Barbara Syrek	CFO	4,000	-
Brad Warren	VP Maintenance	13,500	-
Victor Charlebois	VP Flight Operations	12,225	-
		$ 43,225	$ -

The nature of these receivables relates to share subscriptions receivable as part of a share purchase plan for executives, for shares these related parties subscribed to.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

Accounts payable and accrued liabilities

As at December 31, 2021, accounts payable and accrued liabilities include the following amounts due to related parties:

Related Party	Role	Remuneration Paid During The Year	December 31, 2021	December 31, 2020
Beth Horowitz	Director	$ 18,000	$ 9,000	$ -
Margaret Gilmour	Director	18,000	9,000	-
Ken McKenzie	Director	18,000	9,000	-
David Kruschell	Director	18,000	9,000	-
Ravinder Minhas	Director	18,000	9,000	-
Jean Charest	Director	18,000	9,000	-
Ryan Goepel	Director	6,000	6,000	-
Sheila Paine	Corporate Secretary	18,990	-	-
Eddy Doyle	CEO and President	112,500	13,003	-
Duncan Bureau	CCO	105,000	15,000	-
Barbara Syrek	CFO	60,000	14,950	-
Brad Warren	VP Maintenance	138,462	12,706	-
Victor Charlebois	VP Flight Operations	94,500	9,425	-
		$ 643,452	$ 125,084	$ -

The nature of these accounts payable and accrued liabilities relates to director fees and consulting fees payable as at December 31, 2021. The amounts due to related parties are unsecured, non-interest bearing and have no stated terms of repayment.

10. LONG-TERM LOAN PAYABLE

On May 28, 2020, the Company received an interest-free Canada Emergency Business Account ("CEBA") loan in the amount of $40,000 to help cover the Company's operating expenses, payroll and other non-deferrable expenses which are critical to sustain business continuity. The program has been implemented by the Government of Canada as part of the COVID-19 relief initiatives. If the Company repays 75% of the principal amount on or before December 31, 2023, the repayment of the remaining 25% of the principal amount will be forgiven. In the event that the Company does not repay the principal amount by December 31, 2023, the principal amount and all accrued and unpaid interest at the rate of 5% per annum from January 1, 2024 will be due and payable on December 31, 2025.

11. SHARE CAPITAL AND RESERVES

Authorized

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

As at December 31, 2021, the Company had 26,149,281 (2020 – 33,403,145) common voting shares and 24,314,193 (2020 – nil) variable voting shares outstanding.

Common voting shares

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

Variable voting shares

Under the Company's Articles, the variable voting shares carry one vote per variable voting share held, subject to an automatic reduction of the voting rights attached to variable voting shares in the event any of the applicable limits are exceeded. In such event, the votes attributable to variable voting shares will be affected as follows:

- first, if required, a reduction of the voting rights of any single non-Canadian owner (inclusive of any single non-Canadian owner authorized to provide air service) carrying more than 25% of the votes (the "Stage 1 Reduction") to ensure that such non-Canadian owners never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders;

- second, if required and after giving effect to the Stage 1 Reduction, a further proportional reduction of the voting rights of all non-Canadian owners authorized to provide an air service to ensure that such non-Canadian owners authorized to provide an air service (the "Stage 2 Reduction"), in the aggregate, never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders; and

- third, if required and after giving effect to the Stage 1 Reduction and the Stage 2 Reduction if any, a proportional reduction of the voting rights for all non-Canadian owners as a class (the "Stage 3 Reduction") to ensure that non-Canadians never carry, in aggregate, more than 49% of the votes that owners of voting shares cast at any meeting of shareholders.

Share issuances

In addition to the share transactions in Note 1, the following additional share issuances occurred during the year ended December 31, 2021:

- On August 6, 2021, the Company closed a non-brokered private placement (the "Offering"). The Offering consisted of 16,497,662 units issued at $0.40 per unit (each a "Unit") for total gross proceeds of $6,599,065. Each Unit consists of one Voting Share and one half of one warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder thereof to purchase an additional Voting Share for $0.70 until August 6, 2023. In connection with the Offering, the Company paid $450,131 in cash and issued 1,125,328 Warrants, with the same terms, as finder's fees for certain subscribers who participated in the Offering.

- On September 10, 2021, the Company issued 487,667 Voting Shares at $0.30 for gross proceeds of $146,300 as part of a share purchase plan for executives and consultants of the Company. As per terms of the plan, the security holders agreed to have the subscription amount deducted against their base fees payable. There were no proceeds received.

- On October 7, 2021, the Company issued 75,000 Voting Shares at $0.30 for gross proceeds of $22,500 as part of a share purchase plan for executives and consultants of the Company. As per terms of the plan, the security holders agreed to have the subscription amount deducted against their base fees payable. There were no proceeds received.

There were no share issuances during the year ended December 31, 2020.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Reserves

Net investment of former parent company

The net investment of former parent company represents the accumulated net contributions from GlobalX.

Upon the completion of the Plan of Arrangement, the accumulated net contributions by GlobalX was extinguished during the year ended December 31, 2021. Accordingly, the investment of former parent company of $10,274,677 was reclassified from reserves to accumulated deficit during the year ended December 31, 2021.

Warrants

In connection with the Offering, the Company issued 9,374,159 warrants, of which 1,125,328 warrants ("agent warrants") were issued as finder's fees for certain subscribers who participated in the Offering.

	Number of warrants	Weighted Average Exercise Price
Outstanding, December 31, 2019 and 2020	**-**	**$ -**
Issued	9,374,159	0.70
Outstanding, December 31, 2021	**9,374,159**	**$0.70**

The fair value of agent warrants 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 agent warrants. The following weight average assumptions were used to estimate the fair value of agent warrants issued:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Risk-free interest rate	0.45%	-
Expected life (years)	2	-
Annualized volatility	70%	-
Dividend yield	0%	-
Weighted average fair value per warrant granted	$0.09	-

The fair value of agent warrants of $99,639 was estimated at the issue date of the Offering and recorded in reserves.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Reserves *(continued)*

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the "Stock Option Plan"). The maximum exercise price of stock options granted shall not be less than the closing price of the common 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. The maximum number of common shares issuable pursuant to the exercise of outstanding stock options granted is 6,680,000. Pursuant to the Stock Option Plan, options granted in respect of investor relations activities are subject to vesting restrictions, such that one-quarter of the options vest three months from the grant date and in each subsequent three-month period thereafter such that the entire option will have vested twelve months after the award date. Vesting restrictions may also be applied to certain other option grants, at the discretion of the directors.

The following is a summary of stock option activities during the years ended December 31, 2021 and 2020:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2019 and 2020	**-**	**$ -**
Issued	250,000	0.40
Outstanding, December 31, 2021	**250,000**	**$0.40**

As at December 31, 2021, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
250,000	62,500	$0.40	2.67	August 31, 2024
250,000	**62,500**			

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Reserves *(continued)*

Stock options *(continued)*

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

During the year ended December 31, 2021, the Company recognized a share-based payment expense with respect to stock options in the amount of $24,253 (2020 – $Nil).

The following weighted average assumptions were used to estimate the weighted average grant date fair value of stock options granted during the years ended December 31, 2021 and 2020:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Risk-free interest rate	0.53%	-
Expected life (years)	3	-
Annualized volatility	70%	-
Dividend yield	0%	-
Weighted average fair value per stock option granted	$0.18	-

Restricted share units

The Company may grant restricted share units ("RSUs") to directors, officers, employees and consultants as compensation for services, pursuant to its RSU Plan (the "RSU Plan"). The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion. RSUs are required to be settled by December 15 in the third year following the year of grant. At the election of the Board of Directors, upon each vesting date, participants receive (a) Voting Shares equal to the number of RSUs that vested; (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Voting Share; or (c) a combination of (a) and (b). The maximum number of common shares issuable pursuant to the exercise of outstanding RSUs together with all other security based compensation arrangements is 9,980,000.

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

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Reserves *(continued)*

Restricted share units *(continued)*

During the year ended December 31, 2021, the Company granted 9,060,000 RSUs (2020 – Nil) to various officers, directors, and consultants of the Company, whereby 50% of the RSUs vest at the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date.

During the year ended December 31, 2021, the Company cancelled 100,000 RSUs related to an individual who left the Company during the year.

The following is a summary of RSU activities during the year ended December 31, 2021:

	Number of RSUs	Weighted average grant date fair value per RSU
Outstanding, December 31, 2019 and 2020	**-**	**-**
Issued	9,060,000	$0.40
Cancelled	(100,000)	$0.40
Outstanding, December 31, 2021	**8,960,000**	**$0.40**

As at December 31, 2021, the following RSUs were outstanding and exercisable:

Outstanding	Exercisable	Remaining life (years)	Expiry Date
8,960,000	-	1.96	December 15, 2023
8,960,000	**-**		

The value of the RSUs granted was based on the fair value of the Company's common shares on the date of grant. Accordingly, the RSUs were granted at a fair value of $0.40 each for a total value of $3,624,000 which is recognized within share-based payment expense as the RSUs vest.

During the year ended December 31, 2021, the Company recorded share-based payments expense with respect to RSUs of $1,182,474 (2020 - $Nil).

Performance share units

The Company may grant Performance Share Units ("PSUs") to directors, officers, employees and consultants as compensation for services, pursuant to its Performance Share Unit Plan ("PSU Plan"). The number of PSUs awarded and underlying performance-based vesting conditions are determined by the Board of Directors in its discretion. PSUs are required to be settled by December 31 in the third year following the year of grant. The maximum number of common shares issuable pursuant to the exercise of outstanding PSUs together with all other security based compensation arrangements is 9,980,000. No PSUs shall be issuable to individuals or companies providing investor relations activities. At the election of the Board of Directors, upon each vesting date, participants receive (a) Voting Shares equal to the number of PSUs that vested; (b) a cash payment equal to the number of vested PSUs multiplied by the fair market value of a Voting Share; or (c) a combination of (a) and (b).

There were no PSUs granted during the years ended December 31, 2021 and 2020.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing activities during the year ended December 31, 2021 included:

- Reclassification of the investment by GlobalX of $10,274,677 from reserves to deficit on closing of the Plan of Arrangement.
- Finder's fee warrants recognized as share issuance costs of $99,639.
- The initial recognition of the Company's lease liability of $269,877.
- Share subscriptions receivable of $168,800.
- Property and equipment additions included in accounts payable and accrued liabilities of $54,221.

Significant non-cash investing and financing activities during the year ended December 31, 2020 included:

- Expenditures paid by GlobalX on behalf of the Company amounted to $2,526.
- GlobalX settled a severance payable of $32,833 to an employee on behalf of the Company by issuing 94,559 GlobalX shares valued at $47,279, resulting in a loss on extinguishment of debt of $14,446. In addition, GlobalX assumed withholding taxes of $9,233 relating to the severance payment.
- GlobalX settled a payable of $313,035 to a third party vendor on behalf of the Company by paying $104,345 and issuing 48,809 GlobalX shares valued at $24,405, resulting in a gain on extinguishment of debt of $184,285.
- GlobalX settled a payable of $6,000 to a third party vendor on behalf of the Company issuing 18,900 GlobalX shares valued at $9,450, resulting in a loss on extinguishment of debt of $3,450.
- The Company entered into a settlement agreement with a third party vendor that extinguished all outstanding liabilities for no consideration, resulting in a gain on extinguishment of debt of $55,615.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2021		2020
Income (loss) before income taxes	$	(3,100,717)	$	157,833
Expected income tax expense (recovery) at statutory rate		(837,000)		43,000
Change in statutory, foreign tax, foreign exchange rates and other		9,000		(9,000)
Permanent differences		327,000		-
Share issue costs		(122,000)		-
Adjustment to prior years provision versus statutory tax rates		(55,000)		174,000
Change in unrecognized deductible temporary differences		678,000		(208,000)
Total income tax expense (recovery)	$	-	$	-

No deferred tax asset has been recognized in respect of the losses and temporary differences as it is not considered probable that sufficient future taxable profits will allow for these deferred tax assets to be recovered.

(Expressed in Canadian Dollars)

13. INCOME TAXES *(continued)*

The significant components of the Company's unrecognized temporary, unused tax credits and unused tax losses giving rise to the unrecognized tax assets are as follows:

		December 31, 2021	Expiry Date Range		December 31, 2020
Temporary Differences					
Non-capital losses available for future periods	$	12,955,000	2033 to 2041	$	10,778,000
Property and equipment	$	1,676,000	No expiry date	$	1,703,000
Share issue costs	$	360,000	2045	$	-

Tax attributes are subject to review and potential adjustment by tax authorities.

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 shareholders' equity (deficiency).

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; however, there are certain capital requirements associated with the airline licensing process that the Company is currently engaged in and such amounts have not yet been determined. There were no material changes in the Company's approach to capital management during the year ended December 31, 2021

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy. The estimated fair value of receivables, accounts payable and accrued liabilities approximates their carrying values due to the short-term to maturity. The fair value of long-term liabilities are initially recorded at fair value and subsequently carried at amortized cost using rates comparable to market interest rates.

The Company's financial instruments are exposed to certain financial risks as detailed below.

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

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 receivables. The Company limits its exposure to credit loss by placing its cash 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. As a result, the Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity and debt financing. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. The Company is exposed to liquidity risk.

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

As at December 31, 2021, the Company had a working capital of $4,071,206 and accumulated deficit of $7,015,227. At present, the Company has no current operating income or cash flows. In addition, the Company does not have the required financing to meet domestic licensing financial capability requirements, to complete the build-out of the airline and to secure aircraft.

Market risk

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

(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. As at December 31, 2021, the Company is not exposed to any significant interest rate risk.

(b) Currency risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At present, the Company's expenditures are predominantly in Canadian dollars. 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 December 31, 2021, the Company is not exposed to currency risk.

16. SEGMENTED INFORMATION

The Company operates in one reportable segment, which is the development of a Canadian low cost carrier airline and its operations and head office are in Canada.

17. COMMITMENTS

Flight Booking System

On November 12, 2021, the Company entered into a five year license agreement with a vendor to license a flight booking software system, which expires on November 11, 2026. The Company may terminate the agreement for convenience by providing ninety days written notice and paying a termination fee calculated as the number of months remaining on the contract by the minimum monthly fee. As at December 31, 2021, the termination fee of the contract would be $359,600.

Supplier Agreement

On November 23, 2021, the Company entered into a ten year agreement with a vendor to be its sole supplier of main wheel and carbon brakes for its A319/A320 aircraft fleet. Under the terms of the agreement, if at any time the Company operates an aircraft with wheels and brakes other than the vendor's or the Company uses assemblies or subassemblies or parts not manufactured by the vendor for one or more of its aircrafts the Company agrees to pay the vendor US$200,000 for each aircraft.

Airbus Lease Agreement

On December 15, 2021, the Company entered into definitive aircraft lease agreement for one Airbus A320 aircraft scheduled for delivery in fiscal 2022 (the "Airbus Lease Agreement") with a third party (the "Lessor"). The lease payments are to begin starting February 28, 2022.

Security deposits paid by the Company in the amount of US$315,000 were retained by the Lessor (note 5). The maximum monthly lease payments will be US$110,208 per month, for a term of eight years.

18. SUBSEQUENT EVENTS

The following events occurred subsequent to the year ended December 31, 2021:

1. On January 1, 2022, the Company granted 50,000 RSUs to a director of the Company, whereby 100% of the RSUs vest at the first anniversary of the grant date.

2. The Company received delivery and possession of the Airbus A320 aircraft on February 28, 2022 (Note 17).

Canada Jetlines Operations Ltd.
Management Discussion & Analysis
For the Year Ended December 31, 2021
Date Prepared: March 28, 2022

GENERAL

This Management Discussion & Analysis ("MD&A") is intended to supplement and complement the consolidated financial statements and accompanying notes of Canada Jetlines Operations Ltd. (the "Company" or "Jetlines") for the year ended December 31, 2021 and 2020. The information provided herein should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021 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 Financial Reporting Standards ("IFRS").

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

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

FORWARD LOOKING STATEMENTS

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

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: expectations as to future operations of the Company; the Company's anticipated financial performance; future development and growth prospects; expected general and administrative costs, costs of services and other costs and expenses; expected revenues; ability to meet current and future obligations; completion of the airline licensing process; terms with respect to the acquisition of aircraft; ability to obtain financing on acceptable terms or at all; and the Company's business model and strategy.

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: the availability of financial resources to fund the Company's expenditures; competition for, among other things, capital reserves and skilled personnel; protection of intellectual property; the impact of competition and the competitive response to the Company's business strategy; third party performance of obligations under contractual arrangements; prevailing regulatory, tax and other applicable laws and regulations; stock market volatility and market valuations; uncertainty in global financial markets; the impact of COVID-19 on global economic conditions; the successful negotiation of aircraft leases; the completion of the financing necessary to commence airline operations; and the other factors described under the heading "Risk Factors" in this MD&A and the Company's Annual Information Form.

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; the Company's ability to conclude aircraft leases on acceptable terms; 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 AND RECENT DEVELOPMENTS

Canada Jetlines Operations Ltd. (the "Company" or "Jetlines") was amalgamated under the laws of British Columbia pursuant to the *Canada Business Corporations Act* ("CBCA") effective February 28, 2017. The Company's principal business activity is the start-up of a Canadian carrier airline that intends to begin operations, pending Canadian Transportation Agency approval, with flights into popular destinations in Canada, USA, Mexico and the Caribbean. The address of the Company's registered office is #2400 – 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 3P3. The Company's shares trade on the NEO Exchange (the "Exchange" or "NEO") under the symbol "CJET". Until June 28, 2021, the Company was a wholly owned subsidiary of Global Crossing Airlines Group Inc. ("GlobalX"), whose shares trade on the NEO under the symbols "JET" and "JET.B".

On December 17, 2021, the Company announced that it had entered into the MSN 4175 Lease Agreement, for its first Airbus A320 aircraft with delivery in February 2022. The aircraft is an Airbus A320-200, listed under the manufacturer's serial number #4175, equipped with two CFM56-5B4/3 engines. Prior to delivery to the Company, the aircraft will be painted with Jetlines livery and include installation of the new Recaro 3530 seats, with in-seat power and personal electronic device holder installed. As a result of this lease, the Company terminated the letter of intent with Global Crossing Airlines Inc. for the lease of an Airbus A320 originally entered into on June 28, 2021.

On January 24, 2022, the Company announced that it had received conditional approval for flight crew (pilot) training from Transport Canada effective immediately. Final approval of Jetlines' Pilot Training program will be granted once Transport Canada has reviewed the training conducted under the program and it proves to be satisfactory.

On March 17, 2022, the Company announced that it has received a determination from the Canadian Transportation Agency ("CTA") that the Company meets the regulation requirements with regards to Canadian ownership and control, subject to filing confirming corporate documents. The CTA also completed Stage 1 "Determination of Financial Requirements" for the Company's application.

In 2021 the Company commenced the application process for a license to operate air service, large aircraft pursuant from the CTA. The application process requires the Company to provide information regarding the ownership structure and financial information in two stages. The first stage requires the provision of information and documentation regarding the funding requirements for the start-up and operation of an air service for a 90-day period. The second stage requires the provision of evidence that the requisite funding is in place to finance the proposed air service. The Company is advancing the completion of the funding to satisfy stage 2 requirements with the intention to commence air service in the summer of 2022, subject to final CTA and Transport Canada approval.

The Air Operator Certificate application process with Transport Canada is progressing as planned, having achieved significant milestones. These include the approval of the majority of submitted manuals, conditional approval for pilot training, the completion of the first pilot course and simulator check ride.

OUTLOOK

The proceeds from the issuance of shares are being used to further the business objectives of the Company in launching an airline in Canada through its pre-operating stage, including making deposit payments for initial aircraft, advancing the domestic licensing process, augmenting the leadership team with operations, financial and commercial personnel, branding and marketing activities, signing of commercial and operational agreements, as well as advancing internet, digital media and information technology systems initiatives. Further funding, in the form of debt, equity or other facilities, will be required to take delivery of additional aircraft, meet domestic licensing financial capability requirements and to complete the build-out of the airline with aircraft, personnel, inventory, training, paying necessary up-front deposits, finalizing sales and administrative systems and other launch activities, as well as for general and administrative expenditures and working capital.

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

1. Jetlines is a Canadian company or is exempted from that requirement under section 62 of the CTA;
2. Jetlines holds a Canadian aviation document (Air Operator Certificate issued by Transport Canada) that is valid in respect of the air service to be provided under the license;
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 license 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.

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 license to operate as an 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.

The Company incorporated a wholly owned subsidiary Canada Jetlines Vacations Ltd. (“Jetlines Vacations”), with the purpose to act as a tour operator and travel agency. Jetlines Vacations will sell Package Vacations products like, hotel stays, car rental, and other travel related products and services. In addition, Jetlines Vacations will support the airline and will build a network of resellers and holiday partnerships to offer for sale.

Upon receipt of its license 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 licenses, permits or exemptions are received, Jetlines expects to grow its business significantly by increasing its route network in Canada and to selected locations in the United States, Mexico and the Caribbean.

Jetlines expects to commence operations with one aircraft and to lease further aircraft.

SPIN-OUT TRANSACTION

On May 19, 2021, the Company entered into a Second Amended and Restatement Agreement with GlobalX to complete a plan of arrangement under the CBCA (the "Plan of Arrangement"), which was finalized on June 28, 2021. Pursuant to the Plan of Arrangement, the Company subdivided its issued and outstanding voting shares on a 1 to 2.1877 basis (the "Share Split") and distributed 25,052,359 voting shares to GlobalX shareholders, with the remaining 8,350,786 voting shares being retained by GlobalX. Upon completion of the Plan of Arrangement, the Company had 11,070,675 common voting shares and 22,332,470 variable voting shares issued and outstanding. All share and per share information within this MD&A reflect the Share Split.

PRIVATE PLACEMENT

On August 6, 2021, the Company closed its non-brokered private placement (the "Offering"). Due to investor demand, the Company increased the size of the Offering from $5,000,000 and closed on final gross proceeds of $6,599,065. The Offering consisted of 16,497,662 units issued at $0.40 per unit (each a "Unit"). Each Unit consists of, depending on residency of the subscriber, one common voting share or one variable voting share and one half of one warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder thereof to purchase an additional share for $0.70 for a period of 24 months after closing. Subscribers who are Canadian received common voting shares and subscribers who are not Canadian received variable voting shares. The Company also paid $450,131 and issued 1,125,328 Warrants to finders as part of a finder's fee for certain subscribers who participated in the Offering. The Company intends to use the net proceeds of the Offering to advance the Canadian airline licensing process and for general corporate and working capital purposes.

On September 10, 2021, the Company issued 487,667 Voting Shares at $0.30 as part of a share purchase plan for executives and consultants of the Company. As per terms of the plan, the security holders agreed to have the subscription amount deducted against their base fees payable. There were no proceeds received.

On October 7, 2021, the Company issued 75,000 Voting Shares at $0.30 for gross proceeds of $22,500 as part of a share purchase plan for executives and consultants of the Company. As per terms of the plan, the security holders agreed to have the subscription amount deducted against their base fees payable. There were no proceeds received.

SELECTED ANNUAL INFORMATION

The following financial data are selected information for the Company for the three most recently completed financial years:

	December 31, 2021	December 31, 2020	December 31, 2019
Revenue	$ -	$ -	$ -
Income (loss) and comprehensive income (loss)	(3,100,717)	157,833	(6,553,641)
Earnings (loss) per share (basic and diluted)	(0.07)	0.00	(0.20)
Total assets	5,236,914	14,570	219,454

Income (loss) and comprehensive income (loss)

The decrease in income (loss) and comprehensive income (loss) for the year ended December 31, 2021 was due to significant operational expenses incurred as part of the start-up launch of the company.

The increase in income (loss) and comprehensive income (loss) for the year ended December 31, 2020 was due to a significant gain on extinguishment of debt, which resulted in income for the year. Operational expenses were minimal during 2020 due to the suspension of activities.

Loss and comprehensive loss for the year ended December 31, 2019 is primarily explained by the suspension of operations during the fourth quarter of fiscal 2019, including the termination of aircraft agreements and other contractual obligations and related impairment losses recorded. Prior to the suspension of operations, the Company was advancing all aspects of its business plan to launch airline operations prior to the end of the year.

Refer to "Review of Financial Results" for further detail of losses incurred during the years ended December 31, 2021 and 2020.

Total Assets

The increase in total assets as at December 31, 2021 compared to December 31, 2020 is primarily attributable to the private placement during the year. Refer to "Private Placement" for further details of funds received from the private placement.

The decrease in total assets as at December 31, 2020 compared to December 31, 2019 is primarily attributable to the spending of working capital to maintain the suspended operations of the Company. Refer to "Statement of Financial Position Information" for further detail of asset balance changes and "Liquidity and Capital Resources" for cash flow information by activity during the year ended December 31, 2020.

REVIEW OF FINANCIAL RESULTS

Income (loss) and comprehensive income (loss) for the year

For the year ended December 31, 2021, the Company reported comprehensive loss from operations in the amount of \$(3,100,717) or \$(0.07) per share compared to a comprehensive income of \$157,833 or \$0.00 per share during the prior year. The increase in loss from operations in the amount of \$3,258,550 is explained by increased corporate and operational activities detailed below.

During the year ended December 31, 2021, the Company incurred aircraft launch, licensing and route network related costs in the amounts of \$112,410 (2020 – \$2,166) in connection with expenditures relating to launching the aircraft network.

During the year ended December 31, 2021, the Company incurred consulting expenses in the amounts of \$787,211 (2020 – \$Nil) in connection with payments to key individuals and management as Company operations significantly increased during the current period.

During the year ended December 31, 2021, the Company incurred crew training related costs in the amounts of \$35,206 (2020 – \$Nil) in connection with courses paid for crew training.

During the year ended December 31, 2021, the Company incurred director fees in the amounts of \$114,000 (2020 – \$Nil) in connection with payments to the board of directors of the Company for oversight and management of the Company.

During the year ended December 31, 2021, the Company earned interest income of \$15,182 (2020 – \$792) in connection with interest earned on excess cash on hand and is a function of average cash balances during the year.

The Company recorded a foreign exchange loss for the year ended December 31, 2021 in the amounts of \$(12,941) (2020 – \$(221)) with respect to transactions and balances denominated in USD dollars and the impact of fluctuations in the exchange rate.

During the year ended December 31, 2021, the Company incurred investor relations and marketing expenses in the amounts of \$159,019 (2020 – \$9,234) which relates to overall public relations expenses spent. The increase is due to the increase in marketing activity pursued during the current year.

During the year ended December 31, 2021, the Company incurred office and administration expenses in the amounts of \$246,353 (2020 – \$11,659) to support ongoing corporate activities.

Professional fees for the year ended December 31, 2021 totaled $395,335 (2020 – $41,118) related to accounting, audit, consulting and legal fees. The increase is due to accounting and legal fees incurred related to the Private Placement and financial reporting services required.

During the year ended December 31, 2021, the Company incurred rent expenses in the amounts of $7,195 (2020 – $Nil) related to a new corporate office lease space.

During the year ended December 31, 2021, the Company incurred share-based payments expenses in the amounts of $1,206,727 (2020 – $Nil) in connection with Restricted Stock Units ("RSUs") and options granted during the year.

During the year ended December 31, 2021, the Company incurred transaction costs in the amounts of $270,581 (2020 – $Nil) in connection with the Plan of Arrangement transaction. These are one-time costs, which include legal, consulting, regulatory and filing fees, related to the spin-out of the Company.

During the year ended December 31, 2021, the Company incurred travel expenses in the amounts of $49,553 (2020 – $Nil) in connection with travel expenses incurred by management during the year. The increase is due to the increase in operational activity by management during the current year, which required them to fly to different locations for meetings, on-site work, and observations.

During the year ended December 31, 2021, the Company recorded a gain on sale of computer equipment of $Nil (2020 – $195) in connection with the sale of computer equipment during in the prior year.

During the year ended December 31, 2021, the Company recorded a gain on the extinguishment of debt in the amounts of $303,571 (2020 – $222,004). The gain in prior year resulted from settlements with a former employee and various third party vendors, which primarily involved issuance of GlobalX shares as form of payment. The gain in the current year resulted from recoveries of long-outstanding invoices from various third party vendors that surpassed the statute of limitations period of two years.

SUMMARY OF QUARTERLY RESULTS

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

Description	**Q4 December 31, 2021 ($)**	**Q3 September 30, 2021 ($)**	**Q2 June 30, 2021 ($)**	**Q1 March 31, 2021 ($)**
Loss and comprehensive loss	(2,056,875)	(874,331)	(147,775)	(21,736)
Loss per share	(0.04)	(0.02)	(0.00)	(0.00)
Description	**Q4 December 31, 2020 ($)**	**Q3 September 30, 2020 ($)**	**Q2 June 30, 2020 ($)**	**Q1 March 31, 2020 ($)**
Income (loss) and comprehensive income (loss)	(38,620)	(2,063)	204,722	(6,206)
Earnings (loss) per share	(0.00)	(0.00)	0.01	(0.00)

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company went into care and maintenance mode during the year-ended December 31, 2020 and resumed start-up activities in the quarter ended June 30, 2021 and continuing to increase operational activity into the quarter and year ended December 31, 2021. The Company expects its expenditures to continue at an increased level as it ramps up airline start-up activities.

FOURTH QUARTER

Expenses

During the three month period ended December 31, 2021, the Company incurred expenses of $2,086,643 (2020 - $25,256), representing an increase of $2,061,387 compared to the same period of the prior year. The increase in total expenses is comprised of increases in Aircraft launch, licensing and route network ($112,410), Consulting ($443,088), Director fees ($60,000), Investor relations and marketing ($85,378), Office and administration ($125,995), Professional fees ($115,523), Share-based payments ($799,061), and Transaction costs – spin out ($222,799). The increases were due to the increase in operational activity related to the launch of the airline and share-based compensation issued during the launch.

Other items

During the three month period ended December 31, 2021, the Company recognized a gain on forgiveness of debt of $29,769 (2020 – $nil) related to long-outstanding invoices from various third party vendors that surpassed the statute of limitations period of two years.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2021, the Company had cash in the amount of $3,579,709 (December 31, 2020 – $3,170) and working capital in the amount of $4,071,206 (December 31, 2020 – $(336,804)). The increase in working capital in the amount of $4,408,010 is explained by cash received from the Offering.

At present, the Company has no current operating income or cash flows. The Company believes that with the proceeds of the Offering, it has sufficient cash to complete the next steps in the airline licensing process but it will require additional funding prior to the launch of airline operations. 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.

The Company's cash is held in in highly liquid accounts. No amounts have been or are invested in asset-backed commercial paper.

Cash Flows

The Company's cash flows for the years ended December 31, 2021 and 2020 are summarized in the table below.

	December 31, 2021	December 31, 2020
Cash provided by (used in) operating activities	$ (2,667,473)	$ 38,819
Cash provided by (used in) investing activities	(26,297)	28,795
Cash provided by (used in) financing activities	6,270,309	(169,267)
Change in cash during the year	3,576,539	(101,653)
Cash, beginning of the year	3,170	104,823
Cash, end of the year	**$ 3,579,709**	**$ 3,170**

Operating Activities

Cash used in operating activities adjusts loss for the period for non-cash items including, but not limited to, gain on asset disposal, gain on extinguishment of debt, and foreign exchange gains and losses. Cash used in operating activities also reflects changes in working capital items, such as receivables, prepaid expenses and amounts payable and accrued liabilities, 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 Financial Results" for further details with respect to operating activities for the years ended December 31, 2021 and 2020.

Investing Activities

During the year ended December 31, 2021, the Company purchased $26,297 worth of property and equipment.

During the year ended December 31, 2020 the Company sold all of its assets held for sale for cash proceeds in the amount of $28,795.

Financing Activities

Financing activities for the year ended December 31, 2021 consist of the following activities:

- Proceeds from the Offering of $6,599,065.
- Share issuance costs of $450,131 related to the Offering.
- Contributions from (distributions to) former parent company in the amount of $121,375 (2020 – $(209,267)).
- Loan advance of the Canada Emergency Business Account ("CEBA") from the Government of Canada as part of the COVID-19 relief initiative in the amount of $Nil (2020 – $40,000).

STATEMENT OF FINANCIAL POSITION INFORMATION

	As at December 31, 2021		As at December 31, 2020	
Cash	$	3,579,709	$	3,170
Receivables		159,987		-
Prepaid expenses and deposits		1,152,869		11,400
Property and equipment		130,123		-
Right-of-use asset		214,226		-
Total Assets	**$**	**5,236,914**	**$**	14,570
Accounts payable and accrued liabilities	**$**	758,722	$	351,374
Lease liability – current		62,637		-
Lease liability – long-term		207,240		-
Long-term loan payable		40,000		40,000
Share capital		9,097,990		2,879,895
Reserves		2,085,552		10,932,488
Deficit		(7,015,227)		(14,189,187)
Total Liabilities and Equity	**$**	**5,236,914**	**$**	**14,570**

Assets

Cash increased by $3,576,539 during the year ended December 31, 2021 as a result of cash received from the Offering. Cash flows are detailed in "Liquidity and Capital Resources". Operating activities are detailed in "Review of Financial Results".

Receivables increased by $159,987 during the year ended December 31, 2021, related to the timing of collections of GST input tax credits received, net of GST paid and share subscriptions receivable.

As at December 31, 2021, prepaid expenses and deposits increased by $1,141,469 compared to the balance as at December 31, 2020 which is primarily explained by purchasing directors and officers insurance coverage, general insurance coverage on aircraft and providing deposits on aircraft.

During the year ended December 31, 2021, the Company incurred $132,539 in property and equipment purchases. After depreciation recorded of $2,415 (2020 – $Nil), the net book value of property and equipment is $130,123.

During the year ended December 31, 2021, the Company entered into a lease agreement with Airway Centre Inc., with respect to its office premises in Mississauga, Ontario. The lease commenced on December 1, 2021, with monthly lease payments of $5,420 until November 30, 2026. A right-of-use asset was recorded for $217,857, with depreciation recorded of $3,631, which resulted in a net book value of $214,226.

Liabilities

During the year ended December 31, 2021, accounts payable and accrued liabilities increased by $407,348, which is explained by the timing of payments and invoices received at year-end.

During the year ended December 31, 2021, the Company entered into a lease agreement with Airway Centre Inc., with respect to its office premises in Mississauga, Ontario. The lease commenced on December 1, 2021, with monthly lease payments of $5,420 until November 30, 2026. The current portion of the lease liability is $62,637 and the long-term portion is $207,240.

As at December 31, 2021, long-term loan payable consists of an interest-free CEBA loan in the amount of $40,000 to help cover the Company's operating expenses, payroll and other non-deferrable expenses which are critical to sustain business continuity. The program has been implemented by the Government of Canada as part of the COVID-19 relief initiatives.

Equity

During the year ended December 31, 2021, the share capital balance increased to $9,097,990, as a result of the Offering.

Reserves decreased by $8,846,936 during the year ended December 31, 2021, which mostly relate to reclassification of investment by the former parent company GlobalX from reserves to deficit as the accumulated net contributions by GlobalX was extinguished upon the completion of the Plan of Arrangement.

During the year ended December 31, 2021, the deficit decreased in the amount of $7,173,960.

SHARE CAPITAL

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.

Common voting shares

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

Variable voting shares

Under the Company’s Articles, the variable voting shares carry one vote per variable voting share held, subject to an automatic reduction of the voting rights attached to variable voting shares in the event any of the applicable limits are exceeded. In such event, the votes attributable to variable voting shares will be affected as follows:

- first, if required, a reduction of the voting rights of any single non-Canadian owner (inclusive of any single non-Canadian owner authorized to provide air service) carrying more than 25% of the votes (the “Stage 1 Reduction”) to ensure that such non-Canadian owners never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders;
- second, if required and after giving effect to the Stage 1 Reduction, a further proportional reduction of the voting rights of all non-Canadian owners authorized to provide an air service to ensure that such non-Canadian owners

authorized to provide an air service (the "Stage 2 Reduction"), in the aggregate, never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders; and

- third, if required and after giving effect to the Stage 1 Reduction and the Stage 2 Reduction if any, a proportional reduction of the voting rights for all non-Canadian owners as a class (the "Stage 3 Reduction") to ensure that non-Canadians never carry, in aggregate, more than 49% of the votes that owners of voting shares cast at any meeting of shareholders.

The Company has securities outstanding as follows:

Security Description	**As at December 31, 2021**
Common voting shares – issued and outstanding	26,149,281
Variable voting shares – issued and outstanding	24,314,193
Voting Shares issuable on vesting of restricted share units	8,960,000
Voting Shares issuable on exercise of stock options	250,000
Voting Shares issuable on exercise of warrants	9,374,159
Voting Shares – fully diluted	69,047,633

Share issuances

Plan of Arrangement Transaction

On June 28, 2021, the Company and GlobalX closed the Plan of Arrangement.

As of the closing of the Arrangement, there were a total of 33,403,145 Jetlines shares issued and outstanding (including the 8,350,786 shares that have been retained by Global Group which at the time represented 25% of the issued and outstanding Jetlines shares).

Private Placement

On August 6, 2021, the Company closed a non-brokered private placement (the "Offering"). The Offering consisted of 16,497,662 units issued at $0.40 per unit (each a "Unit") for total gross proceeds of $6,599,065. Each Unit consists of one Voting Share and one half of one warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder thereof to purchase an additional Voting Share for $0.70 until August 6, 2023. In connection with the Offering, the Company paid $450,131in cash and issued 1,125,328 Warrants, with the same terms, as finder's fees for certain subscribers who participated in the Offering.

On September 10, 2021, the Company issued 487,667 Voting Shares at $0.30 for gross proceeds of $146,300 as part of a share purchase plan for executives and consultants of the Company. As per terms of the plan, the security holders agreed to have the subscription amount deducted against their base fees payable. There were no proceeds received.

On October 7, 2021, the Company issued 75,000 Voting Shares at $0.30 for gross proceeds of $22,500 as part of a share purchase plan for executives and consultants of the Company. As per terms of the plan, the security holders agreed to have the subscription amount deducted against their base fees payable. There were no proceeds received.

There were no share issuances during the year ended December 31, 2020.

Stock options

On August 31, 2021, the Company granted 250,000 options with an exercise price of $0.40 to a vendor of the Company, whereby 25% of the options vest every quarter.

During the year ended December 31, 2021, the Company recognized a share-based payment expense with respect to stock options in the amount of $24,253 (2020 – $Nil).

Restricted share units

The Company may grant restricted share units ("RSUs") to directors, officers, employees and consultants as compensation for services, pursuant to its RSU Plan (the "RSU Plan"). The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion. RSUs are required to be settled by December 15 in the third year following the year of grant. At the election of the Board of Directors, upon each vesting date, participants receive (a) Voting Shares equal to the number of RSUs that vested; (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Voting Share; or (c) a combination of (a) and (b). The maximum number of common shares issuable pursuant to the exercise of outstanding RSUs together with all other security based compensation arrangements is 9,980,000.

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

During the year ended December 31, 2021, the Company granted 9,060,000 RSUs (2020 – Nil) to various officers, directors, and consultants of the Company, whereby 50% of the RSUs vest at the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date.

During the year ended December 31, 2021, the Company cancelled 100,000 RSUs related to an individual who left the Company during the year.

During the year ended December 31, 2021, the Company recorded share-based payment expense of $1,182,474 (2020 – $Nil), which was included in shared-based payments expense.

RELATED PARTY TRANSACTIONS AND BALANCES

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these 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 and corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, and Vice Presidents.

Remuneration attributed to key management personnel for the year ended December 31, 2021 and 2020 is summarized as follows:

		December 31, 2021		December 31, 2020
Consulting	$	529,452	$	-
Director fees		114,000		-
Share-based payments (note 7)		443,343		-
	$	1,086,795	$	-

Related party balances

<u>Receivables</u>

As at December 31, 2021, receivables include the following amounts due from related parties:

Related Party	Role		December 31, 2021		December 31, 2020
Eddy Doyle	CEO and President	$	13,500	$	-
Barbara Syrek	CFO		4,000		-
Brad Warren	VP Maintenance		13,500		-
Victor Charlebois	VP Flight Operations		12,225		-
		$	43,225	$	-

The nature of these receivables relates to share subscriptions receivable as part of a share purchase plan for executives, for shares these related parties subscribed to.

Accounts payable and accrued liabilities

As at December 31, 2021, accounts payable and accrued liabilities include the following amounts due to related parties:

Related Party	Role	Remuneration Paid During The Year	December 31, 2021	December 31, 2020
Beth Horowitz	Director	$ 18,000	$ 9,000	$ -
Margaret Gilmour	Director	18,000	9,000	-
Ken McKenzie	Director	18,000	9,000	-
David Kruschell	Director	18,000	9,000	-
Ravinder Minhas	Director	18,000	9,000	-
Jean Charest	Director	18,000	9,000	-
Ryan Goepel	Director	6,000	6,000	-
Sheila Paine	Corporate Secretary	18,990	-	-
Eddy Doyle	CEO and President	112,500	13,003	-
Duncan Bureau	CCO	105,000	15,000	-
Barbara Syrek	CFO	60,000	14,950	-
Brad Warren	VP Maintenance	138,462	12,706	-
Victor Charlebois	VP Flight Operations	94,500	9,425	-
		$ 643,452	$ 125,084	$ -

The nature of these accounts payable and accrued liabilities relates to director fees and consulting fees payable as at December 31, 2021. The amounts due to related parties are unsecured, non-interest bearing and have no stated terms of repayment.

GOING CONCERN

The accompanying consolidated financial statements of the Company have been prepared using International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. 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 is evaluating financing its future requirements through a combination of debt, equity and/or other facilities. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

As at December 31, 2021, the Company had a working capital $4,071,206 and accumulated deficit of $7,015,227. At present, the Company has no current operating income or cash flows. Without additional financing, the Company will be unable to fund general and administrative expenses and working capital requirements for the next twelve months. In addition, the Company does not have the required financing to meet domestic licensing financial capability requirements, to complete the build-out of the airline and to secure aircraft. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the accompanying 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The accompanying consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1 of the consolidated financial statements.

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:

Valuation of restricted share units

The value of the restricted share units was based on the fair value of the Company's shares on the date of grant. The determination of the fair value of the Company's shares involved significant estimate as the Company's shares were not publicly traded on the date the restricted shares units were granted.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the accompanying consolidated financial statements for the year ended December 31, 2021 and financial statements for the year ended December 31, 2020.

FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, as detailed below.

Fair value

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy. The estimated fair value of receivables, accounts payable and accrued liabilities approximates their carrying values due to the short-term to maturity. The fair value of long-term liabilities are initially recorded at fair value and subsequently carried at amortized cost using rates comparable to market interest rates.

The Company's financial instruments are exposed to certain financial risks as detailed below.

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 receivables. The Company limits its exposure to credit loss by placing its cash 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. As a result, the Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity and debt financing. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. The Company is exposed to liquidity risk.

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

As at December 31, 2021, the Company had a working capital of $4,071,206 and accumulated deficit of $7,015,227. At present, the Company has no current operating income or cash flows. In addition, the Company does not have the required financing to meet domestic licensing financial capability requirements, to complete the build-out of the airline and to secure aircraft.

Market risk

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

(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. As at December 31, 2021, the Company is not exposed to any significant interest rate risk.

(b) Currency risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At present, the Company's expenditures are predominantly in Canadian dollars. 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 December 31, 2021, the Company is not exposed to currency risk.

RISK FACTORS

The development and ultimate operation of a Canadian charter 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. Reference should also be made to the section entitled "Risk Factors" in the Company's Annual Information Form.

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, a strategic corporate transaction 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.

A Localized Epidemic or Global Pandemic

A widespread outbreak of influenza or any other similarly communicable illness, occurring in the United States or Canada, or a World Health Organization travel advisory primarily relating to North American cities or regions could affect the Company's ability to continue full operations and could materially adversely affect customer demand for air travel. The current outbreak of the novel coronavirus (COVID-19) and any future emergence and spread of similar pathogens could have a material adverse effect on global economic conditions which may adversely impact our business and results of operations and the operations of our suppliers, contractors and service providers, and the demand for our passenger charter flights.

As a result of COVID-19, the global air transportation and tourism industry has faced a collapse in traffic and demand. Travel restrictions, uncertainty about when borders will reopen fully, the imposition of quarantine measures and vaccination and testing requirements both in Canada and other countries, as well as concerns related to the pandemic and its economic impacts have been creating significant demand uncertainty. While progress on vaccination and the lifting of certain restrictions have resulted in improved demand for air travel and tourism, the Corporation cannot predict when demand will return to the pre-pandemic level. A continued reduction in demand for air travel and tourism may have a significant adverse impact on our workforce, production levels, and our ability to launch charter operations.

The COVID-19 pandemic has had a significant impact on global supply chain. This could impact our supply chain for products we require to operate, including spare parts and consumables used for aircraft operations. We could also see significant disruptions of the operations of our logistics, service providers, delays in shipments and negative impacts to pricing of certain of our products.

The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, among others. The Company is not currently operating charter flights and as such the current COVID-19 pandemic does not have an impact on current operations, but it may have a material adverse effect on future operations.

Moreover, COVID-19 could negatively impact stock markets, including the trading price of our shares, could adversely impact our ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive. Any of these developments, and others, could have a material adverse effect on our business and results of operations.

Accuracy of Business Model

The accuracy of the Company's business model and the Company's ability to implement its business model is dependent on a number of inputs and assumptions, including:

- the timing and receipt of all regulatory approvals required or desirable for operations by the Company and their impact upon expectations as to future operations of the Company;
- the expected operations and performance of the Company's business as compared to the existing operators;
- the anticipated competitive response from existing operators as well as potential new market entrants which may compete with the Company;
- impact of governmental regulation on the Company;
- future development and growth prospects;
- expected operating costs, general administrative costs, costs of services and other costs and expenses;
- the anticipated increase in the size of the airline passenger market in Canada;
- ability to meet current and future obligations;
- treatment under governmental regulatory regimes;
- projections of market prices and costs;
- ability to obtain equipment, services and supplies in a timely manner, including the ability to lease or purchase aircraft; and
- ability to obtain financing on acceptable terms or at all.

Should one or more of these inputs and assumptions not be correct or fail to occur as anticipated then there is a risk that the Company's business model may not be implemented as anticipated and the Company may suffer a material adverse effect.

Lack of Operational History

The Company in the build-out stage of the airline and as a result, investors are unable to review and consider any operational history to evaluate future viability or profitability. The Company will be subject to the risks, difficulties and uncertainties associated with a start-up airline. The Company's future performance will depend upon a number of factors, including its ability to: maintain the safety and security of operations; capitalize on its business strategy; implement its growth strategy; provide the intended products and services at the prices anticipated; maintain adequate control of expenses; attract, retain and motivate qualified personnel; react to customer and market demands; and ability to generate operating revenue.

Regulatory Approvals Required

In order to commence airline operations in Canada, Jetlines must obtain its domestic 705 license ("Airline License") from the CTA and an Air Operator Certificate from Transport Canada. In order to obtain its Airline License and Air Operator Certificate, Jetlines must satisfy all the requirements of the CTA and Transport Canada, respectively. In order to meet these requirements, the Company will need to raise additional financing. There is no guarantee that the Company will raise sufficient financing and accordingly there is no guarantee that the Company will receive an Airline License or an Air Operator Certificate in accordance with its business plan. In addition, 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. There is no guarantee that the Company will receive these permits to fly to foreign destinations which would have a material adverse effect on the Company and its business plan.

Access to Aircraft and Capital Requirements

In order to operate in accordance with its business plan, the Company will need to acquire or lease aircraft. It is intended that the Company will enter into leasing arrangements for several aircraft initially and additional aircraft subsequently. While the Company does not anticipate any difficulties in entering into satisfactory leasing arrangements, there is no guarantee that the Company will be able to enter into leases for aircraft on terms satisfactory to it, or at all. The terms of the Company's leasing arrangements will impact upon the potential profitability of the Company's business. In the event that the Company is unable to acquire or lease aircraft on satisfactory terms, the Company will be unable to operate in accordance with its business plan. The Company's ability to pay any fixed costs associated with aircraft lease or purchase contractual obligations will depend on the Company's operating performance, cash flow, its ability to secure adequate financing, whether fuel prices continue at current price levels and/or further increase or decrease, further weakening or improving in the Canadian economy, as well as general economic and political conditions and other factors that are, to some extent, beyond the Company's control.

Price and Availability of Fuel

The Company will be dependent on fuel to operate its business, and therefore, will be exposed to the risk of volatile fuel prices. Fuel prices are impacted by a host of factors outside of the Company's control, such as significant weather events, market speculation, geopolitical tensions, refinery capacity, government taxes and levies, and global demand and supply. The Company's fuel costs are expected to make up one of the largest anticipated expenses of the Company. A significant change in the price of fuel would materially affect the Company's projected operating results and growth strategy. A fuel supply shortage or significantly higher fuel prices could result in a curtailment of the Company's planned scheduled service. There can be no assurance that increases in the price of fuel can be off-set by fuel surcharges.

The Company does not plan to implement a fuel hedging program, although it may do so in the future. There can be no assurance that any fuel hedging program implemented by the Company will be sufficient to protect it against increases in the price of fuel due to inadequate fuel supplies or otherwise. Hedging programs also have inherent risks, including counterparty failure risk, which may deprive the Company of the benefit of "in the money" hedges and the financial exposure to post security for "out of the money" hedges.

The Company may be subject to electronic communication security risks.

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Cyberattacks could result in unauthorized access to the Company’s computer systems or its third-party IT service provider’s systems and, if successful, misappropriate personal or confidential information. Anyone who is able to circumvent the Company’s security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Since the outset of the COVID-19 pandemic, there has been an increase in the volume and sophistication of targeted cyber-attacks. Pandemic-adjusted operations, such as work from home arrangements and remote access to the Company's systems, may pose heightened risk of cyber security and privacy breaches and may put additional stress on the Company's IT infrastructure. A failure of such infrastructure could severely limit the Company's ability to conduct ordinary operations or expose the Company to liability. To date, the Company's systems have functioned capably, and it has not experienced a material impact to its operations as a result of an IT infrastructure issue. In addition, the outbreak of hostilities between Russia and Ukraine and the response of the global community to such aggression is widely seen as increasing the risk of state-sponsored cyberattacks.

Even the most well-protected IT networks, systems and facilities remain potentially vulnerable because the techniques used in attempted security breaches are continually evolving and generally are not recognized until launched against a target or, in some cases, are designed not to be detected and, in fact, may not be detected. Any such compromise of the Company’s or its third party’s IT service providers’ data security and access, public disclosure, or loss of personal or confidential business information, could result in legal claims and proceedings, liability under laws to protect privacy of personal information, and regulatory penalties, and could disrupt our operations, require significant management attention and resources to remedy any damages that result, and damage our reputation and customers willingness to transact business with us, any of which could adversely affect our business.

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 may become involved in legal proceedings 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 may adversely affect the Company's growth, future profitability, ability to finance and operations

Global financial conditions continue to be characterized as volatile. In recent years, global markets have been adversely impacted by various credit crises and significant fluctuations in metals prices and fuel and energy costs. Many industries have been impacted by these market conditions. Global financial conditions remain subject to sudden and rapid destabilizations in response to future events. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's growth and profitability. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on investor confidence and general financial market liquidity, all of which may adversely affect our business and the market price of our securities. Global economic conditions are also affected by COVID-19 which is discussed above under the heading "A Localized Epidemic or Global Pandemic."

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.

Failure to attract and retain executive officers and other key personnel could materially adversely affect our financial performance

Our success depends upon our ability to attract, motivate and retain a highly trained and engaged workforce, including key executives, pilots, flight attendants, maintenance staff, human resources, financial and administrative personnel. In addition, currently turnover rates are relatively high, and there is an ongoing need to recruit and train employees. Factors that affect our ability to maintain sufficient numbers of qualified employees include employee morale, our reputation, unemployment rates, competition from other employers and our ability to offer appropriate compensation packages. Our inability to recruit a sufficient number of qualified individuals or our failure to retain key executive officers and other employees in the future may have a negative impact on our business and results of operations.

COMMITMENTS

Flight Booking System

On November 12, 2021, the Company entered into a five year license agreement with a vendor to license a flight booking software system, which expires on November 11, 2026. The Company may terminate the agreement for convenience by providing ninety days written notice and paying a termination fee calculated as the number of months remaining on the contract by the minimum monthly fee. As at December 31, 2021, the termination fee of the contract would be $359,600.

Supplier Agreement

On November 23, 2021, the Company entered into a ten year agreement with a vendor to be its sole supplier of main wheel and carbon brakes for its A319/A320 aircraft fleet. Under the terms of the agreement, if at any time the Company operates an aircraft with wheels and brakes other than the Seller's or the Company uses assemblies or subassemblies or parts not manufactured by the vendor for one or more of its aircrafts the Company agrees to pay the vendor US$200,000 for each aircraft.

Airbus Lease Agreement

On December 15, 2021, the Company entered into definitive aircraft lease agreement for one Airbus A320 aircraft scheduled for delivery in fiscal 2022 (the "Airbus Lease Agreement") with a third party (the "Lessor"). The lease payments are to begin starting February 28, 2022.

Security deposits paid by the Company in the amount of US$315,000 were retained by the Lessor. The maximum monthly lease payments will be US$110,208 per month, for a term of eight years.

OFF BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

The following events occurred subsequent to the year ended December 31, 2021:

1. On January 1, 2022, the Company granted 50,000 RSUs to a director of the Company, whereby 100% of the RSUs vest at the first anniversary of the grant date.

2. The Company received delivery and possession of the Airbus A320 aircraft on February 28, 2022.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file an annual certificate in Form 52-109F1 – IPO/RTO with respect to the financial information contained in the 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 Form 52-109F1 – IPO/RTO 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.

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.