NEO: CJET

CANADA JETLINES OPERATIONS LTD.

ANNUAL INFORMATION FORM
For the year ended December 31, 2022

Suite 2400, 1055 West Georgia St.
Vancouver, B.C. V6E 3P3
March 28, 2023

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PRELIMINARY NOTES

Effective Date of Information

The information contained in Canada Jetlines Operations Ltd.'s annual information form ("**AIF**" or "**Annual Information Form**") is presented as of December 31, 2022, unless otherwise stated herein. Unless the context otherwise requires, all references to the "**Company**" or "**Jetlines**" shall mean Canada Jetlines Operations Ltd.

Currency

Unless specified otherwise, all references in the AIF to "dollars" or to "$" are to Canadian dollars and all references to "U.S. dollars" or to "U.S.$" are to United States dollars.

Cautionary Note Regarding Forward-Looking Information

This AIF contains "forward-looking information" as defined under applicable Canadian securities legislation. Forward-looking information may be identified by words such as "anticipate", "believe", "estimate", "intend", "expect", "forecast", "may", "will", "seek", predict", "targeting", "could", "believe", "should", "potential", "plan", "project" or other similar terms. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information including, without limitation, the impact of general economic conditions; changing domestic and international airline industry conditions; volatility of fuel prices; currency fluctuations and interest rates; competition from other airline industry participants (including new market entrants, capacity fluctuations and the pricing environment); labour matters; government regulations and stock market volatility.

In particular, this AIF contains forward-looking statements pertaining, but not limited to, expectations as to future operations of Jetlines; the expected operations and performance of Jetlines' business as compared the MCDAs and other airlines operating in Canada; Jetlines' business model and strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom, desirability of operating aircraft on leisure routes and the pricing of airfares on such routes, anticipated competitive response from the MCDAs, other airlines operating in Canada, as well as potential new market entrants which may compete with Jetlines; impact of governmental regulation; anticipated base airfare and ancillary revenues; 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 generate revenue from ancillary products and services; ability to operate at a lower CASM than the MCDAs and offer lower base airfares than existing airlines operating in Canada; ability to meet current and future obligations; treatment under governmental regulatory regimes; and ability to obtain equipment, services and supplies in a timely manner, including the ability to lease or purchase aircraft.

With respect to forward-looking statements contained in this AIF, Jetlines has made assumptions regarding, among other thing: the accuracy, reliability and applicability of the Jetlines business model; the timely receipt of governmental approvals, including the receipt of approval from regulators in international jurisdictions where Jetlines may operate; the success of operations by Jetlines including achieving targeted load factors and ticket pricing; the ability of Jetlines to implement its business plan as intended; the legislative and regulatory environments of the jurisdictions where the Jetlines will carry on business or have operations; the impact of competition and the competitive response to the Jetlines' business strategy; the availability of aircraft, and additional risk factors discussed in this AIF and in other documents we file from time to time with securities regulatory authorities, including our MD&A for the year ended December 31, 2022, which are available on SEDAR at sedar.com or, upon request, without charge from us.

Readers of this AIF are cautioned that the foregoing lists of factors are not exhaustive and it would be unreasonable to rely on any such forward-looking statements and information as creating any legal rights, that the statements and information are not guarantees and may involve known and unknown risks and uncertainties, and that actual results may differ (and may differ materially) and objectives and strategies may differ or change from those expressed or implied in the forward-looking statements or information as a result of various factors Our assumptions and estimates relating to the forward-looking information referred to above are updated, as required, in conjunction with filing our quarterly and annual MD&A, Jetlines is not under any duty and do not undertake any obligation to publicly update or revise any forward-looking statements after the date of this presentation or to conform such statements to actual results or to changes in Jetlines' as applicable, expectations and Jetlines disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information is made as of the date of this AIF.

GLOSSARY

In the AIF, unless otherwise defined or unless there is something in the subject matter or context inconsistent therewith, the following terms have the meanings set forth herein or therein:

"**2017 Transaction**" means the transactions contemplated under the Amalgamation Agreement which resulted in the Amalgamation and the Company becoming a wholly owned subsidiary of Global;

"**2021 Offering**" has the meaning given to such term under the heading "Year Ended December 31, 2021 Developments";

"**Accessible Transportation Regulations**" has the meaning given to such term under the heading "Regulatory Environment";

"**Agency**" means the Canadian Transportation Agency;

"**AIF**" means this Annual Information Form;

"**Alberta CTC Act**" has the meaning given to such term under the heading "Regulatory Environment";

"**Amalgamation**" means the amalgamation of Jet Subco and the Company under the provisions of section 181 of the CBCA, as contemplated by the Amalgamation Agreement;

"**Amalgamation Agreement**" means the amalgamation agreement dated April 12, 2016 between Jet Metal Corp., Jet Subco and the Company;

"**Arrangement**" means the statutory plan of arrangement under section 192 of the *Canada Business Corporations Act* pursuant to the terms of the Arrangement Agreement;

"**Arrangement Agreement**" means the Second Amended and Restated Arrangement Agreement dated May 19, 2021 between the Company and Global;

"**April 2022 Offering**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**April 2022 Unit**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**April 2022 Warrant**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**August 2022 Loan Agreement**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**BCSC**" means the British Columbia Securities Commission;

"**Bonus Unit**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**Business Day**" means a day, other than Saturdays, Sundays and statutory holidays, when the banks conducting business in the City of Vancouver, British Columbia, are generally open for the transaction of banking business;

"**CBCA**" means the *Canada Business Corporations Act*;

"**Common Voting Share**" means a common voting share in the capital of the Company;

"**Computershare**" means Computershare Investor Services Inc.;

"**CTA**" means the *Canada Transportation Act*;

"**CTC**" has the meaning given to such term under the heading "Regulatory Environment";

"**CTC Act**" has the meaning given to such term under the heading "Regulatory Environment";

"**February 2023 Loan Agreement**" has the meaning given to such term under the heading "Developments Subsequent to the Year Ended December 31, 2022 and Outlook";

"**Global**" means Global Crossing Airlines Group Inc.;

"**Global Opco**" means Global Crossing Airlines, Inc.;

"**Global Business Combination**" has the meaning given to such term under the heading "Year Ended December 31, 2019 Developments";

"**Jetlines**" or the "**Company**" means, unless the context otherwise requires, Canada Jetlines Operations Ltd.;

"**Jet Subco**" means Jet Metal Acquisition Corp., a company incorporated under the CBCA to facilitate the Amalgamation;

"**Jetlines Vacations**" means Canada Jetlines Vacations Ltd., a wholly-owned subsidiary of the Company;

"**LOI**" means a letter of intent;

"**MSN 4175 Lease Agreement**" means the Definitive Lease Agreement dated December 15, 2021 between the Bank of Utah as Trustee for Owner Participant (as defined in the MSN 4175 Lease Agreement) as Lessor, the Company as Lessee and Global as Guarantor for the lease of an Airbus A320-200, listed under the manufacturer's serial number #4175, as described in the section "Year Ended December 31, 2021 Developments";

"**MSN 5995 Lease Agreement**" means the Definitive Lease Agreement dated October 14, 2022 between CCB Aviation Corporation Limited Participant as Lessor, the Company as Lessee for the lease of an Airbus A320-214, listed under the manufacturer's serial number #5995, as described in the section "Year Ended December 31, 2022 Developments";

"**October 2022 Loan Agreement**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**October 2022 Offering**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**October 2022 Unit**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**October 2022 Warrant**" has the meaning given to such term under the heading "Year Ended December 31, 2023 Developments";

"**Roosheila**" means Roosheila Group Inc.;

"**SEC**" means the United States Securities and Exchange Commission;

"**Security Charge Act**" has the meaning given to such term under the heading "Regulatory Environment";

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**September 2022 Offering**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**September 2022 Unit**" has the meaning given to such term under the heading "Year Ended December 31, 2022 Developments";

"**September 2022 Warrant**" has the meaning given to such term under the heading "Year Ended December 31, 2023 Developments";

"**Squarefic**" means Square Financial Investment Corporation;

"**TICO**" means Travel Industry Council of Ontario;

"**U.S.**" or "**United States**" means the United States of America;

"**Variable Voting Share**" means a variable voting share in the capital of the Company; and

"**Voting Shares**" means the Common Voting Shares and Variable Voting Shares.

SELECT AIRLINE INDUSTRY TERMS

The following airline industry specific terms are used in this AIF:

"**ACMI**" means Aircraft-Crew-Maintenance-Insurance;

"**AMO**" means a Transport Canada Approved Maintenance Organization

"**AOC**" means an Air Operator Certificate issued by Transport Canada;

"**ASM**" or "**Available Seat Miles**" is a measure of capacity, calculated by multiplying the total number of seats available for passengers by miles flown.

"**Base Airfare**" means the airfare advertised by an airline excluding surcharges, taxes, other fees or ancillary revenue items.

"**CASM**" or "**Cost Per Available Seat Mile**" is a measure of cost per unit of capacity, calculated by dividing total operating costs by ASMs.

"**FTE employee**" means full-time equivalent employee.

"**LCC**" means low-cost carrier.

"**load factor**" is a measure of production relative to capacity calculated by dividing RPMs by ASMs.

"**MCDA**" means the two major Canadian domestic airlines, Air Canada and WestJet and their affiliate airlines.

"**RASM**" or "**Revenue Per Available Seat Mile**" is a measure of revenue per unit of capacity, calculated by dividing total revenue by ASMs.

"**RPM**" or "**Revenue Passenger Mile**" is a measure of production based upon one passenger flying one mile.

"**turboprop**" means an aircraft with a turbine engine which drives an aircraft propeller.

"**ULCC**" means ultra-low-cost carrier.

"**yield**" means the revenue generated per passenger per mile travelled, represented in cents per mile and includes the NAV Canada surcharge fee but excludes ancillary revenue and is calculated by dividing revenue by RPM.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was created through the Amalgamation of Canada Jetlines Ltd. and Jet Subco on February 28, 2017 under the provision of the CBCA. On June 28, 2021 the Company completed the Arrangement and the articles of the Corporation were amended to subdivide all of the 15,268,638 issued and outstanding common voting shares in the capital of the Company into 33,403,145 common voting shares in the capital of the Company, being approximately 2.187696440245685 post subdivision common voting shares for each 1 outstanding pre-consolidation common voting share.

As part of the arrangement the Company adopted new Articles which altered its share capital to create the Common Voting Shares to be owned and controlled by Canadians and Variable Voting Shares to be owned or controlled by non-Canadians. Presently, the authorized share capital of the Company consists of an unlimited number of Common Voting Shares and an unlimited number of Variable Voting Shares, without par value.

Jetlines' registered and records office is located at Suite 2400, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3P3, Canada and its head office is located at 6299 Airport Road, Suite 300, Mississauga, Ontario, L4V 1N3

Inter-corporate Relationships

Jetlines has one wholly-owned subsidiary, Canada Jetlines Vacations Ltd, incorporated under the CBCA.

DESCRIPTION AND GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

On February 28, 2017, the Company completed the 2017 Transaction with the goal of establishing a start-up airline aiming to become Canada's first ULCC. As a result of the 2017 Transaction, the Company became a wholly owned subsidiary of Global (at the time named Canada Jetlines Ltd.). The corporate structure was such that Global was a public holding company listed on the TSX Venture Exchange and the Company was the operating entity that would be focused on completing the airline licensing process and launching a ULCC airline in Canada.

In December 2019, Global announced that it had entered into a LOI with Global Opco with respect to a business combination of Global (at the time named Canada Jetlines Ltd.) and Global Opco (the "**Global Business Combination**"). Following the Global Business Combination, it was the Company's intention to continue with an operating plan for Canada. This includes continuing to advance the airline licensing and AOC for the Company through the continued refinement of the Jetlines operating manuals and maintained in submission ready status. As a result of the Global Business Combination, the Company changed its intended business model from a ULCC airline to initially operating charter operations in concert with major tour operators from Canadian cities to major leisure destinations in the United States.

The Company was subsequently spun-out of Global pursuant to the terms of the Arrangement and now operates as a stand-alone entity. The Company's current principal business activity is the operation of a Canadian Carrier Airline that provides air service as a leisure airline, tour operator and charter operator with flights into popular sun destinations in the USA, Mexico and the Caribbean. Significant business, operations and management developments for the Company over the three most recently completed fiscal years have been as follows:

Year Ended December 31, 2020 Developments

The Company operated in a care and maintenance mode during the first half of 2020. The Company preserved its Transport Canada manuals until such time as it resumed the airline licensing process.

In June 2020 the Global Business Combination was completed and Global focused on completing the licensing process for its U.S. charter operations, while leaving the Company in care and maintenance mode. At this time the Board of Directors of the Company was reconstituted to be Edward Wegel and Deborah Robinson.

In September 2020, Global announced that it intended to spin-out its 100% ownership interest into the Company with the intention that the Company would move into operating vacation charters to Florida, Atlantic City and the Caribbean. Global intended to retain a partial ownership interest in the Company and was evaluating distributing this residual ownership interest in the Company to its shareholders on a pro-rata basis.

Year Ended December 31, 2021 Developments

In March 2021, the Board of the Company was again reconstituted such that the directors were Ryan Goepel (Chair) and Eddy Doyle. In preparation for resumption of operations, the Company identified an experienced management team and Board of Directors to lead its business, led by Eddy Doyle, Chief Executive Officer. Captain Doyle has over 35 years experience in aviation. He started his career as a pilot in the Canadian Air Force before joining Air Canada in 1989. He has over 11,000 hours flying experience, having flown Airbus and Boeing aircraft domestically and internationally. At Air Canada he was responsible for nearly 4,000 pilots, dispatchers, load agents, and administrative staff. He served in many management roles during his career at Air Canada such as: Chief Pilot, Member of the management team responsible for the Air Canada bankruptcy restructuring process and Vice President Flight Operations. After retiring from Air Canada, Captain Doyle took the position of Deputy-CEO at Bamboo Airways in Vietnam, where he helped launch the airline. He helped grow the airline to 25 aircraft (A320 & B787) by the end of its first year in operation. The Company also resumed the Canadian airline licensing process and commenced the build-out of a new management and operations team.

In April 2021, Global provided an update on the spin-out of the Company by way of the Arrangement. Global and the Company entered into an Arrangement Agreement pursuant to which the ownership interest of the Company was to be distributed to the shareholders of Global. Each shareholder of Global, as of the record date for the Arrangement (“**Record Date**”), was to receive one share of the Company for every two shares of Global held on the Record Date. After distribution Global was to retain 25% of the Company’s shares, with 75% held by Global shareholders as of the Record Date. On the closing of the Arrangement, the Company and Global will be operated as separate companies with separate management teams and Boards of Directors.

Following the Arrangement, the Company intended to operate as a Canadian charter airline once applicable regulatory approvals are in place and the Arrangement was essential to achieve compliance with foreign ownership and control restrictions applicable to Canadian airlines.

In May 2021, the Company received an Interim Order from the Supreme Court of British Columbia (the "**Interim Order**") in connection with the Arrangement. Having obtained the Interim Order, Global posted an Information Notice on SEDAR that contains all of the details regarding the Arrangement.

Effective June 28, 2021, Global and the Company closed the Arrangement. Each shareholder of Global as of the Record Date received one share of the Company for every two shares of Global held on the Record Date. The Company’s shares were distributed by way of dividend to Global shareholders at a value of $0.15 per Company share with 50% of the Company shares being subject to a transfer restriction that expired 12 months from the effective date of the Arrangement. As of the closing of the Arrangement there were a total of 33,403,145 Company shares issued and outstanding (including the 8,350,786 shares that have been retained by Global which at the time represented 25% of the issued and outstanding Company shares).

In order to comply with regulatory requirements for foreign control of a Canadian airline, the Company established a dual class share structure of Common Voting Shares and Variable Voting Shares. Common Voting Shares carry one vote per share at meetings of shareholders of Jetlines. The number of votes for each Variable Voting Share is subject to adjustment in the event that foreign voting control limits are exceeded as prescribed by the Canada Transportation Agency. Common Voting Shares may only be owned or controlled by persons who are Canadians and Variable Voting Shares may only be owned or controlled by persons who are not Canadians.

On closing of the Arrangement, the Company made several management and Board of Director appointments:

- *Management*

    - Duncan Bureau as Chief Commercial Officer, tasked with building the various commercial platforms and distribution network for the company. In his most recent role, Duncan was Senior Vice President Sales & Distribution at Etihad. Prior to Etihad, Duncan served as Vice President Sales & Distribution for WestJet Airlines, Senior Vice President Sales & Distribution for Malaysia Airlines, Global Vice President Sales & Distribution for Air Canada, and President of Air Canada Rouge.

    - Anup Anand as Director of Cabin Safety and In-Flight. Most recently as Managing Director In-Flight Service at Air Canada, Anup was responsible for more than 8500 cabin crew. Anup brings more than 27 years of aviation leadership experience.

    - Vic Charlebois as VP Flight Operations. Vic has over 35 years experience in the industry and was previously employed by Jetlines as VP Flight Operations for two years. He has also previously served in the same role with First Air, Zoom Airlines and Canada 3000 after an 18-year career in the Canadian Air Force. Mr. Charlebois subsequently departed from his role with the Company in 2022.

    - Brad Warren as VP Maintenance. Brad has more than 25 years of aircraft maintenance experience. Most recently serving as the Managing Director at Air Canada accountable for line maintenance with more than 1,800 maintenance technicians across Canada and around the globe. Prior to that he held a senior leadership role at Air Canada Rouge after his time as Vice President of maintenance for Air Georgian and Regional 1 including the role of PRM (Transport Canada designation for Person Responsible for Maintenance). Mr. Warren was subsequently appointed as Chief Operating Officer during the year ended December 31, 2022.

- *Board of Directors*

    - Eddy Doyle, CEO of the Company;

    - Ryan Goepel, EVP and CFO of Global;

    - The Honorable Jean Charest, former Deputy Prime Minister of Canada and Premier of Québec (resigned from the Board of Directors during the year ended December 31, 2022 but remains as an Advisory Board member);

    - Ravinder Minhas, co-founder of Minhas Breweries and Distilleries;

- David Kruschell, President and Chief Executive of Frontier Lodging Solutions and a prominent figure in the Canadian travel industry;
- Peggy Gilmour, former Board Chair, Institute of Internal Auditors, Toronto Chapter and a senior finance executive in the Banking and Transportation sectors (resigned from the Board of Directors during the year ended December 31, 2022);
- Beth Horowitz, former President & CEO, Amex Bank of Canada; and
- Ken McKenzie, former EVP at Airbus Americas, COO of Spirit Airlines and EVP Operations for WestJet (resigned from the Board of Directors during the year ended December 31, 2022 for personal reasons).

Subsequent to the completion of the Arrangement, the Company's focus was on the completion of the airline licensing process. The process to start a new airline commences with 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 licence:

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 (AOC issued by Transport Canada) that is valid in respect of the air service to be provided under the licence;
3. Jetlines has the liability insurance coverage required by section 7 of the CTA in respect of the air service to be provided under the licence and has complied with section 8 of the CTA; and
4. Where Jetlines is required to meet the financial requirements set out in section 8.1 of the CTA,

The application to acquire a domestic service, large aircraft licence 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 retained a team of experienced subject matter experts in order to complete the Transport Canada AOC process. Pending funding to the approval of the Agency, the completion of the Transport Canada AOC and being properly insured, the Company will receive its airline licence 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.

Upon receipt of its licence to operate in Canada and once otherwise eligible, Jetlines can apply for a foreign air carrier permit or an exemption therefrom from the U.S. Department of Transportation in order to allow Jetlines to fly into destinations in the United States. Jetlines can also apply for similar approvals from the regulatory authorities in international jurisdictions including Mexico and Caribbean countries. Provided such licences, permits or exemptions are received, Jetlines can grow its business significantly by increasing its route network throughout Canada and to selected locations in the United States, Mexico and the Caribbean.

On August 6, 2021, the Company closed a non-brokered private placement (the "**2021 Offering**"). Due to investor demand, the Company increased the size of the Offering from $5 million and closed on final gross proceeds of $6,599,064.80. The 2021 Offering consisted of 16,497,662 units issued at $0.40 per unit (each a "**2021 Unit**"). Each 2021 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 "**2021 Warrant**"). Each 2021 Warrant entitles the holder thereof to purchase an additional Voting 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 issued 1,125,328 2021 Warrants to finders as part of a finder's fee for certain subscribers who participated in the Offering. All 2021 Warrants were issued under the terms of a 2021 Warrant Indenture dated August 6, 2021 between the Company and Computershare Trust Company of Canada.

On September 7, 2021, Ms. Barbara Syrek was appointed CFO of the Company.

On October 13, 2021, the Company's Voting Shares commenced trading on the NEO Exchange under the symbol "CJET".

On November 10, 2021, the Company announced that it, through Jetlines Vacations, and Global, through its wholly-owned subsidiary, GlobalX Air Tours LLC, intend to launch a partnership for the sale of public charter flights between Toronto and Florida. As a result of the effects of the Omicron variant of COVID-19 on the travel industry, the Company and Global subsequently decided to put this operation on hold.

On November 17, 2021, the Company announced that it had entered into a long-term 'Component and Expendable Parts' agreement with Lufthansa Technik AG for the Company proposed A320 aircraft fleet. The multi-year agreement covering extensive component services, will support the start-up and growth of the airline as it expands its fleet and network.

On November 18, 2021, the Company received an exemption from the British Columbia Securities Commission, and other securities regulatory authorities, that will allow the Company's variable voting shares and common voting shares to be treated as a single class for the purposes of applicable take-over bid requirements and early warning reporting requirements contained under Canadian securities laws.

On December 2, 2021, the Company announced that it had entered into a multi-year agreement with NAVBLUE, designed to incorporate dynamic aviation solutions into their flight operations. These solutions will provide immediate efficiencies, reducing aircraft operating costs and environmental impact to the minimum for the Company. NAVBLUE's implemented solutions would include a suite of integrated programs, allowing for all-encompassing customization of an array of aviation products.

On December 8, 2021, the Company announced that it had selected Moment, a technological company which has developed a wide range of infotainment solutions dedicated to the transportation and hospitality industry, to equip its proposed fleet of A320 aircraft, the Flymingo Box System, a state-of-the-art digitization suite and in-flight entertainment portal.

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. The Flymingo Box system, which offers a flexible, aircraft-powered digital suite to enhance passenger experience and provide wireless inflight entertainment options will also be installed. As a result of this lease, the Company terminated the letter of intent with Global Opco for the lease of an Airbus A320 originally entered into on June 28, 2021 (the "**Global A320 LOI**").

Year Ended December 31, 2022 Developments

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 was subject to Transport Canada reviewing the training conducted under the program and concluding that it is satisfactory.

On February 26, 2022 the Airbus 320 that is the subject of the MSN 4175 Lease Agreement, landed at the Kitchener/Waterloo airport. The aircraft was flown from Shannon, Ireland where it recently underwent painting and interior refurbishing. The flight was operated by Captain Randy Howe (Jetlines' Chief Pilot) and Captain Colin Forrest, both pilots having recently completed their Jetlines' A320 pilot training and simulator check ride monitored by Transport Canada.

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

On March 28, 2022, Mr. Percy Gyara was appointed CFO of the Company.

On April 4, 2022, the Company announced that it had received conditional approval for Flight Attendant Training from Transport Canada effective immediately. Final approval of Canada Jetlines' Flight Attendant Training program was subject to Transport Canada reviewing the training conducted under the program and concluding it is satisfactory.

On April 26, 2022, the Company announced a partnership with Safran Landing Systems, to equip its Airbus A320 fleet with Safran's A320-family carbon brakes.

On April 26, 2022, the Company announced the closing of a non-brokered private placement to raise a total of $3.35 million (the "**April 2022 Offering**"). The April 2022 Offering consisted of 9,571,413 units issued at $0.35 per unit (each an "**April 2022 Unit**"). Each April 2022 Unit consists of one common or variable voting share and one half of one warrant (each whole warrant an "**April 2022 Warrant**"). Each April 2022 Warrant entitles the holder thereof to purchase an additional Share for a period of 48 months after closing at a price of $0.50 per Share during the first two years after issuance of such Warrant; and $0.65 per Share during the third and fourth years after issuance.

On May 24, 2022, the Company announced that the Agency has determined that the Company has met the agency's financial requirements. The Agency had previously determined that the Company met the Canadian control requirements. With the satisfaction of this significant milestone, the formal CTA commercial license will be issued following the issuance of the AOC by Transport Canada.

On May 26, 2022, the Company announced that the Agency has issued an exemption from the application of section 59 of the Canada Transportation Act. This exemption allowed the Company to sell tickets for air travel prior to issuance of its license.

On June 23, 2022, Mr. Regenold (Reg) Christian joined the Board of Directors of the Company following the Company's Annual General and Special Meeting.

On June 23, 2022, the Company announced that Travel Industry Council of Ontario ("**TICO**") has provided approval to the carrier's subsidiary Canada Jetlines Vacations Ltd. as a travel retailer and travel wholesaler under the Travel Industry Act, 2022. TICO is mandated by the Ontario government to administer the Ontario Travel Industry Act, 2002 and Ontario Regulation 26/05 which governs approximately 2,100 travel retailers and travel wholesalers registered in Ontario – providing Canadian travelers with confidence from their stamp of approval.

On July 7, 2022, the Company announced a new distribution partnership through which all Amadeus travel agency customers will have the ability to shop, book and service the carrier's range of flight inventory, fares and merchandising content.

On July 8, 2022, the Company announced that the successful completion of all demonstration flights for Transport Canada in the process to obtain its AOC. The Company operated a flight from the Region of Waterloo International airport to Greater Moncton Roméo Leblanc International airport and back, to the satisfaction of Transport Canada inspectors.

On August 18, 2022, the Company announced that it has received its AOC from Transport Canada, granting approval to initiate operations out of its travel hub at Toronto Pearson International Airport (YYZ). Subsequently on August 22, 2022, the Company announced that it has received its Domestic, Non-scheduled international, and scheduled international service licenses from the Canadian Transportation Agency. With the AOC and these licenses, the Company completed all government requirements and obtained all certification to start operations.

On August 25, 2022, the Company announced the closing of a loan transaction and received gross proceeds of $1,000,000 loan from Roosheila Group Inc. ("**Roosheila**"). Roosheila is a holding company for Reg Christian, a Canadian director of the Company. The loan was provided pursuant to a loan agreement dated August 22, 2022 (the "**August 2022 Loan Agreement**"). The material terms of the August 2022 Loan Agreement are:

- the loan bears interest at the rate of 7% per annum;
- a maturity date of 24 months from the closing date;
- principal and interest amounts are payable in equal monthly installments for the 24 month term;
- Roosheila will be issued 25,000 common shares on the date that is 12 months from the closing date and an additional 25,000 common shares on the date that is 24 months from the closing date;
- Roosheila is granted a Board nomination right for the term of the loan; and
- the loan is unsecured.

On August 26, 2022, the Company announced that Ms. Margaret (Peggy) Gilmour has resigned from the Board of Directors.

On September 19, 2022, the Company announced that Mr. Brigitte Goersch was appointed to the Board of Directors.

On September 20, 2022, the Company announced that it entered into a worldwide distribution agreement with Sabre, the leading software and technology company. This agreement ensures that Sabre will distribute the Company's comprehensive content for travel agencies and corporations through the Sabre travel marketplace (GDS). The Sabre travel marketplace facilitates the marketing, sale and servicing of airfares, hotel rooms, rental cars, rail tickets and other types of travel to buyers around the world who use it to shop, book and manage travel.

On September 22, 2022, the Company completed its inaugural flight from its Giersch travel hub at Toronto Pearson International Airport (YYZ) to Calgary International Airport (YYC).

On September 30, 2022 the Company closed a non-brokered private placement to raise gross proceeds of $1,889,497.22 (the "**September 2022 Offering**"). The September 2022 Offering consisted of units issued at $0.255 per unit (each a "**September 2022 Unit**"). Each September 2022 Unit consists of one common or variable voting share and one half of one warrant (each whole warrant a "**September 2022 Warrant**"). Each September 2022 Warrant entitles the holder thereof to purchase an additional Share for a period of 24 months after closing at a price of $0.40 per Share. In order to encourage share ownership by employees of the Company, the Company offered all of its employees that chance to participate in the September 2022 Offering with a bonus incentive. Employees that participated in the September 2022 Offering received one additional September 2022 Unit (each a "**Bonus Unit**") for every six September 2022 Units subscribed for in the September 2022 Offering, without payment of additional consideration. A total of 8,151,525 September 2022 Units (including Bonus Units) were issued in the September 2022 Offering with employees participating for $1.134 million of the Offering. The Company also paid $14,886.90 in finder's fees and issued 58,380 September 2022 Warrants to finders with respect to certain non-employee investors who participated in the September 2022 Offering.

On October 11, 2022, the Company announced that Mr. Shawn Klerer was appointed to the Board of Directors. The Company also announced that Mr. Ken McKenzie has resigned as a member of the Board of Directors for family reasons and Ms. Brigitte Goersch was appointed as Chair of the Company to succeed Mr. McKenzie.

On October 14, 2022, the Company announced that it had entered into the MSN 5995 Lease Agreement, for its second Airbus A320 aircraft with delivery in November 30, 2022. The aircraft is an Airbus A320-214, listed under the manufacturer's serial number #5995, equipped with two CFM56-5B4/3 engines. The aircraft cabin will be configured with the new Recaro 3530 seats, in-seat USB power, and personal electronic device holder. The Company will also install the Flymingo Box system, which offers an enhanced passenger experience through its wireless inflight entertainment.

On October 31, 2022, the Company announced that it has closed its non-brokered private placement with its new Chair, Brigitte Goersch, and has raised gross proceeds of $150,000.18 (the "**October 2022 Offering**"). The October 2022 Offering consisted of units issued at $0.255 per unit (each an "**October 2022 Unit**"). Each October 2022 Unit consists of one variable voting share and one half of one warrant (each whole warrant an "**October 2022 Warrant**"). Each October 2022 Warrant entitles the holder thereof to purchase an additional Share until October 28, 2024 at a price of $0.40 per Share.

On October 31, 2022, the Company also announced the closing of a second loan transaction and received gross proceeds of $1,000,000 loan from Roosheila. The loan was provided pursuant to a loan agreement dated October 28, 2022 (the "**October 2022 Loan Agreement**"). The material terms of the October 2022 Loan Agreement are:

- the loan bears interest at the rate of 7% per annum;
- a maturity date of October 28, 2026;
- principal and interest amounts are payable in equal monthly installments for the 48 month term;
- Roosheila will be issued 25,000 common shares on the date that is 12 months from the closing date and an additional 25,000 common shares on the date that is 24 months from the closing date;
- Roosheila is granted a Board nomination right for the term of the loan; and
- the loan is unsecured.

On November 1, 2022, the Company announced the United States Department of Transportation has granted economic authority to serve the U.S. This exemption is effective immediately and will be replaced by a permanent foreign air carrier permit. Subsequently the Company announced its first international routes from Toronto Pearson Airport to Las Vegas, Nevada through Harry Reid International Airport and Melbourne Orlando International Airport.

On November 9, 2022, the Company announced that it has signed a cargo sales and service agreement with GO Above and Beyond Inc. and confirmed it recently received approval from Transport Canada that will permit it to carry cargo on flights. GO Above and Beyond Inc. will act as sales agent for the Company's cargo services.

On December 1, 2022, the Company announced the ramp up of its charter business having completed 18 charter flights in November 2022 for a variety of new clients.

On December 9, 2022, the Company completed the inaugural flight for the new, nonstop service out of its travel hub at Toronto Pearson International Airport (YYZ) to Vancouver International Airport (YVR).

On December 19, 2022, the Company announced that the United States (U.S.) Federal Aviation Administration (FAA) has granted the carrier authority to operate and fly to and from the United States. This news follows the economic authority granted by the U.S. Department of Transportation in November 2022. The Company also confirmed the delivery of its second aircraft MSN 5995.

Developments Subsequent to the Year Ended December 31, 2022 and Outlook

On January 5, 2023, the Company announced a partnership with Boom Group Inc (BOOM), Western Canada's leading employee and member rewards platform. Through this alliance, travellers will have the ability to enroll through the BOOM Rewards' platform to purchase flights at a preferred rate, on all current and future routes via the Company's international network.

On January 31, 2023, the Company announced a new international nonstop service out of its travel hub of Toronto Pearson International Airport (YYZ) to Cancun (CUN) in Mexico.

On February 1, 2023, the Company announced confirmed that it continues to grow the charter segment of its business and has completed 95 charter flights in December 2022 and January 2023. Total hours flown have increased to 350 hours in December 2022 and January 2023, as compared to 71 hours in November 2022.

On February 8, 2023, the Company announced the appointment of Mr. Rossen Dimitrov to its Board of Directors.

On February 9, 2023 the Company entered into a loan agreement (the "**February 2023 Loan Agreement**") with Roosheila for a loan of $1,500,000. Subsequently the February 2023 Loan Agreement was assigned to Square Financial Investment Corporation ("**Squarefic**"). Squarefic is a wholly owned subsidiary of Mr. Regenold Christian, a director of the Company. The loan proceeds were advanced to the Company on March 12, 2023. The material terms of the February 2023 Loan Agreement are:

- the loan bears interest at the rate of 7.95% per annum;
- a maturity date of 60 months from the date of closing;
- principal and interest amounts are payable in equal monthly installments for the 60 month term plus an additional annual 10% principal repayment;
- Squarefic is granted a Board nomination right to nominate an independent director for the term of the loan; and
- the Company shall pay the document closing costs of Squarefic; and
- the loan is secured with a subordinate security interest against the Company's credit card processor holdback funds.

On March 13, 2023, the Company announced that it intends to undertake a non-brokered private placement with a single arm's length investor to raise $1,000,020 (subsequently increased to $1,100,022) (the "**April 2023 Offering**"). The April 2023 Offering consists of 5,238,200 units issued at $0.21 per unit (each a "**April 2023 Unit**"). Each April 2023 Unit consists of one share and one half of one warrant (each whole warrant an "**April 2023 Warrant**"). Each April 2023 Warrant entitles the holder thereof to purchase an additional share for a period of 24 months after closing at a price of $0.35 per Warrant Share. The closing of the April 2023 Offering is subject to customary closing conditions, including the receipt of the approval of the Neo Exchange Inc. Closing is expected to occur on or before April 27, 2023.

On March 16, 2023 the Company announced that it is in discussions with Qatar Airways Group Q.C.S.C. (“**Qatar Airways**”) to explore a potential collaboration between the two airlines. Subject to all regulatory approvals, the parties are discussing the possibility of including non-stop flights between Toronto-Pearson and Doha, the home of Qatar Airways. This would offer Canadian travellers access to Qatar Airways' network via Doha to destinations in the Middle East, Africa, Indian Subcontinent and across Asia.

Outlook

The section contains “forward-looking information”, please see “Cautionary Note Regarding Forward-Looking Information” in this AIF for a list of assumptions and risk factors related to the information in this section.

The Company has begun to sell and operate flights within Canada, Canada to USA and Canada to Mexico. The Company has received U.S. Department of Transportation and Federal Aviation Administration approvals to start operating to the United States. Jetlines has also received approvals from regulatory authorities in Mexico. Jetlines also concurrently applied for similar approvals from the regulatory authorities in certain Caribbean countries.

The air carrier was created to provide Canadians with value vacation choices and convenient travel options to fly to leisure destinations within Canada, the U.S.A., Cuba, Jamaica, St. Lucia, Antigua, Bahamas, and other Caribbean nations. The Company intends to provide vacation packages to Canadian destinations and beyond via strong partnerships with airports, CVBs, tourism entities, hotels, hospitality brands, and attractions. The Company also has a growing ACMI and charter business. With a projected growth of 15 aircrafts by 2025, Jetlines aims to offer the best-in-class operating economics, customer comfort and fly-by-wire technology, providing an elevated guest centric experience from the first touchpoint. The carrier uses a web booking platform, making the turnkey solution available to consumers, travel agents, and tour operators, with the capability of generating revenue on reservations and ancillary sales with the aim to provide more revenue opportunities to current and future agent partners and all the work that they do.

The proceeds from the issuance of shares and loan agreements are being used to further the business objectives of the Company in operating and growing a leisure airline, tour operator and charter airline based in Canada. The Company will continue to grow its business and route network through acquisition of additional aircraft, obtaining licenses to operate to international destinations, augmenting the leadership team with additional 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 and to continue the operation and growth of the airline with additional personnel, inventory, training, deposit payments, sales and administrative systems and other operating activities, as well as for general and administrative expenditures and working capital.

The Company incorporated 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.

Significant Acquisitions

The Company has made no significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102.

NARRATIVE DESCRIPTION OF THE BUSINESS

Summary of the Business

The Company is currently operating as a leisure airline, tour operator and ACMI/charter airline from its operations based at Toronto Pearson International Airport (YYZ). Its scheduled service operations currently operate flights within Canada and to destinations in the USA and Mexico. It also provides charter and ACMI services to third parties as part of its business model. Its vision is to be Canada's tour operator of choice, with a mission of providing Canadians with the best value in air travel while focusing on safety and reliability. The Company expects that passenger demand will be stimulated through lower airfares and revenue will be generated from both base airfare and the sale of ancillary products. Jetlines intends to focus on cost discipline in order to keep operating costs low.

Jetlines expects that its business model will be appealing to Canadian travelers who are not presently flying from Canadian airports due to high airfares or are not flying to trans-border destinations because the service in not currently offered, or is offered via multiple stops and connections. Jetlines anticipates this market of passengers to be comprised of price sensitive travelers, which could include budget conscious leisure travelers, students, families and business travelers seeking to contain costs. Jetlines also believes that there is significant pent-up demand for travel both within Canada, the United States, and other popular Sun Destinations that have been already identified.

Jetlines expects to have a cost base below existing legacy airlines in the Canadian market. It will achieve its cost advantage through:

- *Aircraft:* Leases at competitive rates.
- *Vendor Contracts:* Lower cost, better terms and reduced deposits.
- *Employees:* Ability to recruit highly-trained employees at a lower compensation rate by including equity incentives and opportunities for seniority and growth that are not available at the MCDAs.

Our Mission

Value and service Alternative

We are a public company, backed by a management team and board of directors with extensive experience in the airline industry. Now we're bringing that experience to the Canadian market with a value proposition with flights and vacation packages to the United States, Mexico, and the Caribbean. The Company also can provide charter flights and ACMI service to third parties to ensure utilization of its aircraft.

Vision

We strive to make air travel the best it can be for the best possible price. Our experienced team and efficient aircraft design allow us to provide competitive and affordable flight options to the Canadian market.

Jetlines is hiring specialized employees and advancing in a quickly changing marketplace. Jetlines has forged partnerships with established industry partners. Jetlines was developed as a leisure airline to provide the Canadian consumer with more choice and more economical options to fly to sun-destinations in the southern US, Caribbean, Mexico. Jetlines will use a state-of-the-art Web booking platform, making the turnkey solution available to tour operators, and generate revenue on the reservation and planned ancillary sales.

Our Values

Putting Travelers Values First

At the very heart of Jetlines is a core set of values. Each one is just as important as the last, which is why we put all of them first for our customers, employees and investors:

- **Safety:** In everything we do and everywhere we go, we make the safety of everyone aboard a Jetlines flight our top priority.
- **Customers:** We deliver the best value by giving our customers the power to choose. We offer them the option to purchase additional services if they like, while providing exceptional customer experiences no matter what.
- **Employees:** We choose the best people for the job and provide them with a great workplace experience, so they can offer customers the best possible Jetlines experience.
- **Investors:** Our investors are the driving force behind our business, so we manage our business in a cost-effective way that makes their investment profitable.
- **Innovation:** We keep the cost of Canadian travel low by continually adopting new technology and pursuing the highest level of customer satisfaction possible.

The Leisure Model

Canadian air travel has been dominated by a duopoly that drives up prices to some of the most expensive in the world. Meanwhile there is significant demand for leisure travel.

In 2019, air travel to the United States by Canadians accounted for 10.0 million trips (statcan.gc.ca). Top 6 U.S destinations in order of importance are: 1. Fort Lauderdale; 2. Miami; 3. Orlando; 4. Los Angeles; 5. Las Vegas; and 6. Phoenix. Mexico is the second most visited country by Canadians with over 2 million trips per year (statcan.gc.ca). More than half of leisure trips taken by Canadians outside of the U.S are to Mexico, Cuba and the Dominican Republic.

The leisure model is a simplified air carrier business model that operates with a cost point well below larger airlines. It offers lower airfares within a market of its own and focuses on cost control by offering unbundled services that maximize demand while selling additional services that increase revenue.

The leisure model provides several advantages, starting with its flexibility and speed to market. The business model contributes higher margin opportunities given the ability to deploy capacity to high demand markets based on seasonality. In addition, there is no need to support unprofitable routes.

The Distribution strategy will be based on the idea of putting our product on as many shelves as possible this means that Jetlines will be sold to consumers via jetlines.com and will also be sold by JetlinesVacations.ca and by resellers including tour operators, traditional travel agencies, online travel agencies, and consolidators. This will include groups and block seat allocations to preferred partners that will generate profitable high load factors which will deliver profitability to the organization.

Ancillary revenue (seats selection, buy on board, etc.) will be a particular focus, along with third-party commissions from travel packages (hotel, car rental, travel insurance, and tour commissions).

The Company will minimize direct competition with Canadian legacy airline such as Swoop, Rouge and Flair on domestic routes. The Company will offer tour operators, travel agents, Online Travel Agents and consolidators an alternative. The Company will also maintain focus on high demand periods and avoid low demand shoulder seasons by moving operations to sun destinations in the winter months and domestic destinations in summer peak periods.

Revenue and Distribution Strategy

The Company will be positioned as a value based, reliable and customer centric airline operating in Canada. It will utilize a competitive pricing model that will be supported by realized CASM advantage in the marketplace to deliver value to Canadians.

The Company's services and product offering will be available through:

- A consumer direct website www.jetlines.ca where the Company's best content and partner network will be available to purchase.
- Distribution via travel trade in Canada for package vacations will be enabled on SoftVoyage, SIREV and TTS in the USA.
- Distribution will be enhanced through major GDS systems such as Sabre and Amadeus to ensure content is available to travel agents globally.
- The travel trade will be an important part of the Company's distribution channel and it will be looking to partner and leverage the following channels:
  - Tour Operators
  - Consolidators
  - Traditional Travel Agencies
  - Online Travel Agencies
  - Loyalty Programs

Like most businesses, pricing will be a critical component of the Company's potential success. The Company's goal is to support Base Airfares that are lower than MCDAs' Base Airfares (without taking into account any MCDA competitive response). Management anticipates achieving this through a combination of the Company's lower cost model and an unbundled fee structure. Inventory availability pricing, also known as revenue management, will be utilized by the Company. Base Airfares will include the seat costs only. Ancillary products and services are purchased on an as required or desired à la carte basis. Revenue will come from the following line items:

- Base Fare
- Ancillary Revenue (Checked bags, seat selection, buy onboard)
- Commission from vacation packages (hotel room, car rental, activities)
- Jetlines Vacations Tour Operator Revenue
- US based travel partners to sell northbound vacation packages in US dollars will allow Jetlines to generate US funds to pay US currency invoices

Marketing

Marketing will be thoughtful, creative and leverage non-paid media and promotion activity that will draw attention to the launch of the airline. The Company's marketing plan has extensive focus on the customer and their travel experience. Demographically, the target consumer market is comprised of those members of the broader adult population who are willing and physically able to travel by air. The Company believes that its core customer base is cost conscious, appreciates value and has strong opinions about excessive costs with an overall interest in not overspending for most goods and services. The Company believes that this does not exclude people of middle or even higher wealth from seeing value in our services and products. Instead, the common element among the majority of the Company's prospects and customers is the desire to get value from every purchase they make. Both primary and secondary research is ongoing to better understand the purchasing drivers and behaviours of these types of consumers.

The Company believes that its marketing plan also covers the cornerstones of the traditional marketing mix: product, price, place and promotion. Yield and revenue management are additional pricing considerations that influence the marketing plan. The "place" offering addresses the sales and distribution with a heavy reliance on technology facilitating consumer purchases with a suitable and scalable reservation system powering the back-end. Finally, the "promotion" offering is a key section of the Company marketing plan. Acknowledging that successful promotional strategies are aligned at all levels, the Company's three primary business objectives of: building revenue, growing market share and maximizing profit, are supported by various marketing strategies that filter down to multiple tactics and measures.

Charter and ACMI Strategy

The Company also provides ACMI services to airlines and non-airlines, and of a full services charter basis whereby the Company provides passenger aircraft charter services to customers by charging an "all-in" fee that includes fuel, insurance, landing fees, navigation fees and most other operational fees and costs.

The Company plans to achieve its revenue goals by flying ACMI or charter operations for a variety of client groups:

- Scheduled airlines that have short-term or long-term capacity needs to supplement their existing routes or fleets.
- Major tour operators, resorts, cruise lines and casinos that require airlift above and beyond scheduled service to meet their occupancy needs.
- Sports teams.
- Charter brokers representing a variety of interests, including the entertainment industry, dignitary travel and government programs.

Proposed Aircraft Fleet

Critical to the Company's business model is a supply of modern and cost effective aircraft that can service the various sectors required to fly the Company airline route network. To achieve this objective, the Company has selected what it considers to be the best overall single-aisle aircraft to operate on all of its routes in Canada. This approach differs from traditional airlines which purchase a variety of aircraft, often from different manufacturers to achieve their operational flight sectors, resulting in increased training, operating and spare part costs. To reduce CASM, the Company conducted research to determine the best aircraft to fly on its anticipated initial and expanded route pairings identified in the single-aisle seat market. The following criteria were applied:

<u>Cost Efficiency:</u>

- competitive fuel burn to main competitors with jet aircraft;
- contribute to a better CASM than main competitors on domestic, trans-border and Mexican routes;
- availability of aircraft training program at competitive costs;
- availability of aircraft on the leasing market;
- competitive leasing costs;
- competitive maintenance rates;
- ability to be operated profitably; and
- Optimum utilization of each aircraft per day

Operational Factors:

- able to take-off and land from selected airports;
- able to fly non-stop from major Canadian cities to selected southern United States, Mexican and Caribbean airports; and
- considered a modern fuel efficient, low maintenance jet.

Comfort:

- equal or better cabin size than main competitors;
- equal or better seat width than main competitors;
- large cabin bin volume (for carry-on baggage);
- ability to climb at a higher rate than turboprop aircraft (to quickly climb out of poor weather);
- service ceiling is at a higher operating altitude than turboprop aircraft (to avoid low level turbulence);
- ability to get to cruising altitude and speed faster than a turboprop; and
- ability to fly faster than a turboprop aircraft.

The Company compared various manufacturers' aircraft data based on the above-mentioned criteria and has decided it will lease and operate Airbus A320 aircraft. Longer term this will also position the Company to access the newer and more fuel-efficient Airbus A320neo. The family of A320s has an excellent dispatch reliability and safety record. The A320 also provides passengers with a slightly larger cabin width than the Boeing 737.

Management believes that the Company's fleet plan is appropriate for the three phases of operations, those being: (1) start-up with low lease rate aircraft to build up passenger load factors and aircraft utilization; and (2) in the longer-term migrate into the more fuel efficient Airbus A320neo.

Fleet Plan

By 2025 the Company plans to lease and introduce fifteen Airbus A320 aircraft. The Company will operate its aircraft as a single class, all economy (high density 174-seats).

Aircraft Maintenance

To ensure proper line maintenance, including up to "A" checks, the Company entered into an agreement with a Transport Canada Approved Maintenance Organization ("**AMO**"). Heavy maintenance such as "C" and "D" checks is expected to be sourced out to MRO approved service providers using funds from the accrued maintenance reserves. The Company has calculated an hourly regular maintenance reserve for all maintenance, heavy checks, increased inspections and age-related maintenance items associated with the Airbus A320 fleet. These reserves are taken into account in the overall CASM targeted by management.

Fuel

The average cost of jet fuel consumption is approximately 30% of total airline operating costs. The price of jet fuel normally has an effect on Canadian airline operations in these three areas:

1. *CASM* – Aircraft fuel prices will impact CASM.

2. *Canadian Dollar* - Aircraft fuel prices historically have paralleled the price of oil. When aircraft fuel prices decrease, it tends to be as a result of a reduction in the price of oil. The value of the Canadian dollar also tends to increase/decrease against the US dollar when there is a sustained

increase/reduction in the price of oil. Since airlines in Canada pay some of their costs in US dollars, a lower Canadian dollar will proportionally increase their CASM. Operating costs affected by a lower Canadian dollar include aircraft lease payments, aircraft reserve payments, aircraft parts, some fuel purchases, as well as passenger and ground handling in the USA. The degree of the US dollar exposure depends on the amount of flights to the United States, as well as aircraft lease payment structure and maintenance requirements.

3. *Passenger Markets* - As stated above, aircraft fuel costs are correlated to oil prices and the value of the Canadian dollar. In the Canadian economy, lower oil prices and a reduced Canadian dollar are generally expected to disadvantage oil producing markets of Canada, such as Northern Alberta and favour consumer and manufacturing markets of Canada, such as Ontario and Quebec.

Intellectual Property

The Company believes that its intellectual property is a key component of its success as it protects the Jetlines brand identity. The following is a list of the Company's principal registered and unregistered trademarks and designs that used in associated with its business: Jetlines, Canada Jetlines and the smile design, as well as other trademarks, trade names, designs and domain names associated to the aforementioned trademarks.

Employees

During the year ended December 31, 2022, the Company had 85 employees. The Company has also engaged sub-contractors and consultants on a part-time shared services basis to assist with the Company's operations.

Principal Markets and Seasonality

Our intended principal customer markets are leisure travellers. On a geographic basis, our principal markets are the Canadian market, the U.S. transborder market and the international market, which includes Mexico and the Caribbean. The Company also targets charter business by providing charter flights to both airline and non-airline based customers.

The airline industry is sensitive to general economic conditions and the seasonal nature of air travel. Canada experiences increased domestic and European travel in the summer months and more demand for transborder and international travel over the winter months. In response to these market conditions and seasonal demand patterns, the Company intends to allocate a significant portion of its system capacity towards higher-demand transborder and international markets over the peak winter months.

Competitive Conditions

Over the past three decades, the barriers to entry for commercial aviation in Canada have gradually declined, transforming the industry and allowing new market entrants, to emerge and attempt to compete with legacy carriers on the basis of price. However, outside of WestJet (which started operations as an LCC) new entrants have achieved very little sustained success. More specifically, carriers such as Jetsgo Corporation, Harmony Airways, Zoom Airlines Inc., Greyhound Air, Canada 3000 Inc. and Roots Air have attempted to compete head-to-head with established legacy carriers and LCCs based on lower pricing and increased service but did not have a fully integrated infrastructure to support their operations. As such, while these carriers enjoyed some initial success in attracting passengers, their business models ultimately failed against the better-capitalized, more established LCC and legacy carriers.

Further, as a result of the competitive pressure from these new entrants and a succession of challenging factors faced by all industry participants, including the events of September 11, 2001, the severe acute respiratory syndrome crisis, high fuel prices and a global economic recession, legacy carriers merged and restructured their operations through both court-supervised and voluntary processes and implemented substantial changes to their operations, including labour concessions, re-negotiation of significant contracts and a new focus on long-haul premium business routes ultimately making them more competitive against LCCs. In addition, there has been an increased emphasis on generating ancillary revenue through the introduction of baggage fees, in-flight food and beverage charges and fuel surcharges.

As a result of this re-structuring and consolidation, legacy carriers have been able to reduce costs, increase efficiency and improve passenger load factor, which has further strengthened their market position and in turn has supported continued elevated pricing levels in Canada.

In the vacations space, the Company will compete with Air Transat, Sunwing, Air Canada Vacations, WestJet (in March 2022, WestJet announced its intention to buy Sunwing) and foreign carriers, smaller domestic carriers and online vacations booking service providers. Canadian markets close to the U.S. border have seen travellers drive to nearby U.S. border-city airports to avoid higher Canadian air travel taxes.

The Company's business plan takes into account a competitive response from the MCDAs in its business plan:

1. Cost to Compete: The Company's management believes there will be a material, negative financial impact to other Canadian airlines that intentionally target the Company's route structure by placing additional seat capacity on the Company's routes and match the Company's ticket prices on these routes. More specifically, for existing airlines to compete with the Company, they need to remove a jet aircraft from a profitable route to fly on routes that generate RASM which is below their CASM. To the extent this repurposed jet aircraft was formally utilized to feed the overall "hub and spoke" network system of the competing airline, additional costs and inefficiencies would likely be incurred. the Company's management recognizes that the MCDAs are likely to compete with capacity and pricing on the Company's routes and has therefore developed a business plan, subject to capital availability, encompassing rapid growth to approximately fifteen aircraft by 2025. The more aircraft the Company has in the air, the greater the financial impact to any potential competitor looking to compete on the Company's routes.

2. Protections Against Predatory Pricing in Canada: Under Canadian law, if the Company is successful in establishing the lowest cost infrastructure it should be able to set the lowest airfare on its routes. More specifically, the MCDA's will be restricted from pricing below the Company's airfares if they have a higher CASM. This issue was tested on March 5, 2001, when the Canadian Commissioner of Competition (the "Commissioner") filed a notice of application under Section 79 of the Competition Act and the Regulations Respecting Anti-Competitive Acts of Persons Operating a Domestic Service (the "Airline Regulations") alleging abuse of dominant position by Air Canada. According to the application, during the period of April 1, 2000 - March 5, 2001, Air Canada responded to the entry of WestJet and CanJet Airlines on seven city-pair routes in eastern Canada by increasing its capacity and/or decreasing its fares, in a manner that did not cover the avoidable cost of operating the flights on these routes, in violation of paragraphs 1(a) and 1(b) of the Airline Regulations. The Commissioner's application sought a remedial order prohibiting Air Canada from operating or increasing capacity at fares that do not cover the avoidable cost of providing service on the seven routes and from engaging in a policy of matching fares offered by competitors on these routes without regard to the effect of this policy on Air Canada's profitability and with the foreseeable effect of rendering competitors unprofitable. In conclusion, it was left to the Commissioner's discretion. In its phase one ruling the Commissioner determined that Air Canada was required to cancel any flights that would fail to cover its fully allocated operating cost for a period of one month regardless of reason or season. the Company's management expects that its Base Airfares will set the floor for pricing on its routes and that it will therefore be able to profitably operate on these routes while its competitors, which are anticipated to have a higher CASM, will be forced to operate these routes at a loss.

3. Point-to-Point Flying: In a 2004 paper written by Mr. Olivier Renard of the Network Economics Consulting Group Pty Ltd tilted, Modelling Airline Competition, the Hub & Spoke airlines system was found to add additional landing (and handling) fees to the passenger ticket price and in many cases added additional miles flown that resulted in an increase to operational costs. To prevent these higher costs, the Company intends to fly routes non-stop with no stops in a "hub" city (a stop is known as a direct flight) or with a change of aircraft (connecting flight). A 2006 Air Transportation Study by the University of the Fraser Valley in Canada determined that non-stop service was key decision making item over direct (interim stop) or a connecting flight when selecting an airline at the same price point. the Company's management believes that the Company's point-to-point service (non-stop) will attract passengers over any interim stop or connecting service offered by its competitors offered at the same price.

4. Value Ancillary Offerings: The Company is focused on providing value added services to passengers and this is a key factor in selecting an airline when airfares are the same. The Company intends to price its ancillary products and services at prices that are lower than its competition (e.g. baggage fees). As a result, the Company's management believes it has designed a "passenger centric" in-flight service which is more personalised, individualised and caring. Further, the Company's management anticipates that this more personalised service will attract passengers to the Company over the MCDAs on its routes given the same Base Airfares.

5. Conservative Passenger Load Forecasting: The Company anticipates a competitive response from the MCDAs and has therefore estimated its passenger load factors by taking into account a potential competitive response.

6. Ability to Profitably Operate at Low Airfares: As a competitive response, the Company expects the MCDAs to match the Company's lower ticket prices, both on routes currently served by the MCDAs (by materially lowering base airfares), or by placing aircraft on currently un-served or under-served routes in the Company's proposed network. In either case, the Company expects to be able to remain profitable at these prices and expects that the MCDAs may only be willing to operate these routes at a loss for a limited period of time. This strategy is based on the assumption that the Company will have a CASM lower than its competitors.

7. Expand Out of Vulnerability: The Company believes that it can operate profitably at MCDA breakeven or lowest base airfare prices and that long-term profitability may be at issue for the MCDAs if they follow the Company's routes at a loss for an extended period of time. In addition, it is the Company's belief that for the MCDA to follow the Company's routes, aircraft would have been pulled from a presumably profitable route to join the Company on a route that may not be profitable for them. In following the Company, the MCDA could also negatively affect its hub and spoke network system. The Company expects that the MCDAs can provide a competitive response until the Company has a material number of aircraft in operation based on the number of daily flights that would make it difficult for the MCDAs to fly potentially unprofitable routes. After that point, the Company expects the MCDA will cease or substantially reduce any direct competitive response, which was the case with Air Canada's response to WestJet during their start-up period and the MCDA will choose to focus on their higher yield core market consisting of business travellers. The Company business plan is, subject to receiving all required rights on exemptions in order to fly to the United States, Mexico and the Caribbean, to expand to 15 aircraft by 2025.

11. Commit to Routes over the Long Term: The Company's goal is to operate profitably at MCDA breakeven or loss Base Airfare prices. The Company believes that MCDAs will be unwilling to risk their own long-term profitability for modest potential gains that might be achieved by discouraging the Company from flying certain routes. The Company's strategy will be to initiate service to destinations that it can commit to over a long term, reducing competitor motivation to engage in price wars.

12. Applying Lessons Learned: An analysis of failed Canadian airlines shows that they attempted to start-up and operate in the same markets as the MCDA's. the Company believes that Canada's small population and vast geography made it difficult for them to succeed. This outcome was evident with recent market attempts, namely,

(a) Harmony Airways, which ceased operations in 2007, attempted to provide high-end service to New York, Hawaii, Las Vegas and vacation destinations. Management believes that their costs were too high to compete in this market in part due to aircraft selection. Additionally, they attempted to attract passengers on service not price. As a result, their CASM was, in the Company's view, too high to operate in a low yield environment.

(b) Jetsgo, which ceased operations in 2005, flew in traditional Air Canada routes from major airports (Toronto, Ottawa, Montreal, New York, etc.) with low fares but little ability to generate additional ancillary revenues. Aircraft selection prevented flights at higher, more fuel efficient altitudes leading to high fuel burns and higher fuel costs. Their CASM did not, in the Company's view, support their reduced ticket pricing.

(c) Rootsair, which ceased operation in 2001, attempted to compete head-to-head on domestic transcontinental routes (Toronto, Vancouver and Calgary) using aircraft which were supplied and operated by third party (wet lease) providers increasing the actual CASM. As a result, their CASM, in the Company's view, was too high to operate in a low yield environment.

(d) Greyhound Air, which ceased operation in 1997, was launched by Greyhound Bus Lines in July 1996 using a fleet of Boeing 727's leased from the Kelowna Flightcraft Air Charter company. Aircraft were supplied and operated by third party (wet lease) providers increasing the actual CASM. Their CASM was, in the Company's view, too high to operate in a low yield environment. Further, court rulings around ownership caused delays and ultimately the demise of the airline.

(e) Canada 3000, which ceased operation in November 2001, started in 1988 and grew into a major charter and scheduled airlines servicing 90 destinations worldwide. It purchased two other airlines and could not lower its costs, including labour, fast enough after the September 11, 2001 terrorist attacks that reduced passenger demand by nearly 50%. Its cargo operations were sold off and are operated currently by CargoJet.

(f) Zoom Airlines ceased operations in 2008 after starting international charter flights in 2002. High fuel costs in 2008 created cash flow issues.

In short, the Company believes that airline failures in Canada can be divided into the following categories:

- Poor choice of aircraft;
- Engaging low yield, head-to head competition without a CASM advantage;
- Cash flow issues in lean times;
- Cash flow issues in times of increasing fuel costs (no plan for fuel efficient aircraft);
- Airline ownership, e.g. Greyhound owned by Dial Soap out of the US had to divest foreign ownership;

Environment

Many aspects of an airlines' operations are subject to increasingly strict environmental regulations, and growing concerns about climate change may result in the imposition of additional regulation particularly with respect to greenhouse gas emissions. Several jurisdictions around the world have implemented or intend to implement regulations to put a price on carbon emissions as a means to deal with climate change. Certain of these regulations cover the airline industry or may do so in the future.

At the International Civil Aviation Organization ("**ICAO**") assembly in 2016, member states adopted a global carbon offsetting scheme for international aviation. The Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**") is a way to manage emissions from the international aviation industry. It's one way that the ICAO member countries, including Canada, are working towards carbon neutral growth for international aviation from 2020 onwards.

CORSIA is a global market-based measure that requires operators to cancel emissions units to offset a part of their carbon dioxide emissions.

An "emissions unit" is a certificate that represents a reduction or removal of greenhouse gases by carbon sink in another sector (like energy, waste, or forestry). A "carbon sink" is any reservoir that absorbs more carbon than it releases. Carbon sinks lower the concentration of carbon dioxide in the earth's atmosphere.
From the start of the scheme, and until 2027, these offsetting rules will only apply to routes between countries that are participating voluntarily. In order for a route to be included, both the arrival and departure countries must be participating in the scheme. Canada volunteered to participate.

By 2027, most countries will have to participate in CORSIA, so these offsetting requirements will apply to most international routes. After 2027, the only international routes not covered will be those to and from countries with low air traffic, or to and from countries that are classified as:

- least developed countries,
- small island developing states, or
- landlocked developing countries that haven't volunteered to participate.

To start, CORSIA sets the amount of emissions an operator has to offset based on their share of all international aviation emissions on covered routes and the sector's growth after 2020. This growth is calculated by ICAO and based on monitoring, reporting and verification information provided by all countries. Eventually, CORSIA's emissions obligations will be based on how much each operator's emissions grow after 2020.

Starting in 2025, and then every 3 years, operators will have to cancel enough emissions units to match their offsetting obligation for the most recent 3-year period.

Operators can also reduce their need to offset emissions by using CORSIA eligible fuels. The development and deployment of sustainable aviation fuels is one element of the ICAO basket of measures to reduce aviation emissions.

Transport Canada began developing Canadian CORSIA regulations in the fall of 2017, based on the requirements from ICAO. The regulations for monitoring, reporting and verification came into effect on January 1, 2019 and the regulations for the offsetting elements of CORSIA came into effect on January 1, 2021.

In Canada, emissions on routes are aggregated and reported on a country-pair (for example, Canada – USA or Mexico – Canada) basis. This reporting method was chosen because it gathers enough information to manage CORSIA, while also reducing overall administrative burden.

All operators with international operations began monitoring, verifying and reporting their covered carbon dioxide emissions in 2019, and will do so every year. The baseline information that is collected will be used to set the offsetting requirements for 2021 and beyond.

CORSIA will affect air operators and private operators with international flights (flights between Canada and another country) that result in 10,000+ tonnes of carbon dioxide emissions, or roughly the equivalent of 3,160 tonnes of consumed fuel, each year. CORSIA currently applies to 13 Canadian operators.

CORSIA does not apply to flights within Canada, flights using aircraft with less than 5,700 kg maximum take-off weight, and flights for humanitarian, medical, or firefighting reasons.

New operators don't need to offset emissions during their first 3 years in operation. However, once they pass 10,000 tonnes of CO2 emissions on international flights, they must begin the monitoring, reporting, and verification process.

The Company manages and mitigates its environmental risk by complying with applicable environmental regulations, engaging with governments on various environmental policies such as climate change and sustainable aviation fuels and reviewing and reporting on our environmental performance to the Company's Board of Directors. The Company intends to establish a formal environmental management system and environmental policy in the future. Management is looking at launching with an established carbon offset partnership and is in discussions with providers looking for relevant and brand congruent partnerships.

To date, environmental laws and regulations have not had a material adverse effect on the Company's business or financial condition. However, changes in government laws and regulations are ongoing and may make environmental compliance increasingly expensive. Additionally, concerns about the environmental impacts of air travel and tendencies toward "green" travel initiatives where guests reduce their travel activities, could have the effect of reducing demand for air travel in Canada and abroad and could materially adversely impact the Company's business.

The Company is not able to predict future costs which may be incurred in order to comply with future environmental regulations.

Lending

The Company does not currently hold any investments or have lending operations and has not adopted any specific policies or restrictions regarding investments or lending.

Bankruptcy and Similar Procedures

There are no bankruptcies, receivership or similar proceedings against the Company, nor is the Company aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by the Company since its incorporation.

Reorganizations

Effective June 28, 2021, Global and the Company closed the Arrangement. Please refer to "Developments Subsequent to the Year Ended December 31, 2020 and Outlook" for additional details.

REGULATORY ENVIRONMENT

In addition to legislation and regulations applicable to most corporations operating in Canada, the airline industry is also subject to additional legislation and regulations.

<u>Domestic</u>

Aeronautics Act and Canada Transportation Act

In Canada, civil air transportation, including the establishment of aviation policy, the establishment of maintenance and operations standards, safety, and the provision of ground and airways infrastructure, rests wholly within federal government jurisdiction and is the responsibility of the Minister of Transport. The *Aeronautics Act* (Canada), including the applicable regulations, standards, policies and measures made thereunder, is the principal legislation through which the Government of Canada regulates the aviation industry. It gives the Minister of Transport the authority to certify air carriers as being adequately equipped and capable of conducting safe operations. Pursuant to the *Aeronautics Act* (Canada), Jetlines was required to obtain an AOC in order to commence air service operations.

The CTA is the legislation pursuant to which the Agency regulates certain aspects of transportation industries in Canada, including the air transport industry. The Agency provides oversight and enforcement of the CTA and applicable regulations, orders and measures.

The CTA requires that holders of licenses to operate an air service in Canada be Canadian and controlled in fact by Canadians.The definition of a "Canadian" under Subsection 55(1) of the CTA is summarized as follows:

"Canadian" under Section 55(1) of the CTA may be summarized as follows:

(a) A Canadian citizen or a permanent resident within the meaning of Subsection 2(1) of the *Immigration and Refugee Protection Act* (Canada),

(b) A government in Canada or an agent of such a government, or

(c) A corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51 per cent of the voting interests are owned and controlled by Canadians and where:

  (i) no more than 25 per cent of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person; and

  (ii) no more than 25 per cent of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person.

Upon completion of the Arrangement, Jetlines adopted Articles which created a class of Variable Voting Shares to be held by persons who are not Canadian, limiting their aggregate voting interests, pursuant to the requirements of the CTA. Refer to the heading "Capital Structure" for further information on how the Company's voting structure meets the requirements of the CTA.

The principle of free market entry under the CTA is presently limited only by the requirements that the carrier be Canadian, as defined in the CTA, that it holds an operating certificate, that it operates Canadian certified aircraft and that it is suitably insured.

Transport Canada

Transport Canada, previously the Department of Transport, is a department of the federal government of Canada. Transport Canada is responsible for transportation policies and programs to promote safe, secure, efficient and environmentally responsible transportation. In air transportation, Transport Canada is responsible for general regulation of aviation, licensing of key airline staff, including pilots, maintenance personnel and dispatchers, and registration and inspection of aircraft pursuant to the *Aeronautics Act* (Canada) and associated regulations. Enforcement is conducted by the Aviation Enforcement Branch. Transport Canada also collects passenger and cargo data as well as accident and incident data from air carriers flying in Canada. Since the 1990s, Transport Canada owns but does not operate most of the major Canadian airports. Instead, these airports are leased for operation by local airport authorities.

For both Canadian and foreign carriers seeking to obtain a CTA licence, an AOC issued by Transport Canada is a prerequisite. The Air Operator Certificate requires that carriers implement and maintain detailed safety, maintenance and operational procedures in compliance with Canadian Aviation Regulations. In addition, the certificate specifies authorized aircraft and operational specification that may be used by the carrier, based on the information supplied by the carrier on its application. Once issued, the certificate authorizes the holder to operate a commercial air service to, from and/or within Canada.

The Agency and Transport Canada work closely with each other. The Canadian Transportation Agency personnel participate on a number of inter-departmental committees with Transport Canada and those committees include a working group on aviation security, a national facilitation committee, joint transportation statistics program and an international civil aviation organization committee.

Competition Act

The Canadian airline industry is subject to the Competition Act. This federal statute is designed to maintain and encourage competition in Canada in order to, among other objectives, promote the efficiency and adaptability of the Canadian economy and provide consumers with competitive prices and product choices. The Competition Act sets out criminal penalties for the most egregious forms of anti-competitive conduct, such as naked agreements between competitors to fix prices, allocate markets, and control the production or supply of products, while other anti-competitive conduct is subject to a civil regime which generally requires evidence that, among other things, competition is likely to be prevented or lessened substantially.

Canadian Air Transport Security

The *Canadian Air Transport Security Act* (Canada) was brought into force in April 2002, and established the Canadian Air Transport Security Authority (CATSA). CATSA is mandated to take actions, either directly or through screening contractors, for the screening of persons accessing aircraft or restricted airport areas, including their carry-on possessions and baggage. CATSA is also responsible for other air transport security functions as the Minister might assign to it from time to time. In connection with providing security functions, CATSA is entitled to enter into agreements with the RCMP for the provision of services, including services on aircraft. Airport authorities are required to maintain, free of charge, such space as CATSA may require in the airport facility to conduct its security operations.

The Aeronautics Act

The *Aeronautics Act* (Canada) establishes the framework under which aviation security regulations and security measures are developed and adopted. Under the Canadian Aviation Security Regulations, the Minister is entitled to make rules in the form of Orders and Measures prescribing security measures applicable to CATSA and air carriers, among others. Extensive security and screening measures for airlines and airports have been enacted and updated under the Security Screening Order, Air Carrier Security Measures and Aerodrome Security Measures. These constitute the minimum security standards to be implemented by CATSA, air carriers and airport operators.

The Security Charge

The *Air Travellers Security Charge Act* (Canada) (the "**Security Charge Act**") was brought into force in March 2002. The Security Charge Act stipulates that issuers of tickets are obligated to collect, as agent and trustee for the Government of Canada, a security charge (Security Charge). As a result of commencing airline operations, Jetlines is required to file monthly returns, with respect to each preceding month, detailing prescribed information with respect to Security Charge collections and to pay that amount to the Government of Canada.

Airport and Air Navigation Charges

Since the privatization of Canada's major airports in 1992 under the *Airport Transfer (Miscellaneous Matters) Act (Canada)*, and air navigation services in 1996 under the *Civil Air Navigation Services Commercialization Act (Canada)*, Canada's major airports and Nav Canada, Canada's air navigation services provider, have been authorized to charge and collect fees from airlines for various airport and air navigation improvements and services.

Consumer Legislation

From time to time legislation is introduced in Parliament dealing with consumer issues impacting the travelling public. Such legislation can seek to impose financial penalties on carriers for such things as flight delays, tarmac delays, overbooking, advertising practices, etc. Currently in Canada consumer rights are being upheld through the application of the carrier's legally binding terms and conditions of carriage, or tariffs. On January 2, 2013, the Minister issued Air Transportation Regulations – Air Services Price Advertising requirements, which requires Canadian airlines to disclose all fees, taxes and surcharges associated with flight ticket prices as one all-in price.

The *Air Passenger Protection Regulations* were brought into effect in two phases, the first on June 15, 2019 and the second on December 15, 2020, and are stated to govern flights to, from and within Canada, including connecting flights, and specify a carrier's obligations in the case of flight delay, cancellation or denial of boarding, as well as minimum standards of treatment, compensation and assistance in completing the planned itinerary. The regulations prescribe minimum compensation for lost or damaged baggage, obligations with respect to delays over three hours where an aircraft is on the tarmac, and a carrier's obligation to seat young children near a parent, guardian or tutor. There is currently no obligation in these regulations for carriers to refund passengers for disruptions outside of their control.

In December 2020, the Minister of Transport made an order, directing the Agency to develop new regulations that will apply to flights that are cancelled for reasons outside an air carrier's control, such as a pandemic, where it is not possible for the carrier to complete the passenger's itinerary within a reasonable timeframe. The final regulations came into force on September 8, 2022. As of September 8, 2022, under the new regulations, if a delay of three hours or more or a cancellation is outside the airline's control, and the airline cannot provide the passenger with a confirmed reservation on the next available flight operated by them or a partner airline leaving within 48 hours of the departure time on the passenger's original ticket, the airline is required to, at the passenger's choice:

- Provide a refund; or

- Make alternate travel arrangements for the passenger, free of charge. Large airlines have to rebook the passenger on the next available flight of any airline, including competitors.

Passengers are free to change their decision and choose a refund at any time before being provided a confirmed reservation on an alternate flight.

Most provisions of the first phase of the Canadian Transportation *Agency's Accessible Transportation for Persons with Disabilities Regulations* (the "**Accessible Transportation Regulations**") came into effect on June 25, 2020, and others came into effect on December 31, 2020. The stated purpose of these regulations is to create a single comprehensive set of accessible transportation regulations in Canada. The Accessible Transportation Regulations are being implemented in phases, with phases 2 and 3 to come into effect in June 2021 and June 2022 respectively. They will apply to large carriers serving Canada and certain requirements will only apply in respect of aircraft with 30 or more passenger seats operated by larger Canadian carriers.

Laws relating to data collection on guests and employees for security purposes and counterbalancing privacy legislation have increased costs of operations. Any material changes that add additional requirements for collecting, processing and filing data with, or otherwise reporting data to, government agencies may adversely impact the Company's business.

In the United States, the U.S. Department of Transportation has imposed certain passenger protection provisions with respect to tarmac delays and related consumer protection provisions applicable to non-U.S. carriers. From time to time, further legislation or regulation is proposed concerning passenger rights as well as accessibility issues. At this time, we are unable to predict what impacts, if any, these proposed policies will have on our business and operations.

Aircraft Financing Legislation

In 2005, the Government of Canada enacted the *International Interests in Mobile Equipment (Aircraft Equipment) Act* (Canada)) (the "**CTC Act**"), in order to ratify and implement the Cape Town Convention and Aircraft Protocol (together, the "**CTC**") in respect of financing aircraft and aircraft engines. Some, but not all, provisions of the CTC Act were proclaimed in 2005. In 2006, the Government of Alberta enacted the *International Interests in Mobile Equipment Act* (Alberta) (the "**Alberta CTC Act**"), to deal with implementation of the provincial law aspects of the CTC.

In December of 2012, the *Jobs and Growth Act* (Canada), among other things, amended the CTC Act to provide for ratification and implementation of the CTC Act in Canada on April 1, 2013. The Alberta CTC Act also took effect on April 1, 2013.

The CTC Act, by simplifying the enforcement by creditors against aircraft, and establishing an international system for the registration of security interests in aircraft and engines, has materially increased the efficiency, and reduced the costs, of financing aircraft and engines for airlines around the world, including for the Canadian airline industry.

Charter Services

Subject to certain exceptions, charter operations are generally not covered by bilateral agreements. Government of Canada policy permits Canadian carriers to operate charter services between Canada and any point in the world subject to the prior approval of the Canadian and other applicable regulatory authorities.

The policy governing international passenger charter air services does not contain restrictions relating to advance booking, minimum stay requirements or prohibitions on one-way travel. However, it requires that the entire seating capacity of an aircraft be chartered and that charter carriers be prohibited from selling seats directly to the public.

International and Transborder

United States

International scheduled air services are regulated by the national governments involved. International route rights are obtained through bilateral negotiations between Canada and foreign countries. Bilateral agreements provide for the rights that may be exercised over an agreed routing and the conditions under which the airlines may operate, including, among others, the number of airlines that may operate, the capacity and flight frequencies that may be provided, and the controls over tariffs to be charged. Many bilateral agreements to which Canada is a party provide for the designation of more than one Canadian airline, while some provide for the designation of only one Canadian airline. The Minister has the authority to designate which carriers have the right to serve scheduled international routes, except routes to the U.S., which are governed by the Air Transportation Agreement between Canada and the U.S., originally signed in February 1995 (the Open Skies Agreement).

Under the Open Skies Agreement, the Canadian government may designate as many carriers as it wishes to service U.S. destinations. Prior to commencing service, a designated airline must make an application to U.S. government authorities. The appropriate authorizations and permissions are required to be granted by such authorities with minimal procedural delay, provided Canadian ownership requirements, qualifications under laws normally applicable to international air transportation, and safety and aviation security requirements under the Open Skies Agreement are met by the airline. No restrictions as to capacity, frequency or aircraft size are imposed under the Open Skies Agreement. Designated airlines may, at their option, combine two or more points in the U.S. in a through service. However, the ability of foreign domiciled airlines to carry new guests between domestic points in another country is prohibited in Canada and the U.S.

On November 11, 2005, as a result of negotiations between Canada and the U.S., the Canadian government announced amendments to the Open Skies Agreement. While the 1995 Open Skies Agreement created an open system for air services between the two countries, certain restrictions remained in place. The most significant amendment from the November 2005 negotiations involves the introduction of Fifth Freedom Rights, which refer to the right of an air carrier to carry passenger traffic from one country to and from any third country on any flight originating, traversing or ending in its home country. The ability for a Canadian carrier to take advantage of this right requires equivalent rights from the third country. The amendments agreed to in the November 2005 negotiations came into force on March 12, 2007.

Subsequent to obtaining a domestic licence from the Agency, the Company applied for and received rights to fly into the United States.

Mexico

The Air Transport Agreement between the Government of Canada and the Government of the United Mexican States allows for Canadian carriers to fly passengers into Mexico. The Company has applied for and received the rights to fly into Mexico.

Caribbean

Air transport agreements between Canada and Caribbean nations are on a bilateral basis. Most agreements are either open skies or have liberal provisions. After obtaining a Canadian airline domestic licence, the Company intends to apply for rights to fly into certain Caribbean nations. This process is expected to take up to one year to complete. However, there is a risk that such an application for a foreign carrier permit and a renewal of its exemption will be denied or delayed. Such a denial or delay would mean the Company could not add Caribbean nations to its route schedule. See “Risk Factors”.

Special Prorate Agreements (SPAs)

Management will work partner airlines that operate in airports that Jetlines operates into where it can exchange passengers. These are typical agreements between airlines and are based on passenger origin and destinations in relation to the how far each airline carried the passenger. This creates an expanded network of an airline without having to operate its own equipment.

Code-Share Agreements

As the Company enters into code-share agreements with foreign carriers, a foreign carrier’s domestic regulator often requires that safety and operational audits be carried out on the code-share partner before code-share flights can formally commence. It may be necessary, on a case-by-case basis, for us to undertake such audits by foreign carriers in order to demonstrate regulatory compliance for code-share implementation. The audit requirements can vary from country to country.

RISK FACTORS

Due to the nature of that business and the present stage of development of its business, the Company may be subject to significant risks. The Company's actual operating results may be very different from those expected as at the date of this AIF, in which the event the value or trading price (once listed) of the Company's Voting Shares could decline and an investor may lose all or part of his or her investment.

*All statements regarding the Company and the Company's business should be viewed in light of these risk factors. Such information does not purport to be an exhaustive list. If any of the identified risks were to materialize, the Company's business, financial position, prospectus, anticipated operations, results and/or future operations may be materially affected (each a "**material adverse effect**"). Additional risks and uncertainties not presently known to the Company, or which the Company currently deems not to be material, may also have a material adverse effect. References to "we" or "us" shall mean the Company.*

Development Stage of Business

The Company has only a limited history upon which an evaluation of its prospects and future performance can be made. The Company's proposed operations are subject to all business risks associated with new enterprises. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the start-up of a business, future expansion of a business, operation in a competitive industry and the development of a customer base. Historically the Company has sustained losses and will continue to sustain losses in the future until such time as its operations have reached profitability. If the Company is unable to generate revenues or profits, investors might not be able to realize returns on their investment or prevent the loss of their investment.

Accuracy of the Company Business Model

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

- the timing, receipt and compliance with 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' business as compared to the MCDAs and other competitor airlines;
- desirability of operating aircraft on routes selected by the Company and the pricing of airfares on such routes;
- the anticipated competitive response from MCDAs 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;
- anticipated Base Airfare and ancillary revenues;
- 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 generate revenue from ancillary products and services;
- ability to operate at a lower CASM and offer lower Base Airfares than the MCDAs;
- 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 implement as anticipated and the Company may suffer a material adverse effect.

Major Safety Incidents

A major safety incident involving the Company's aircraft during operations would likely incur substantial repair or replacement costs to the damaged aircraft and a disruption in service. The Company could also incur potentially significant claims relating to injured passengers and others, along with a negative impact on the Company's reputation for safety, adversely affecting the Company's ability to attract and retain passengers.

On November 4, 2003, the Montreal Convention came into force in Canada, modernizing the Warsaw Convention of 1929, a set of international rules governing liability of an air carrier. The Montreal Convention has expanded an air carrier's liability exposure with the establishment of a two-tier system for determining an air carrier's liability for the death or injury of passengers in the event of an accident. Under the first tier of the system, an air carrier is strictly liable for death or injury to passengers up to approximately US$150,000, but may be subject to additional damages unless the air carrier can show it did not act negligently or that the damage was solely due to the negligence of a third party.

Unanticipated Obstacles to Execution of the Company's Business Plan

The Company's business plans may change significantly. The execution of the Company's business plan is capital intensive and may become subject to statutory or regulatory requirements. The Company may need to make significant modifications to any of the Company's stated strategies depending on future events.

Route Planning and Selection

The Company has selected its initial routes in connection with the commencement of commercial operations with a focus on high yield destinations in Canada and popular leisure destinations in the Southern United States and Mexico. The choice of flights routes and pairings will impact upon the viability of its operations. While the Company anticipates that the flight routes and pairings it has chosen, and will choose in the future, will be profitable, there are numerous factors beyond its control which may negatively affect any particular route, including: the response of competition to its route selection, the failure of demand for air travel on the route to materialize, as well as general economic and social conditions.

No Ancillary Revenues

The business model being adopted by the Company is dependent on ancillary revenues to offset lower Base Airfares. Should the estimated level of ancillary revenues fail to materialize the business plan of the Company may become unsustainable. Ancillary revenue over the last decade is now standard airline practice and has been accepted by regulators, travel trade distributors and consumers. Management does not expect this to change.

Lack of Operational History

The Company has only recently commenced airline operations and continues to be in the build-out stage of the airline and as a result, investors are unable to review and consider any long term operational background 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:

- successfully execute its business strategy;
- implement its growth strategy;
- provide the intended products and services at the prices anticipated;
- choose its routes successfully;
- maintain adequate control of expenses;
- attract, retain and motivate qualified personnel;
- react to customer and market demands;
- ability to generate operating revenue; and
- maintain the safety and security of operations.

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.

During the year ended December 31, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. COVID-19 continues as a virus 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. At present, air travel demand has resumed, and most public health orders have been rescinded with the exception of, depending on the country, certain ones related to vaccination, testing and mask requirements. Should vaccines prove less effective against the new virus strains resulting in a resurgence of COVID-19, it is possible that additional governments would issue additional public health orders which might include restricting the movement of people and goods and thereby reduce the demand for air travel.

The Company has recently begun operating as an airline. The primary current implications of COVID-19 are the potential to reduce demand for travel and the potential to disrupt the Company's ability to obtain additional financing to fund ongoing operations. As the Company has negative cash flows from operations, it is reliant on additional financing to fund ongoing operations. Future disruptions from COVID-19 will impact the Company's financial position, results of operations and cash flows in future periods.

Even if the COVID-19 pandemic remains in its current state, any other 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 the Company's customer demand for air travel. The Company cannot predict the likelihood of such a public health emergency nor the effect it may have on the Company's business or the value or market price of the Voting Shares. However, any significant reduction in passenger traffic on the Company's flights could result in a material adverse effect.

Potential Volatility in Company Share Price

The market price of the Voting Shares could be subject to significant fluctuations in response to quarterly variations in operating results of the Company, changes in financial estimates by securities analysts or other events or factors, many of which are beyond the Company's control. In addition, the stock markets have experienced significant price and volume fluctuations. These broad market fluctuations may adversely affect the market price of the Voting Shares. There can be no assurance that holders or purchasers of Voting Shares will be able to resell those shares at prices equal to or greater than their cost.

Data Protection and Privacy Regulation

In the conduct of the business of the Company, customers may provide the Company with personally identifiable information ("**personal data**") that has been specifically and voluntarily given. Personal data includes information that can identify a customer or a specific individual, such as name, phone number, or e-mail address. The Company may also obtain personal data from airlines, hotels, and other travel partners and from travel buyers and other travel retailers with which we may in the future have a commercial or business relationship. The Company may be required collect, use, disclose and transfer personal data in conformance with applicable privacy laws and regulations, and to implement technical and organizational measures designed to protect against unauthorized access, use, disclosure, modification, and destruction of personal data that we collect and maintain.

The Company will be subject to the application of data protection and privacy regulations in Canada, the provinces of Canada in which it proposes to operate, and international jurisdiction. Any breach of such regulations could result in economic sanctions, which could be material and harm the brand and reputation of the Company.

Regulatory Approvals Required

The Company has received its Canadian airline licence and its AOC. However, it must strictly comply with the terms of its Canadian airline license and AOC in order to continue to operate as an airline. In the event that the Company's Canadian airline license or AOC are revoked, the Company will be unable to operate in accordance with its business plan.

In addition, in order to fulfill its object to fly to destinations in the United States, Mexico and the Caribbean, the Company will require approval from regulatory authorities in those jurisdictions. To date, the Company has received regulatory approval to operate into the United States and Mexico. However, it has not yet received regulatory approval to operate in any jurisdiction other than Canada, the United States and Mexico. While the Company anticipates commencing the regulatory approval process in other jurisdictions, there is no guarantee that the Company will receive regulatory approval in a timely fashion or at all. In the event that regulatory approval is not received or is delayed, the Company may not be able to fulfill its business plan in a timely fashion or in its entirety and the Company may be limited to operating in Canada, the United States and Mexico only which could have a material adverse effect.

Dependence on Technology

The Company will rely heavily on technology, including computer and telecommunications equipment and software and Internet-based systems, to operate its business, increase its revenues and reduce its costs. These systems include those relating to the Company's telecommunications, websites, computerized airline reservations and airport customer services and flight operations. The website and reservation system must be able to accommodate a high volume of traffic and deliver important flight information.

These technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of third party suppliers' acts or omissions, natural disasters, terrorist attacks, telecommunications failures, power failures, computer viruses, unauthorized or fraudulent users, and other operational and security issues. While the Company intends to invest in initiatives, including security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly. Any substantial or repeated technology systems failure, interruption or misuse could reduce the attractiveness of our services or could materially and adversely affect the Company' operations and may result in a material adverse effect.

The Company may be Subject to Cyber 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.

Dependence on Relations with Third Parties

The Company is expected to secure goods and services from a number of third party suppliers. Any significant interruption in the provision of goods and services from such suppliers, some of which would be beyond the Company's control, or any significant increase in price of such goods and services, could have a material adverse effect. The Company will be reliant upon providers of aircraft and other third party leasing companies, which will make the Company susceptible to any problems connected with aircraft or engines or components, including defective materials, mechanical problems or negative perceptions in the traveling community. In addition, labour action at such companies or key suppliers could delay delivery of new aircraft or parts, impacting negatively our operating and expansion plans.

The delay or inability of any provider of aircraft to deliver aircraft or engines or components as the Company requires could negatively impact the Company's growth strategy and could result in a material adverse effect.

Limited Fleet Size

The Companyis currently operating with two aircraft with the expectation of growing to 15 aircraft by 2025. Given the limited number of aircraft the Company intends to operate, if an aircraft becomes unavailable due to unscheduled maintenance, repairs or other reasons, the Company could suffer adverse financial and reputational impacts. The Company anticipates that its maintenance costs will increase as its proposed fleet ages and warranties expire. In addition, the Company's business model anticipates a high daily aircraft utilization rate. Aircraft utilization is the average amount of time per day that our aircraft spend carrying passengers. Aircraft utilization is reduced by delays and cancellations from various factors, many of which are beyond the Company's control, including air traffic congestion at airports or other air traffic control problems, adverse weather conditions, increased security measures or breaches in security, international or domestic conflicts, terrorist activity, or other changes in business conditions. Due to the limited size of the Company’s proposed fleet and contemplated high daily aircraft utilization rate, the unavailability of one or more aircraft and resulting reduced capacity could result in a material adverse effect.

Ability to Obtain Additional Capital

The ability of the Company to execute its build-out strategy and grow its operations will depend on acquiring substantial additional financing through debt financing, equity financing or other means. 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.

The Company may also need to raise capital by incurring long-term or short-term indebtedness in order to fund its business objectives. This could result increased interest expense or decreased net income. Securityholders are cautioned that there can be no assurance as to the terms of such financing and whether such financing will be available. The level of the Company's indebtedness could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

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 generate sufficient revenues to fund continuing operations. The operation and growth 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 achieve profitability.

Negative Operating Cash Flow

The Company does not generate sufficient operating revenue and has negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flow in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

Inability to Manage the Potential Growth of the Business

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operations and financial systems and to expand, train, and manage its employee base. The inability of the Company to deal with potential growth could result in a material adverse effect.

Any expansion of operations the Company may undertake will entail risks; such actions may involve specific operational activities, which may negatively impact the profitability of the Company. Consequently, shareholders must assume the risk that: (i) such expansion may ultimately involve expenditures of funds beyond the resources available to the Company at that time; and (ii) management of such expanded operations may divert management's attention and resources away from any other operations, all of which factors may result in a material adverse effect.

Capital Requirements

In order to operate in accordance with its business plan, the Company will need to acquire or lease additional aircraft. 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 or further increase or decrease, further weakening or improving in the Canadian and United States economy, as well as general economic and political conditions and other factors that are, to some extent, beyond the Company's control.

Availability of Aircraft

Critical to the Company's business model is a supply of modern and cost effective aircraft that can service the various sectors required to fly the Company's planned route network. To achieve this objective, the Company has selected what it considers to be the best overall single-aisle aircraft to operate on all of its routes as an airline in Canada. Should these aircraft not be available in accordance with the Company's growth strategy or should the aircraft lease or maintenance costs increase drastically there could be an impact on the Company's growth strategy, cost structure and potential profitability.

Management and Personnel Risks

The Company's business will be significantly dependent on the Company's management team. The loss of the Company's officers could have a material adverse effect on the Company.

The Company's success depends, in part, on its ability to attract and retain key, technical, management and operating personnel, including consultants and members of the Company Board. The Company needs to develop sufficient expertise and add skilled employees or retain consultants in order to successfully execute its business plan. The Company may be unable to attract and retain qualified personnel or develop the expertise needed in these areas. If the Company fails to attract and retain key personnel it may be unable to execute its business plan, or its business could be adversely affected. The Company does not expect to maintain key man insurance on any member of its management.

Competition Risks

If the Company fails to compete effectively against larger, more established companies with greater resources, then its business may suffer. Competition in the commercial aviation industry is intense. Competitors may be substantially better capitalized with more significant infrastructure than the Company and they might decide to enter into the airline market, bringing competitive synergies and efficiencies to the industry that the Company does not have.

Internal Controls over Financial Reporting

Effective internal controls are necessary for the Company to provide reliable financial reports, make timely disclosure of material information and help prevent fraud. Although the Company has undertaken a number of procedures in order to provide assurances as to the reliability of its financial reports and ability to comply with timely disclosure requirements, including those required under Canadian securities laws, the Company cannot be certain that measures taken by it to provide assurances as to the reliability of its financial reports and ability to comply with timely disclosure requirements, including those required under Canadian securities laws will be sufficient to ensure that the Company will maintain adequate control over financial processes and reporting or enable it to prevent fraud and ensure compliance with anti-bribery and anti-corruption requirements.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence the Company's consolidated financial statements and adversely affect the trading price of the Voting Shares.

Price and Availability of Jet Fuel

The Company will be dependent on jet 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 jet 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 higher fares or fuel surcharges. The higher costs to travelers may discourage air travel.

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.

Seasonal Nature of the Company's Business

Travel and tourism demand in Canada has obvious peak and off-peak periods. Historically this has meant higher demand during summer school holidays, and seasonal demand around Christmas, spring break and long weekends. Jetlines will benefit from peak transborder and sun destination demand by moving fleet to high demand markets, moving capacity to meet the demand.

Government Intervention, Regulations, Rulings or Decisions

The airline industry is subject to extensive laws and regulation relating to, among other things, airline safety and security, provision of services, competition, environment and labour concerns. Government entities such as Transport Canada, the Competition Bureau, the Agency, and other domestic or foreign government entities may implement new laws or regulatory schemes, or render decisions, rulings or changes in tax policy that could have an adverse impact on the airline industry in general by significantly increasing the cost of airline operations, imposing additional requirements or operations, or reducing the demand for air travel, and could result in a material adverse effect.

The Company will be dependent on maintaining its operation certificates, permits or exemptions therefrom with the applicable regulatory authorities in Canada, the United States, Mexico and the Caribbean in order to operate its commercial air service. Laws relating to data collection on passengers and employees for security purposes and counterbalancing privacy legislation have increased industry costs of operations. Any material changes that add additional requirements to collecting, processing and filing data with, or otherwise reporting to, government agencies may materially impact the Company's business as to time and costs, and therefore, its operating results.

Terrorist Attacks and Security Measures

The September 11, 2001 terrorist attacks and subsequent terrorist activity have caused uncertainty in the minds of the traveling public. The occurrence of a major terrorist attack or attempted terrorist attack (whether domestic or international and whether involving the Company or another carrier or no carrier at all) and increasingly restrictive security measures could have a material adverse effect on passenger demand for air travel and on the number of passengers traveling on the Company's flights. It could also lead to a substantial increase in insurance, airport security and other costs. Any resulting reduction in passenger revenues and/or increases in insurance, security or other costs could result in a material adverse effect.

The increase in security measures and clearance times required for passenger travel could have a material adverse effect on passenger travel demand and the number of passengers the Company carries. Reduction in passenger numbers will impact negatively on the Company's revenues and results of operations.

Foreign Currency

The Company will be susceptible to currency fluctuations in the United States dollar arising from fluctuations in exchange rates, primarily with respect to its aircraft fleet plan. To date the Company has raised funding in Canadian dollars and any additional funds that may be raised in the future are expected to be Canadian dollars, which could be affected by fluctuations in the United States dollar exchange rate with respect to any payment obligations which may arise. The Company has added a US point of sale to generate revenue in US dollars that creates a natural hedge where Jetlines will be able to pay some of its costs in US dollars.

Market Price

The market price of the Voting Shares will be affected by a number of factors, including, but not limited to: (i) the overall condition of the financial and credit markets; (ii) interest rate volatility; (iii) the markets for similar securities; (iv) the financial condition, results of operation and prospects of the Company; (v) the publication of earnings estimates or other research reports and speculation in the press or investment community; (vi) the market price and volatility of the Voting Shares; (vii) changes in the industry in which the Company operates and competition affecting the Company; and (viii) general market and economic conditions; and (ix) the quality and experience of the Management Team and Board of Directors. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Voting Shares.

The price of the Voting Shares may be significantly affected by the Company's financial condition or results of operations. Other factors unrelated to the performance of the Company that may have an effect on the price of the securities of the Company include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities. If an active market for the securities of the Company does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline.

Limited Voting for Non- Canadians

To comply with restrictions imposed by federal law on foreign ownership of Canadian airlines, the articles of arrangement of the Company provide that, and the articles of the Company will provide that: (i) the Company Common Voting Shares may only be beneficially owned and controlled, directly or indirectly, by Canadians; and (ii) the Company Variable Voting Shares may only be beneficially owned or controlled, directly or indirectly, by non-Canadians. The details of the voting restrictions associated with the Voting Shares are detailed under the heading “Description of Capital Structure”. The voting restrictions in the articles of the Company may discourage or delay "change of control" transactions by foreign Persons or the price at which a Person would be willing to pay to acquire Voting Shares in a "change of control" transaction, which could adversely affect the price of the Voting Shares.

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.

Consumers' Preference and Spending Trends

The Company's operating results may fluctuate significantly from period to period as a result of a variety of factors, including spending patterns of customers, competitive pricing and general economic conditions. There is no assurance that the Company will be successful in marketing its services, or that the revenues from the sale of such services will be significant. Consequently, the Company's revenues may vary by quarter, and the Company's operating results may experience fluctuations.

Lack of Marketing Alliances

Many airlines have marketing alliances with other airlines, under which they market and advertise their status as marketing alliance partners. These alliances generally provide for code-sharing, frequent flier program reciprocity, coordinated scheduling of flights to permit convenient connections and other joint marketing activities. Such arrangements permit an airline to market flights operated by other alliance members as its own. This increases the destinations, connections and frequency of flights offered by airlines and provides an opportunity to increase traffic on that airline's segment of flights connecting with alliance partners. The Company does not currently have any alliances. The Company's lack of marketing alliances puts the Company at a competitive disadvantage to the MCDAs who are able to attract passengers through more widespread alliances, particularly on international routes, and that disadvantage may result in a material adverse effect. The Company will mitigate some of this risk the introduction of SPAs with airlines that operate into Canadian Airports where Jetlines operates. This will have the net impact of increasing the size of the Jetlines network and reach.

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

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

Single Aircraft Type Fleet

The Company's plans for a single aircraft type fleet makes the Company vulnerable to any problems associated with the fleet's engines or system technology. Transport Canada could suspend or restrict the use of the Company's aircraft in the event of any actual or perceived mechanical or design problems while it conducts its own investigation. The Company's future business would also be significantly harmed if the public avoids flying our aircraft due to an adverse perception of the aircraft utilized by the Company because of safety concerns or other problems, whether real or perceived, or in the event of an accident involving such type of aircraft.

Unionization or Increased Labour Costs

The Company intends to have a non-unionized workforce. In the event that unionization activities occur with its workforce, the Company will incur increased labour costs. Increased labour costs will negatively impact upon the Company's cost structure.

Airport User Fees and Air Navigation Fees

Increases in air navigation fees in Canada could have a negative impact on the Company's business and its financial results. Airport authorities continue to implement or increase various user fees that impact travel costs for passengers, including landing fees for airlines and airport improvement fees. Airport authorities generally have the unilateral discretion to implement and adjust such fees. The combined increased fees and increases in rents under various lease agreements between airport authorities and the Government of Canada, which in many instances are passed through to air carriers and air travelers may negatively impact travel, in particular discretionary travel.

No History of Dividends or Plan to Pay Dividends

The Company has not ever paid a dividend nor made a distribution on any of their securities. Further, the Company may never achieve a level of profitability that would permit payment of dividends or other forms of distribution to its shareholders. Given the stage of the Company's business, it will likely be a long period before the Company could be in a position to declare dividends or make distributions to its investors. The payment of any future dividends by the Company will be at the sole discretion of the Company Board. Holders of Voting Shares will be entitled to receive dividends only when, as, and if declared by the Company Board. The Company Board will determine future dividend policy based upon the Company's results of operations, financial condition, capital requirements and other circumstances.

DIVIDENDS

The Company has not, since the date of its incorporation, declared or paid any dividends on its Voting Shares and does not currently have a policy with respect to the payment of dividends. For the immediate future, the Company does not envisage any earnings arising from which dividends could be paid. The payment of dividends in the future will depend on the Company’s earnings, if any, the Company’s financial condition and such other factors as the directors of the Company consider appropriate. There are no contractual restrictions on the Company’s ability to pay dividends.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Voting Shares and an unlimited number of Variable Voting Shares.

As of December 31, 2022, a total of 71,168,145 Voting Shares were issued and outstanding as fully paid and non-assessable shares, consisting of Common Voting Shares and Variable Voting Shares as fully paid and non-assessable, as follows:

Voting Share Class	Issued and Outstanding	Percentage of Voting Shares
Common Voting Shares	43,199,069	60.70%
Variable Voting Shares	27,969,076	39.30%
Total	71,168,145	100.00%

The authorized capital of the Company consists of a class of unlimited Common Voting Shares and a class of unlimited Variable Voting Shares.

Common Voting Shares

Dividends and Distributions

The Common Voting Shares rank equally with the Variable Voting Shares with respect to dividends and the distribution of assets in the case of liquidation, dissolution or winding-up of the Company or other distribution of the Company's assets.

Voting Rights

The Common Voting Shares carry one vote per share held.

Conversion

Each issued and outstanding Common Voting Share shall be automatically converted into one (1) Variable Voting Share, without any further act on the part of Company or the holder of such Common Voting Share, if such Common Voting Share is or becomes beneficially owned or controlled, directly or indirectly, by a holder who is not a Canadian. The definition of a "Canadian" under Subsection 55(1) of the CTA is summarized as follows:

"Canadian" under Section 55(1) of the CTA may be summarized as follows:

(d) A Canadian citizen or a permanent resident within the meaning of Subsection 2(1) of the *Immigration and Refugee Protection Act* (Canada),

(e) A government in Canada or an agent of such a government, or

(f) A corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51 per cent of the voting interests are owned and controlled by Canadians and where:

   (i) no more than 25 per cent of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person; and

   (ii) no more than 25 per cent of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person.

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, to be made to all or substantially all the holders of Variable Voting Shares, each Common Voting Share shall become convertible at the option of the holder into one Variable Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Common Voting Shares for the purpose of depositing the resulting Variable Voting Shares pursuant to the offer and for no other reason, including with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning the voting rights for Common Voting Shares notwithstanding their conversion. The Company's transfer agent shall deposit the resulting Variable Voting Shares on behalf of the holder.

Should the Variable Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by the shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Variable Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder to Common Voting Shares.

Constraints on Share Ownership

Common Voting Shares may only be owned and controlled by Canadians. Any Common Voting Share owned or controlled by a person who is not a Canadian is, or must be converted to, a Variable Voting Share.

Variable Voting Shares

Dividends and Distributions

The Variable Voting Shares will rank equally with the Common Voting Shares with respect to dividends and the distribution of assets in the case of liquidation, dissolution or winding-up of the Company or other distribution of the Company's assets.

Voting Rights

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 per cent of the votes (the Stage 1 Reduction) to ensure that such non-Canadian owners never carry more than 25 per cent 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 per cent of the votes that holders of Voting Shares cast at any meeting of shareholders;
- *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 per cent of the votes that owners of Voting Shares cast at any meeting of shareholders.

Conversion

Each issued and outstanding Variable Voting Share shall be automatically converted into one (1) Common Voting Share, without any further act on the part of Company or the holder of such Variable Voting Share, if (i) such Variable Voting Share is or becomes beneficially owned and controlled, directly or indirectly, by a Canadian, or (ii) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions. Each issued and outstanding Common Voting Share shall be automatically converted into one (1) Variable Voting Share, without any further act on the part of Company or the holder of such Common Voting Share, if such Common Voting Share is or becomes beneficially owned or controlled, directly or indirectly, by a holder who is not a Canadian.

In the event that an offer is made to purchase Common Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Common Voting Shares are then listed, to be made to all or substantially all the holders of Common Voting Shares in a given province of Canada to which these requirements apply, each Variable Voting Share shall become convertible at the option of the holder into one Common Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Common Voting Shares pursuant to the offer, and for no other reason, including with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning voting rights for Variable Voting Shares notwithstanding their conversion. The Company's transfer agent shall deposit the resulting Common Voting Shares on behalf of the holder.

Should the Common Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Common Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into Variable Voting Shares.

Constraints on Share Ownership

Variable Voting Shares may only be owned or controlled by persons who are not Canadians. Therefore, any Variable Voting Share owned or controlled by a person who is a Canadian, is, or must be converted to a Common Voting Share.

MARKET FOR SECURITIES

Market

The Company's Voting Shares are listed on the NEO Exchange under the trading symbol "CJET".

Trading Price and Volume

The following table sets out the monthly high and low trading prices and the monthly volume of trading of the Voting Shares of the Company on the NEO Exchange for the most recently completed financial year:

	High (Cdn$)	Low (Cdn$)	Volume
January 2022	0.40	0.29	965,140
February 2022	0.34	0.29	460,736
March 2022	0.375	0.28	1,458,487
April 2022	0.39	0.30	1,388,700
May 2022	0.365	0.30	1,175,204
June 2022	0.35	0.27	853,318
July 2022	0.33	0.20	1,108,387
August 2022	0.34	0.25	2,430,293
September 2022	0.35	0.265	1,972,352
October 2022	0.305	0.245	2,070,375
November 2022	0.27	0.23	1,319,688
December 2022	0.25	0.21	1,031,832

Prior Sales

The following summarizes the Voting Shares and securities convertible into Voting Shares issued by the Company during the most recently completed financial year.

Date	Description	Number of Securities	Price per Share / Exercise Price ($)
2022-01-01	Issuance of Restricted Shares Units	50,000	N/A
2022-03-30	Issuance of Restricted Shares Units	125,000	N/A
2022-04-01	Issuance of Restricted Shares Units	108,000	N/A
2022-04-26	Voting Shares issued pursuant to private placement	9,571,413	$0.35
2022-04-26	April 2022 Warrants issued pursuant to private placement	4,785,705	$0.50/$0.65(1)
2022-05-31	Issuance of Restricted Shares Units	442,500	N/A
2022-06-23	Issuance of Restricted Shares Units	75,000	N/A
2022-06-28	Voting Shares issued on vesting of restricted share units	2,225,000	$0.33
2022-06-30	Issuance of Restricted Shares Units	18,500	N/A
2022-07-29	Issuance of Restricted Shares Units	150,500	N/A
2022-08-31	Issuance of Restricted Shares Units	74,074	N/A
2022-08-31	Voting Shares issued on vesting of restricted share units	24,691	$0.27
2022-09-02	Issuance of Restricted Shares Units	800,000	N/A
2022-09-24	Voting Shares issued on vesting of restricted share units	25,000	$0.285
2022-09-24	Voting Shares issued on vesting of restricted share units	32,500	$0.285
2022-09-24	Voting Shares issued on vesting of restricted share units	10,000	$0.285
2022-09-30	Voting Shares issued on vesting of restricted share units	24,691	$0.29
2022-09-30	Voting Shares issued pursuant to private placement	5,192,147	$0.218571
2022-09-30	Voting Shares issued pursuant to private placement	2,959,378	$0.255
2022-09-30	September 2022 Warrants issued pursuant to private placement	4,134,141	$0.40(1)
2022-09-30	Issuance of Restricted Shares Units	95,000	N/A
2022-10-28	Voting Shares issued pursuant to private placement	588,236	$0.255
2022-10-30	October 2022 Warrants issued pursuant to private placement	294,118	$0.40(1)
2022-10-31	Voting Shares issued on vesting of restricted share units	24,692	$0.26
2022-10-31	Issuance of Restricted Shares Units	110,000	N/A
2022-11-30	Issuance of Restricted Shares Units	80,769	N/A
2022-11-30	Voting Shares issued on vesting of restricted share units	26,923	$0.24
2022-12-31	Issuance of Restricted Shares Units	409,500	N/A

(1) Exercise price

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at the date of this AIF, the Company does not have any Voting Shares subject to escrow or that are subject to a contractual restriction on transfer except as set forth in the table below:

DIRECTORS AND OFFICERS

The names and province or state and country of residence of the directors and executive officers of Jetlines, positions held by them with Jetlines and their principal occupations for the past five years are as set forth below. The term of office of each of the present directors expires at the next annual general meeting of shareholders. After each such meeting, the Board of Directors appoints the Company's officers and committees for the ensuing year.

Name, Province or State and Country of Residence[1] of Nominee and Present Positions with the Company	Principal Occupation and, if not presently an elected director, occupation during last five years[1]	Period from which Person has been a director or officer	Number of Voting Shares Held[2,3]
Ryan Goepel Florida, USA *Director*	EVP and CFO of Global Crossing Airlines from February 2020 – Present; CFO of Flair Airlines from August 2018 – October 2019; CFO of Viking Exploration Corporation from January 2017 – December 2018; CFO of C&C Reservoirs from May 2015 – December 2016.	2021-03-29	636,042
Beth Horowitz[5,6] Ontario, Canada *Director*	Independent Board Member of several corporate entities since 2009, including HSBC Bank Canada (2009 - 2022), People Corporation (2019 - 2021), Aimia (2012 - 2017) and Northland Properties (2022 - Present).	2021-06-28	150,800
David Kruschell[6] Alberta, Canada *Director*	President & CEO of Frontier Lodging Solutions from January 2017 – Present; SVP Western Canada of Vision Travel Solutions from April 2018 – March 2020; President & CEO of Uniglobe One Travel from January 2014 – January 2017.	2021-06-28	325,000[4]
Ravinder Minhas[6] Alberta, Canada *Director*	Founder of Minhas Craft Brewery from January 2005 – Present.	2021-06-28	75,000

Name, Province or State and Country of Residence[1] of Nominee and Present Positions with the Company	**Principal Occupation and, if not presently an elected director, occupation during last five years[1]**	**Period from which Person has been a director or officer**	**Number of Voting Shares Held[2,3]**
Regenold (Reg) Christian Ontario, Canada *Director*	President of Rhythm Travel and Tours from December 2009 – Present; President of MEETsu Solutions from June 2016 – Present.	2022-06-23	7,142,857[7]
Brigitte Goersch[5,6] Florida, United States *Director*	President of Lionheart Enterprises LLC from March 2004 – Present.	2022-09-19	588,236
Shawn Klerer[5] Ontario, Canada *Director*	Chief Client Officer of Personify Corp. from September 2017 – Present.	2022-10-07	Nil
Rossen Dimitrov Doha, Qatar *Director*	Self-employment business consultant from March 2023 to the present; Chief Officer Customer Experience of Qatar Airways from May 2021 – February 2023; Advisor to Group Chief Executive of Qatar Airways from June 2020 – May 2021; Chief Operating Officer of Air Italy from October 2018 to May 2020; Chief Customer Experience Officer of Air Italy from May 2018 to May 2020; Chief Guest Experience Officer of WestJet from January 2017 – April 2018.	2022-02-07	Nil
Eddy Doyle Ontario, Canada *Director and Chief Executive Officer*	Chief Executive Officer of the Company from January 2021 – Present; Deputy CEO of Bamboo Airways from January 2019 – April 2020; VP Flight Operations of Air Canada from February 2016 – April 2018; Managing Director Flight Operations of Air Canada from June 2014 - February 2016.	2021-03-29	757,500
Percy Gyara Ontario, Canada *Chief Financial Officer*	Chief Financial Officer of the Company from March 2022 – Present; VP Finance, Sunwing Travel Group from 2010 – 2020.	2022-03-28	1,650,750[8]

Name, Province or State and Country of Residence[1] of Nominee and Present Positions with the Company	Principal Occupation and, if not presently an elected director, occupation during last five years[1]	Period from which Person has been a director or officer	Number of Voting Shares Held[2,3]
Duncan Bureau Quebec, Canada *Chief Commercial Officer*	Chief Commercial Officer of the Company from July 2021 – Present; Co-Founder of the LorEau Group from May 2021 – Present; SVP Sales & Distribution of Etihad from November 2019 – December 2020; President of Air Canada Rogue from May 2018 – May 2019; VP, Global Sales of Air Canada from June 2014 – May 2018.	2021-07-02	426,878
Brad Warren Ontario, Canada *VP Maintenance*	Chief Operating Officer of the Company from May 2022 – Present; VP Maintenance of the Company from May 2021 – Present; Managing Director, Line Maintenance of Air Canada from November 2018 – February 2021; Senior Director, Line Maintenance of Air Canada from March 2018 – November 2018.	2021-06-28	1,122,000
Sheila Paine British Columbia, Canada *Corporate Secretary*	Corporate Secretary of King & Bay West Management Corp. from April 2007 – Present.	2020-07-16	87,500

[1] The information as to country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors individually.
[2] The information as to shares beneficially owned or over which a director exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors individually.
[3] Voting Shares beneficially owned, or over which control or direction is exercised, directly and indirectly, at the date hereof, is based upon the information furnished to the Company by individual directors. Unless otherwise indicated, such shares are held directly. These figures do not include shares that may be acquired on the exercise of any share purchase warrants or stock options held by the respective directors or officers.
[4] 250,000 of these Shares are held through Kruschell Holdings Ltd.
[5] Member of the Company's Audit and Risk Committee.
[6] Member of the Company's Compensation, Corporate Governance, Nominating and ESG Committee.
[7] Shares are held through Roosheila Group Inc.
[8] 802,750 Shares are held by the spouse of Mr. Gyara, over which he has control or direction.

As a group, the directors and executive officers of Jetlines beneficially own, or control or direct, 12,962,563 Voting Shares or 18.20% of the issued and outstanding Voting Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is as of the date of this AIF, or has been in the last 10 years, a director, chief executive officer or chief financial officer of any company (including the Company) that,

(a) was the subject of a cease trade order or similar order or an order that denied such company access to any exemptions under securities legislation, for a period of more than 30 consecutive days which was issued while the person was acting in that capacity; or

(b) was subject to a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in that capacity.

No director or executive officer or shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company:

(a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that while that person was acting in that capacity, or within a year of that person ceasing to act in the capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of the Company or a shareholder holding a sufficient number of securities to affect materially the control of the Company has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The foregoing, not being within the knowledge of the Company, has been furnished by the respective directors, executive officers and shareholders holding a sufficient number of securities of the Company to affect materially control of the Company.

Conflicts of Interest

Certain directors and officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the aviation business. Such associations to other companies in the global aviation sector may give rise to conflicts of interest from time to time. As a result, opportunities provided to a director of the Company may not be made available to the Company, but rather may be offered to a company with competing interests. The directors and senior officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any personal interest which they may have in any project or opportunity of the Company, and to abstain from voting on such matters.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interests and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company and its properties are not and were not during the financial year ended December 31, 2022, subject to any legal or other actions, current or pending, which may materially affect the Company's operating results, financial position or property ownership. During the financial year completed December 31, 2022, (i) no penalties or sanctions were imposed against the Company by a court or regulatory body and (ii) no settlement agreements were entered into by the Company with a court or a securities regulatory authority.

PROMOTERS

No person has acted as a promoter of the Company during the last two most financial years ended December 31, 2022 and December 31, 2021.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth below and other than transactions carried out in the ordinary course of business of the Company or its subsidiary, none of the directors or executive officers of the Company, any shareholder directly or indirectly beneficially owning, or exercising control or direction over, more than 10% of the outstanding Voting Shares, nor an associate or affiliate of any of the foregoing persons has had, during the three most recently completed financial years of the Company or during the current financial year, any material interest, direct or indirect, in any transactions that materially affected or would materially affect the Company or its subsidiary.

Global, a shareholder holding more than 10% of the outstanding Voting Shares, was a party of the Arrangement Agreement. Global is also as a guarantor for the MSN 4175 Lease Agreement as described under "Glossary" and "Year Ended December 31, 2021 Developments".

Roosheila, a shareholder holding more than 10% of the outstanding Voting Shares and affiliate of Regenold Christian (a director of the Company), was a party to certain transactions with the Company:

- Roosheila acquired 7,142,857 Shares and 3,571,428 April 2022 Warrants in connection with the April 2022 Offering as described under "Year Ended December 31, 2022 Development".

- Roosheila loaned $2 million to the Company pursuant to the August 2022 Loan Agreement and October 2022 Loan Agreement as described under "Year Ended December 31, 2022 Development".

Squarefic, an affiliate of Regenold Christian (a director of the Company), was a party to certain transactions with the Company:

- On March 12, 2023, Squarefic loaned $1.5 million to the Company as described under "Developments Subsequent to the Year Ended December 31, 2022 and Outlook".

MATERIAL CONTRACTS

The Company has entered into the following material contracts:

1. Arrangement Agreement, as described under "Glossary".

2. 2021 Warrant Indenture, as described under “Year Ended December 31, 2021 Developments”.

3. The MSN 4175 Lease Agreement, as described under “Glossary” and “Year Ended December 31, 2021 Developments”.

4. A Shareholders’ Agreement dated March 15, 2022 between the Company, Global and certain connected shareholders of Global that set an overall limit on the voting power of Global and the connected shareholders in the aggregate to 25% of the total number of votes cast at a meeting of shareholders of the Company.

5. The MSN 5995 Lease Agreement, as described under “Glossary” and “Year Ended December 31, 2022 Developments”.

6. August 2022 Loan Agreement, as described under “Glossary” and “Year Ended December 31, 2022 Developments”.

7. October 2022 Loan Agreement, as described under “Glossary” and “Year Ended December 31, 2022 Developments”.

8. February 2023 Loan Agreement, as described under “Glossary” and “Developments Subsequent to the Year Ended December 31, 2022 and Outlook”.

INTEREST OF EXPERTS

No person or corporation is named as having prepared or certified a statement, report, opinion or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – *Continuous Disclosure Obligations* by our Company during, or relating to the financial year ended December 31, 2020, and whose profession or business gives authority to the statement, report, opinion or valuation made by the person or corporation, other than Davidson & Company LLP, our external auditors.

With respect to the current auditors of the Company, Davidson & Company LLP has advised the Company that it is independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any application legislation or regulation.

PRIVACY

We are subject to privacy laws regarding the collection, use, disclosure and protection of personal information, including guest and employee personal information, including Canada’s federal private sector privacy legislation, the *Personal Information Protection and Electronic Documents Act* (PIPEDA), which governs the collection, use and disclosure of personal information in the course of commercial activities by a federally regulated business. We have taken steps to develop and maintain a privacy policy and related practices which are designed to meet or exceed the requirements of applicable privacy legislation, primarily focused on PIPEDA, but considering other laws as well. We believe that our privacy policy and practices comply with applicable laws.

TRANSFER AGENT AND REGISTRAR

The Company’s registrar and transfer agent is Computershare Investor Services Inc. with its office located at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

ADDITIONAL INFORMATION

Additional information on the Company may be found on SEDAR at www.sedar.com. Additional information, including directors’ and officers’ remuneration and indebtedness to the Company, principal holders of the securities of the Company and securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular for its most recent annual general meeting, which is filed on SEDAR. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2022 and the related management's discussion and analysis of financial conditions and results of operations, both of which are available on SEDAR.

AUDIT COMMITTEE

Pursuant to the provisions of National Instrument 52-110 **-** *Audit Committees* ("**NI 52-110**"), reporting issuers are required to provide disclosure with respect to its audit committee, including the text of the audit committee's charter, composition of the committee, and the fees paid to the external auditor. Accordingly, the Company provides the following disclosure with respect to its Audit Committee.

Audit Committee Charter

The Company has adopted an Audit Committee Charter, which is attached as Schedule "A" to this AIF.

Composition of the Audit Committee

As at the date of this AIF, the Company's Audit Committee is comprised of these three "independent" and "financially literate" directors: Shawn Klerer, Beth Horowitz and Brigitte Goersch.

Relevant Education and Experience

All of the current Audit Committee members are senior level businesspersons with extensive experience in financial matters; each has a broad understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavour. In addition, each of the current members of the Audit Committee has knowledge of the role of an audit committee in the realm of reporting companies from their years of experience as directors and/or senior officers of large banks and public companies other than the Company.

Mr. Klerer is a CPA (CMA). Mr. Klerer's experience spans numerous industries including: telecom, financial services, travel, logistics, education, and software. He is currently the Chief Client Officer for Personify Corp. He was previously the Chief Financial Officer for American Express in Canada and for Purolator Courier Inc., Canada's largest logistics company. He also led the Business Travel division for Amex in Canada. Mr. Klerer holds an MBA from the Schulich School of Business.

Ms. Horowitz is the former President & CEO, Amex Bank of Canada and former President & General Manager, Amex Canada, Inc. She was a member of the HBSC Bank of Canada Board of Directors from 2009 to 2022, serves as Chair of the AGO Finance Committee, and has over 20 years of non-profit and corporate board experience. Ms. Horowitz has a Bachelor's Degree, History, from Cornell University and an MBA from Harvard Business School.

Ms. Goersch is the President of Lionheart Enterprises and acts as an aviation industry advisor to a multi-billion EUR global investment organization. During a 14 year period, Ms. Goersch was the Deputy Executive Director, Greater Orlando Aviation Authority, leading the operations of Orlando International Airport – a top 10 US airport. Ms. Goersch has also gained financial literacy through her experience as a Board member of the Florida Board of Medicine, Florida Board of Pharmacy and National Safe Skies Alliance.

Reliance on Certain Exemptions

During the financial year ended December 31, 2022, the Company has not relied on the exemptions contained in section 2.4, 3.2, 3.4, 3.5 or under part 8 of NI 52-110.

Reliance on Exemption in Subsection 3.3(2), Section 3.6 or Section 3.8

At no time since the commencement of the financial year ended December 31, 2022, has the Company relied on any of the exemptions contained in the followings sections of NI 52-110: subsection 3.3(2) (*Controlled Companies*), section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) or section 3.8 *(Acquisition of Financial Literacy)*.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year, has the Company's Board of Directors failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement and pre-approval of non-audit services, as described in the attached Audit Committee Charter under the heading "Auditors – Requirements for Pre-Approval of Non-Audit Services". With respect to the engagement of non-audit services, the Audit Committee shall approve in advance any retainer of the external auditors to perform any non-audit service to the Company in accordance with Applicable Requirements, specifically relating to such non-audit services. The Committee may delegate preapproval authority to a member of that Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting. Approval by the Committee of a non-audit service to be performed by the external auditor of the Company shall be disclosed in periodic reports as required by applicable regulatory authorities.

External Auditor Service Fees

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are set out in the table below. "Audit Fees" includes fees for audit services including the audit services completed for the Company's subsidiaries. "Audit-Related Fees" includes fees for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and not reported under Audit Fees including the review of interim filings. "Tax Fees" includes fees for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning. "All Other Fees" includes all fees billed by the external auditors for services not covered in the other three categories.

Year Ended	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2022	$100,000	Nil	$10,000	Nil
December 31, 2021	$28,000	$10,000	$4,500	$463.50

SCHEDULE A

CANADA JETLINES OPERATIONS LTD.

AUDIT AND RISK COMMITTEE CHARTER

As of August 27, 2021

The following Audit and Risk Committee Charter was adopted by the Audit and Risk Committee of the Board of Directors and the Board of Directors of Canada Jetlines Operations Ltd. (the "Company"):

Mandate

The primary function of the Audit and Risk Committee (the "Committee") is to assist the Company's Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting, the Company's auditing, accounting and financial reporting processes and the Company's risk management systems. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;

- monitoring the Company's compliance with the binding requirement of any stock exchanges on which the securities of the Company are listed and applicable Canadian securities laws (including National Instrument 52-110 – *Audit Committees*) (collectively, the "Applicable Requirements");

- review and appraise the performance of the Company's external auditors;

- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors; and

- review the Company's risk profile and risk policy; and

- review and appraise the effectiveness of the Company's risk management framework and supporting risk management systems.

Composition

The Committee shall be comprised of a minimum three directors as determined by the Board of Directors. Each member of the Committee shall meet the independence and audit committee composition requirements of the Applicable Requirements. Each member of the Committee shall meet the financial literacy requirements of the Applicable Requirements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership. The position description and responsibilities of the Chair are set out in Schedule "A" attached hereto.

Meetings

The Committee shall meet a least quarterly, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions. The Committee may ask members of management of the Company or others to attend meetings or to provide information as necessary.

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.

Meetings of the Committee shall be held from time to time as the Committee or the Chair shall determine upon 48 hours' notice to each of its members. The notice period may be waived by unanimous resolution of the Committee.

The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. The Committee shall report its determinations to the Board at the next scheduled meeting of the Board, or earlier as the Committee deems necessary.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

1. Documents/Reports Review

(a) review and update this Audit and Risk Committee Charter as required; and

(b) review the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any financial reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

2. External Auditors

(a) review annually, the performance of the external auditors who shall be ultimately accountable to the Company's Board of Directors and the Committee as representatives of the shareholders of the Company;

(b) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with the professional standards for the external auditors;

(c) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;

(d) take, or recommend that the Company's full Board of Directors take appropriate action to oversee the independence of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting;

(e) recommend to the Company’s Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval;

(f) recommend to the Company’s Board of Directors the compensation to be paid to the external auditors;

(g) at each meeting, consult with the external auditors, without the presence of management, about the quality of the Company’s accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;

(h) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;

(i) review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements; and

(j) review and pre-approve all audit and audit-related services, and any non-audit services, and the fees and other compensation related thereto provided by the Company’s external auditors in accordance with the Audit and Risk Committee Pre-Approval Policy.

3. Financial Reporting Processes

(a) in consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external, and internal controls;

(b) consider the external auditors’ judgments about the quality and appropriateness of the Company’s accounting principles as applied in its financial reporting;

(c) consider and approve, if appropriate, changes to the Company’s accounting principles and practices as suggested by the external auditors and management;

(d) review significant estimates and judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such estimates and judgments;

(e) following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

(f) review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements;

(g) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;

(h) review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;

(i) establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;

(j) establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and

(k) review with management the Chief Executive Officer and Chief Financial Officer certificates prepared in connection with the annual and interim continuous disclosure regulatory filings.

4. Risk Duties and Responsibilities

(a) Assist the Board in setting the risk appetite for the business, and satisfy itself that the Company operates with due regard to that risk appetite.

(b) Form an opinion on the adequacy and effectiveness of the Company's process of identifying and assessing areas of potential material risk, as well as the monitoring and controlling of identified material risks.

(c) Review reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management have put in place to manage those risks.

(d) Compare the Company's material risk assessment and risk profile with its policies and risk appetite and ensure that identified material risks are reduced to or managed at levels determined to be acceptable by the Board.

(e) Review and assess any breaches of risk controls or risk policies and ensure these breaches are appropriately mitigated or remedied by management.

(f) Make recommendations arising from the above reviews, for consideration by the Board, in relation to changes to the risk management framework or risk appetite.

(g) Review, at least annually, and oversee management's performance against the Company's risk management framework, to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

(h) Review the disclosure, in relation to each reporting period, of whether this review has taken place.

(i) Request and monitor investigations into areas of risk, breaches of risk management policies and procedures and failures in internal control.

(j) Review and oversee the Company's tax control framework.

(k) Review and evaluate the structure and adequacy of the Company insurance program.

5. Other Responsibilities

(a) Review and approve any related-party transactions.

(b) With respect to Compliance with the Code of Business Conduct and Ethics, the Committee shall:

(i) review and assess the adequacy of and, if advisable, approve and recommend for Board approval, any amendments to the Company's Code of Business Conduct and Ethics;

(ii) review and, if advisable, approve the Company's processes for administering the Code of Business Conduct and Ethics;

(iii) review, on a regular basis, summaries of the usage of, and the matters being reported to, pursuant to the Whistleblower Policy;

(iv) review with management the results of their assessment of the Company's compliance with the Code of Business Conduct and Ethics, and their plans to remediate any deficiencies identified; and

(v) review and, if advisable, approve any waiver from a provision of the Code of Business Conduct and Ethics requested by a member of the Board or senior management.

(c) the Committee shall perform any other activities consistent with this Audit and Risk Committee Charter and governing law, as the Committee or the Board deems necessary or appropriate.

Authority

The Committee shall have the authority to:

(a) engage independent counsel and other advisors including accounting or other consultants or experts as it determines necessary to carry out its duties;

(b) set and pay the compensation for advisors employed by the Committee;

(c) communicate directly with the external auditors;

(d) access, on an unrestricted basis, the books and records of the Company; and

(e) conduct any investigation appropriate to its responsibilities, and it may request the external auditors, as well as any officer of the Company, or outside counsel for the Company, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee;

(f) the Committee shall have the authority to engage the external auditors to perform a review of the interim financial statements.

SCHEDULE "A"

Position Description for the Chair of the Audit and Risk Committee

I. Purpose

The Chair of the Audit and Risk Committee of the Board shall be a director who is elected by the Board to act as the leader of the Committee in assisting the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Company.

II. Who may be Chair

The Chair will be selected from amongst the directors of the Company who have a sufficient level of financial sophistication and experience in dealing with financial issues to ensure the leadership and effectiveness of the Committee.

III. Responsibilities

The following are the primary responsibilities of the Chair:

- chairing all meetings of the Committee in a manner that promotes meaningful discussion;
- ensuring adherence to this Audit and Risk Committee Charter and that the adequacy of it is reviewed as required;
- providing leadership to the Committee to enhance the Committee's effectiveness, including:
  - providing the information to the Board relative to the Committee's issues and initiatives and reviewing and submitting to the Board an appraisal of the Company's independent auditors and internal auditing functions;
  - ensuring that the Committee works as a cohesive team with open communication, as well as ensuring open lines of communication among the independent auditors, financial and senior management and the Board of Directors for financial and control matters;
  - ensuring that the resources available to the Committee are adequate to support its work and to resolve issues in a timely manner;
  - ensuring that the Committee serves as an objective party to monitor the Company's financial reporting process and internal control systems, as well as to monitor the relationship between the Company and the independent auditors to ensure independence;
  - ensuring that procedures are in place to assess the audit activities of the independent auditors; and
  - ensuring that procedures are in place for dealing with complaints received by the Company regarding accounting, internal controls and auditing matters, and for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.
- managing the Committee, including:
  - adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;

- preparing the agenda of the Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;

- ensuring meetings are appropriate in terms of frequency, length and content;

- obtaining and reviewing with the Committee an annual report from the independent auditors, and arranging meetings with the auditors and financial management to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used;

- overseeing the Committee's participation in the Company's accounting and financial reporting process and the audits of its financial statements;

- ensuring that the auditors' report directly to the Committee, as representatives of the Company's shareholders; and

- annually reviewing with the Committee its own performance.

SCHEDULE “B”

CANADA JETLINES OPERATIONS LTD.

AUDIT AND RISK COMMITTEE PRE-APPROVAL POLICY

As of July 14, 2021

This Policy identifies the Audit and Risk Committee’s procedures and conditions for pre-approving audit, audit-related, tax and other non-audit services performed by a public accounting firm that acts as the independent auditor (the “Auditor”) responsible for auditing the consolidated financial statements of Canada Jetlines Operations Ltd. (the “Company”), and its subsidiaries and affiliates.

1. Introduction

The CPA Code of Professional Conduct (the “CPA Code”) sets out the rules for auditor independence. They include prohibitions or restrictions on services that may be provided by independent auditors to their audit clients. The independence rules identify non-audit services that are deemed inconsistent with an auditors’ independence (“Prohibited Services”). When determining whether a non-audit service is a Prohibited Service, specific reference will be made to the underlying independence rules.

In addition, under Canadian Securities Administrators (“CSA”) rules, a public company’s Audit Committee will be responsible for pre-approving all non-audit services to be provided to the company or its subsidiaries by the company’s independent auditors or the independent auditors of the company’s subsidiaries.

Under both the CPA Code and CSA rules, pre-approval of services by the Audit Committee may be accomplished either by specific approval of each engagement or by adopting pre-approval policies and procedures. The CSA rules require public companies to disclose in their Annual Information Form a description of the policies and procedures their Audit Committee has established to pre-approve non-audit services. The CSA rules also require public disclosure of fees paid to the independent auditors under the captions “Audit Fees”, Audit-Related Fees”, “Tax Fees”, and “All Other Fees”. The four categories of service, as defined in the CSA rules are:

Audit Services

Include services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements.

Audit Related Services

Include services by an independent auditor that are reasonably related to the performance of the audit of the issuer’s financial statements and are not reported as Audit Services.

Tax Services

Include professional services rendered by an independent auditor for tax compliance, tax advice, and tax planning.

All Other Services

Include products and services provided by the independent auditor not included in the previous three categories.

2. Permitted Services

The Company and its subsidiaries will not engage the Auditor to carry out any Prohibited Service. The Audit and Risk Committee will consider the pre-approval of permitted services to be performed by the independent auditor in each of the following broad categories.

Audit Services

- Audit of annual financial statements of the Company.
- Review of quarterly interim financial statements.
- Issuance of comfort letters to underwriters and consents to the securities administrators related to a debt or equity financing.

Audit Related Services

- Accounting consultations on specific issues.
- Accounting and reporting consultations on proposed transactions.
- Accounting work related to mergers and acquisitions.
- Audit of employee benefits plan.
- Due diligence assistance.
- General advice on accounting standards.

Tax Services

- Compliance Income and Mining Taxes Services, including tax return preparation.
- Payroll tax services.
- Tax advice and consultations relating to proposed transactions.
- Advice on GST and HST.
- Other tax services not included in the audit and audit-related categories.

Other Non-Audit Services

- Valuation Services.
- Information Technology Advisory and Risk Management Services.
- Actuarial Services.
- Forensic and Related Services.
- Corporate Recovery Services.
- Transaction Services.
- Corporate Finance Services.
- Project Risk Management Services.
- Operational Advisory and Risk Management Services.

- Regulatory and Compliance Services.
- Translation Services.

3. Approval of Permitted Services

For permitted services the following pre-approval policies will apply:

A. Audit Services

The Audit and Risk Committee will pre-approve all audit services provided by the Auditor through their recommendation of the Auditor as shareholders' auditors at the Company's annual meeting and through the Audit and Risk Committee's review of the Auditor's annual Audit Plan.

B. Pre-Approval of Audit Related, Tax Services and Other Non-Audit Services

Annually, the Audit and Risk Committee will pre-approve the audit-related, tax and other non-audit services to be provided by the Auditor that are recurring or otherwise reasonably expected to be provided by the external auditor, including involvement with regulatory filings and offering documents. In addition, the Audit and Risk Committee will pre-approve the auditor entering into discussion with and providing preliminary advice to management in connection with accounting, internal controls and taxation matters where they are responding to management's request and the fees for the services of this nature are to be less than $5,000 individually or $50,000 in aggregate during the year. Where the auditor presents an engagement letter in connection with any requested services, the pre-approval of the Audit and Risk Committee should be evidenced by the signature of the Audit and Risk Committee Chair or his designate. The Audit and Risk Committee shall be subsequently informed, at least quarterly, of the services for which the External Auditor has been actually engaged. Any additional requests for pre-approval shall be addressed on a case-by-case specific engagement basis as described in (C) below.

C. Approval of Additional Services

With respect to services not covered in (A) or (B) above, the Company employee making the request will submit the request for service to the Chief Financial Officer of the Company. The request for service should include a description of the service, the estimated fee, a statement that the service is not a Prohibited Service and the reason the Auditor is being engaged. All fees related to tax services will be discussed and reviewed by the Audit and Risk Committee or its designee prior to beginning the proposed engagement.

(i) Services where the aggregate fees are estimated to be less than or equal to $50,000.

Recommendations, in respect of each engagement, will be submitted by the Chief Financial Officer of the Company to the Chair of the Audit and Risk Committee for consideration and approval. The full Audit and Risk Committee will subsequently be informed of the service, at its next meeting. The engagement may commence upon approval of the Chair of the Audit and Risk Committee.

(ii) Services where the aggregate fees are estimated to be greater than $50,000.

Recommendations, in respect of each engagement, will be submitted by the Chief Financial Officer of the Company to the full Audit and Risk Committee for consideration and approval, generally at its next meeting or at a special meeting called for the purpose of approving such services. The engagement may commence upon approval of the full Audit and Risk Committee.