CANADA JETLINES OPERATIONS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

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

	Note	March 31, 2023	December 31, 2022
ASSETS			
Cash		$ 3,877,438	$ 1,784,574
Receivables	4, 9	644,796	1,000,562
Inventory		63,423	40,042
Prepaid expenses and deposits	5	553,179	322,424
Current Assets		**5,138,836**	**3,147,602**
Deposits	5	809,432	956,456
Property and equipment	6	1,913,398	1,956,080
Right-of-use assets	7	20,504,428	21,229,435
Total Assets		**$ 28,366,094**	**$ 27,289,573**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
LIABILITIES			
Accounts payable and accrued liabilities	8, 9	$ 4,066,548	$ 2,968,475
Deferred revenue		2,737,197	369,583
Current portion of lease liabilities	7	4,118,271	4,118,271
Current portion of loans payable	10	956,093	761,014
Current Liabilities		**11,878,109**	**8,217,343**
Lease liabilities	7	18,871,920	19,265,792
Loans payable	10	2,187,885	1,058,528
Maintenance provision	7	413,622	406,508
Total Liabilities		**33,351,536**	**28,948,171**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	11	15,612,047	15,566,381
Obligation to issue shares	11	27,000	33,596
Reserves	11	3,447,675	3,194,773
Deficit		(24,072,164)	(20,453,348)
Total Shareholders Equity (Deficiency)		**(4,985,442)**	**(1,658,598)**
Total Liabilities and Shareholders' Equity (Deficiency)		**$ 28,366,094**	**$ 27,289,573**

Nature of operations and going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

Approved on May 11, 2023 on behalf of the Board of Directors by:

Brigitte Goersch
Chair

Shawn Klerer
Director and Chair, Audit & Risk Committee

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

CANADA JETLINES OPERATIONS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTH PERIOD ENDED MARCH 31(Expressed in Canadian Dollars)

	Note		2023		2022
OPERATING REVENUES	15	$	**5,097,249**	$	**-**
Aircraft fuel			1,505,370		37,759
Wages, salaries and benefits	9, 11		1,922,862		864,521
Depreciation	6, 7		816,225		216,433
Aircraft maintenance			1,105,112		55,815
Airport and navigation fees			577,262		1,691
Sales and marketing			451,874		91,829
Catering and onboard services			103,909		-
Communications and information technology			200,040		28,944
Professional fees	9		388,675		767,802
Aircraft insurance			105,955		-
Travel and entertainment			178,299		29,411
Office expenses			348,409		290,980
Employee training and development			148,273		15,010
Other overhead			301,900		33,826
TOTAL OPERATING EXPENSES			**8,154,165**		**2,434,021**
OPERATING LOSS			**(3,056,916)**		**(2,434,021)**
NON-OPERATING INCOME (EXPENSE)					
Foreign exchange gain (loss)			(18,931)		(11,468)
Interest income			-		5,975
Interest expense on loan payable	10		(31,388)		6,282
Interest accretion on lease liabilities	7		(457,174)		(113,874)
Loan Closing Fees			(54,407)		-
TOTAL NON-OPERATING INCOME (EXPENSE)			**(561,900)**		**(113,085)**
NET LOSS		$	**(3,618,816)**	$	**(2,547,106)**
Basic and diluted loss per share		$	**(0.05)**	$	**(0.05)**
Weighted average number of shares outstanding - basic and diluted			**71,215,079**		**50,463,474**

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

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

	Share Capital					
	Number of Shares	**Amount**	**Obligation to issue shares**	**Reserves**	**Deficit**	**Total**
Balance – December 31, 2021	**50,463,474**	**$ 9,097,990**	**$ 2,085,552**	**$ -**	**$ (7,015,227)**	**$ 4,168,315**
Private placements	18,311,174	5,538,941	95,714		-	5,634,655
Share issue costs		(14,887)				(14,887)
Exercise of restricted share units	2,393,497	944,337	(950,933)	6,596	-	(0)
Shares to be issued				27,000		27,000
Share-based payments	-	-	1,964,440		-	1,964,440
Loss for the year	-	-	-		(13,438,121)	(13,438,121)
Balance – December 31, 2022	**71,168,145**	**15,566,381**	**3,194,773**	**33,596**	**(20,453,348)**	**(1,658,598)**
Exercise of restricted share units	230,788	45,666	(13,750)	(6,596)	-	25,320
Share-based payments	-	-	266,652	-	-	266,652
Loss for the year	-	-	-	-	(3,618,816)	(3,618,816)
Balance – March 31, 2023	**71,398,933**	**15,612,047**	**3,447,675**	**27,000**	**(24,072,164)**	**(4,985,442)**

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

CANADA JETLINES OPERATIONS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31
(Expressed in Canadian Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the Period	$ (3,618,816)	$ (2,547,106)
Items not affecting cash:		
Depreciation and amortization	816,225	216,432
Interest accretion on lease liabilities	457,174	113,874
Interest accretion on loans payable	30,594	-
Stock-based compensation - RSU	266,652	859,427
Working capital item changes:		
Receivables	355,766	109,207
Inventory	(23,381)	-
Prepaid expenses and deposits	(83,731)	302,397
Accounts payable and accrued liabilities	1,098,073	27,300
Deferred revenue	2,367,614	-
Net cash used in operating activities	**1,666,170**	**(918,469)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(48,536)	(134,498)
Net cash used in investing activities	**(48,536)**	**(134,498)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued to vendors	25,321	-
Proceeds from loan payable	1,500,000	-
Repayments of loan	(206,158)	-
Lease payments	(843,933)	(28,541)
Payments received from lessor	-	-
Net cash from financing activities	**475,231**	**(28,541)**
Net change in cash	2,092,864	(1,081,508)
Cash, beginning of the period	1,784,574	3,579,709
Cash, end of the period	**$ 3,877,438**	**$ 2,498,201**

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

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Jetlines Operations Ltd. (the "Company" or "Jetlines") was amalgamated under the laws of British Columbia pursuant to the *Canada Business Corporations Act* ("CBCA") effective February 28, 2017. The Company's business activities included operating a value-focused leisure airline and providing Canadians with an option when flying to domestic, United States or Caribbean destinations, and the Company uses its fleet to provide corporate customers and brokers charter services and ACMI (Aircraft, Crew, Maintenance and Insurance). The address of the Company's registered office is #2400 – 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 3P3. The Company's shares trade on the NEO Exchange (the "Exchange" or "NEO") under the symbol "CJET".

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

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

As at March 31, 2023, the Company had a negative working capital of $6,739,273 and accumulated deficit of $24,072,164. The Company will need additional financing without which the Company will be unable to fund general and administrative expenses and working capital requirements for the next twelve months. In addition, the Company requires additional financing to continue to grow the airline's operations and to secure additional aircraft. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. Changes in future conditions or anticipated future conditions could require material write-downs to the carrying values of the Company's assets. These adjustments could be material.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

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

These condensed consolidated interim financial statements for the period ended March 31, 2023 were authorized by the Board of Directors for issuance on May 11, 2023.

2. BASIS OF PRESENTATION *(continued)*

Basis of presentation

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

Comparative information

Certain reclassifications have been made to prior period condensed consolidated interim financial statement to conform to classifications used in the current period. These reclassifications had no impact on net loss, shareholders equity (deficiency) or cash flows as previously presented.

Basis of consolidation

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

Significant accounting judgments and estimates

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

Critical accounting estimates

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

Valuation of restricted share units

The value of the restricted share units was based on the fair value of the of the Company’s shares on the date of grant. Prior to the closing of the Plan of Arrangement on May 19, 2021, the determination of the fair value of the Company’s shares involved significant estimation as the Company’s shares were not publicly traded.

Share-based payments

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

2. BASIS OF PRESENTATION *(continued)*

Depreciation period for property and equipment

The Company makes estimates about the expected useful lives of long-lived assets. Changes in these estimates could be caused by a variety of factors, including but not limited to, changes in operating costs, utilization of the aircrafts and changing market prices.

3. SIGNIFICANT ACCOUNTING POLICIES

Maintenance Provision

The recording of maintenance provisions related to return conditions on aircraft leases requires management to make estimates of the future costs associated with the maintenance events required under the lease return condition and estimates of the expected future maintenance condition of the aircraft at the time of lease expiry. These estimates take in account current costs of these maintenance events, estimates of inflation surrounding these costs as well as assumptions surrounding utilization of the related aircraft. Any differences in actual maintenance cost incurred at the end of the lease and the amount of provision is recorded in aircraft maintenance expenses on the statements of operations and comprehensive loss in the period. The effect of any changes in estimates, including changes in discount rates, inflation assumptions, cost estimates or lease expiries is recognized as an adjustment to the right-of-use asset.

Critical accounting judgments

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

Revenue

Passenger revenues are recognized when the transportation is provided. Operating revenue also includes charter and ACMI revenue where the company provides services to other airlines or customers. Revenues, including certain fees and surcharges from passenger-related services such as seat selection and excess baggage, are recognized when transportation is provided. Airline passenger advance sales are deferred and included in current liabilities as deferred revenue.

Financial instruments

Classification

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

The Company classifies its financial instruments as follows:

Financial assets/ liabilities	IFRS 9 Classification
Cash	FVTPL
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Loans payable	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement

Financial assets at FVTOCI

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

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Impairment of financial assets at amortized cost

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

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

Derecognition

Financial assets

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

Foreign currency translation

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

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

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

Share capital

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

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

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

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

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

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

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

Restricted share units

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

Earnings (loss) per share

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventory

The Company maintains certain inventory items such as buy-on-board products. Inventory is measured at cost being determined using a weighted average formula, net of related obsolescence provision, as applicable. On a monthly basis inventory is reduced and expensed to the statements of operations and comprehensive loss based on actual usage of such items.

Property and equipment

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

Depreciation is provided for at the following rates using the straight-line method:

Assets	**Rate**
Computer equipment	3 years
Computer software	3 years
Office furniture and equipment	5 years
Automotive	5 years
Ground equipment	5 years
Leasehold improvements	Lease term
Aircraft interior and improvements	Lesser of useful life and lease term

The useful life of aircraft interior and improvements is defined to be the period over which the assets are expected to be available for use by the Company. An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

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

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

Maintenance and repairs

Maintenance and repairs costs for leased aircrafts are charged to aircraft maintenance on the statements of operations and comprehensive loss as incurred, with the exception of maintenance and repair costs related to return conditions on aircraft under lease, which are accrued over the term of the lease. Any changes to the provision for end-of-lease conditions are recognized as an adjustment to the right-of-use asset and subsequently amortized to the statements of operations and comprehensive loss over the remaining term of the lease. Any difference in actual maintenance cost incurred and the amount of the provision are recorded in aircraft maintenance.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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

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

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

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

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

Net accounting standards issued and not yet effective

Certain IFRS pronouncements that are mandatory for accounting years beginning on or after January 1, 2023 have been issued. The Company anticipates that the application of these new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

4. RECEIVABLES

	Note	March 31, 2023	December 31, 2022
Trade receivables		$ 129,336	$ 262,436
Merchant holdback		487,937	241,781
Share subscriptions receivable	9	11,151	30,274
Aircraft modifications cost recovery		-	337,384
Sales and other tax credits		-	101,758
Other		16,371	26,928
		$ 644,796	**$ 1,000,562**

(Expressed in Canadian Dollars)

5. PREPAID EXPENSES AND DEPOSITS

		March 31, 2023		December 31, 2022
PREPAID EXPENSES AND DEPOSITS				
Travel trade	$	292,930	$	20,000
Professional fees		39,896		39,896
Insurance		88,031		160,012
Software		92,081		67,553
Subscriptions and memberships		32,719		-
Other		7,521		34,963
	$	**553,179**	**$**	**322,424**
DEPOSITS				
Aircraft related deposits	$	584,994	$	775,047
Travel trade		170,202		127,173
Professional fees		10,000		10,000
Software		7,131		7,131
Rent		37,105		37,105
	$	**809,432**	**$**	**956,456**

6. PROPERTY AND EQUIPMENT

	Computer Equipment	Computer Software	Office Furniture and Equipment	Ground Equipment	Automotive	Leasehold Improvements	Aircraft interior and improvements	Total
Cost								
Balance, December 31, 2021	$ 62,633	$ 38,000	$ -	$ -	$ -	$ 29,534	$ 2,371	$ 132,538
Additions	198,852	36,175	9,492	10,450	36,398	3,621	1,716,877	2,011,865
Balance, December 31, 2022	261,485	74,175	9,492	10,450	36,398	33,155	1,719,248	2,144,403
Additions	2,857	37,500					8,179	48,536
Balance, March 31, 2023	$ 264,343	$ 111,675	$ 9,492	$ 10,450	$ 36,398	$ 33,155	$ 1,727,427	$ 2,192,939
Accumulated Depreciation								
Balance, December 31, 2021	$ 2,068	$ -	$ -	$ -	$ -	$ 347	$ -	$ 2,415
Depreciation	59,063	6,181	1,004	1,219	1,213	6,474	110,754	185,908
Balance, December 31, 2022	61,131	6,181	1,004	1,219	1,213	6,821	110,754	188,323
Depreciation	21,634	9,237	475	523	1,820	1,658	55,872	91,218
Balance, March 31, 2023	$ 82,765	$ 15,418	$ 1,479	$ 1,742	$ 3,033	$ 8,479	$ 166,626	$ 279,541
Net Book Value								
As at December 31, 2021	$ 60,565	$ 38,000	$ -	$ -	$ -	$ 29,187	$ 2,371	$ 130,123
As at December 31, 2022	$ 200,354	$ 67,994	$ 8,488	$ 9,231	$ 35,185	$ 26,333	$ 1,608,494	$ 1,956,080
As at March 31, 2023	$ 181,578	$ 96,257	$ 8,013	$ 8,709	$ 33,365	$ 24,676	$ 1,560,801	$ 1,913,398

(Expressed in Canadian Dollars)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Office Lease

The Company has entered into two lease agreements with Airway Centre Inc., with respect to its office premises in Mississauga, Ontario. The leases commenced on December 1, 2021 and June 1, 2022 with monthly lease payments of $6,926 until November 30, 2026.

A continuity of the carrying amount of the **right-of-use assets** for the three month period ended March 31, 2023 and the year ended December 31,2022 is as follows:

Balance – December 31, 2021	$	214,226
Additions		64,470
Depreciation		(51,868)
Balance – December 31, 2022		226,828
Additions		-
Depreciation		(14,515)
Balance – March 31, 2023	$	212,313

A reconciliation of the carrying amount of the lease liabilities for the three month period ended March 31, 2023 and the year ended December 31, 2022 is as follows:

Balance – December 31, 2021	$	269,877
Additions		64,480
Lease payments		(72,568)
Interest accretion		21,614
Balance – December 31, 2022	$	283,403
Additions		-
Interest accretion		4,877
Balance – March 31, 2023	$	267,503
Less: current portion		83,111
Non-current portion	$	184,393

Future minimum lease payments are as follows:

		March 31, 2023
Less than 1 year	$	83,111
1 to 5 years		221,628
More than 5 years		-
Total	$	304,739

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

(Expressed in Canadian Dollars)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Aircraft Lease

On December 15, 2021, the Company entered into a definitive aircraft lease agreement with a third party for one Airbus A320 aircraft which was delivered in fiscal 2022. The lease payments began February 28, 2022.

On October 14, 2022, the Company entered into a definitive aircraft lease agreement with a third party for one Airbus A320 aircraft which was delivered on November 28, 2022. The lease payments began November 28, 2022.

A continuity of the carrying amount of the **right-of-use assets** for the three month period ended March 31, 2023 and the year ended December 31, 2022 is as follows:

Balance – December 31, 2021	$	-
Additions		22,336,884
Depreciation		(1,334,277)
Balance – December 31, 2022		21,002,607
Additions		-
Depreciation		(710,492)
Balance – March 31, 2023	$	20,292,115

A continuity of the carrying amount of the **lease liabilities** for the three month period ended March 31, 2023 and the year ended December 31, 2022 is as follows:

Balance – December 31, 2021	$	-
Additions		23,324,174
Lease payments		(1,037,351)
Interest accretion		813,837
Balance – December 31, 2022		23,100,660
Additions		-
Lease payments		(823,155)
Interest accretion		445,182
Balance – March 31, 2023	$	22,722,687
Less: current portion		4,035,160
Non-current portion	$	18,687,527

Future minimum lease payments are as follows:

		March 31, 2023
Less than 1 year	$	4,153,706
1 to 5 years		16,614,824
More than 5 years		9,798,939
Total	$	30,567,469

The right-of-use assets and corresponding lease liabilities were initially measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 7% per annum for the first lease and 7.99% per annum for the second lease.

(Expressed in Canadian Dollars)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Maintenance Provision

The maintenance provision relates to the provision for the costs to meet the contractual return conditions on the aircraft leases. The maintenance provision takes into account current costs of maintenance events, estimates of inflation surrounding these costs as well as assumptions surrounding utilizing of the related aircraft. The Company has utilized an inflation rate of 5.9% and measured the provision at the present value of the estimated costs using the Company's incremental borrowing rate of 7%.

A continuity of the carrying amount of the maintenance provision for the three month period ended March 31, 2023 and the year ended December 31, 2022 is as follows:

Balance – December 31, 2021	$	-
Additions		391,308
Interest Accretion		15,200
Balance – December 31, 2022	$	406,508
Additions		-
Interest Accretion		7,114
Balance – March 31, 2023	$	413,622

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2023		December 31, 2022
Trade payables	$	2,594,916	$	2,182,010
Salaries payable		333,905		344,639
Accrued liabilities		1,137,727		441,826
	$	4,066,548	$	2,968,475

9. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management personnel

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

(Expressed in Canadian Dollars)

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

Remuneration attributed to key management personnel for the three month periods ended March 31, 2023 and 2022 is summarized as follows:

	March 31, 2023	March 31, 2022
Consulting fees	$ -	$ 226,136
Director fees	64,000	60,000
Salaries	270,800	-
Share-based payments	119,978	219,627
	$ 454,778	$ 505,763

Consulting and director fees are included in professional fees. Salaries and share-based payments are included in wages, salaries and benefits on the statements of operations and comprehensive loss.

Receivables

As at March 31, 2023 and 2022, receivables include the following amounts due from related parties:

Related Party	Role	March 31, 2023	March 31, 2022
Duncan Bureau	CCO	$ 10,870	-
		$ 10,870	$ -

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

(Expressed in Canadian Dollars)

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

Accounts payable and accrued liabilities

As at March 31, 2023 and 2022, accounts payable and accrued liabilities include the following amounts due to related parties:

		Remuneration		Payable	
Related Party	**Role**	**2023**	**2022**	**2023**	**2022**
Beth Horowitz	Director	$ 9,000	$ 9,000	$ 9,000	$ 9,000
Margaret Gilmour	Director	-	9,000	-	9,000
Ken McKenzie	Former Director and Chairmar	-	9,000	18,000	9,000
David Kruschell	Director	9,000	9,000	9,000	9,000
Ravinder Minhas	Director	9,000	9,000	11,454	9,000
Jean Charest	Director	-	9,000	9,000	9,000
Ryan Goepel	Director	6,000	6,000	6,000	6,000
Reg Christian	Director	9,000	-	9,000	-
Brigitte Goersch	Director and Chair	9,000	-	9,000	-
Shawn Klerer	Director	9,000	-	9,000	-
Rossen Dimitrov	Director	4,000	-	4,000	-
Sheila Paine	Corporate Secretary	20,800	5,636	9,913	2,944
Eddy Doyle	CEO and President	68,750	45,000	11,458	12,712
Duncan Bureau	CCO	62,500	45,000	10,417	15,000
Percy Gyara	CFO	62,500	-	10,417	-
Brad Warren	COO	56,250	45,000	9,375	14,163
Barbara Syrek	Former CFO	-	45,000	-	16,950
Victor Charlebois	Former VP Flight Operations	-	40,500	-	9,425
		$ 334,800	$ 286,136	$ 145,033	$ 131,194

The nature of these accounts payable and accrued liabilities relates to consulting fees, director fees and salaries payable as at March 31, 2023 and 2022. The amounts due to related parties are unsecured, non-interest bearing and have no stated terms of repayment.

Loans payable

During the three months ended March 31, 2023, the Company received $1,500,000 (2022 - $nil) in loans from a company controlled by a director (Note 10).

10. LOANS PAYABLE

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

(Expressed in Canadian Dollars)

On August 22, 2022, the Company entered into a loan agreement for a $1,000,000 loan (the "Loan") from Roosheila Group Inc. ("Roosheila"). The principal balance of the Loan and interest accrued is repayable monthly at a rate of $44,773 per month. The Loan has a maturity date of 24 months from the closing date and bears interest at the rate of 7% per annum. In connection with the Loan, the Company is required to issue Roosheila 25,000 common shares 12 months from the closing date and 25,000 common shares 24 months from the closing date. The obligation to issue the shares have been recognized as a transaction fee valued at $14,000 based on the market price of the Company's shares on the closing date and will be amortized over the term of the loan.

On October 28, 2022, the Company entered into a loan agreement for a $1,000,000 loan (the "Second Loan") from Roosheila. The principal balance of the Second Loan and interest accrued is repayable monthly at a rate of $23,946 per month. The Second Loan has a maturity date of 48 months from the closing date and bears interest at the rate of 7% per annum. In connection with the Loan, the Company is required to issue Roosheila 25,000 common shares 12 months from the closing date and 25,000 common shares 24 months from the closing date. The obligation to issue the shares have been recognized as a transaction fee valued at $13,000 based on the market price of the Company's shares on the closing date and will be amortized over the term of the loan.

On February 9, 2023, the Company entered into a loan agreement for a $1,500,000 loan (the "Third Loan") from Roosheila, which was subsequently assigned to Square Financial Investment Corporation ("Squarefic"). Squarefic is also wholly owned subsidiary of Regenold Christian, a director of the Company. The principal balance of the Third Loan and interest accrued is repayable monthly in accordance with an agreed upon payment schedule between Squarefic and the Company. The Third Loan has a maturity date of 60 months from the closing date and bears interest at the rate of 7.95% per annum. The Third loan is secured with a subordinate security interest against the Company's credit card processor holdback funds. The proceeds of the Third Loan were advanced on March 12, 2023.

A reconciliation of the carrying amount of the loans payable for the three month period ended March 31, 2023 and the year ended December 31, 2022 is as follows:

Balance – December 31, 2021	$	40,000
Additions		2,000,000
Transaction costs		(27,000)
Loan repayments		(226,984)
Interest accretion		33,526
Balance – December 31, 2022	$	1,819,542
Additions		1,500,000
Loan repayments		(206,158)
Interest accretion		30,594
Balance – March 31, 2023	$	3,143,978
Less: current portion		956,093
Non-current portion	$	2,187,885

Future minimum loan and interest repayments are as follows:

		March 31, 2023
Less than 1 year		1,123,196
1 to 5 years		2,588,153
More than 5 years		-
Total	$	3,711,349

11. SHARE CAPITAL AND RESERVES

Authorized

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

As at March 31, 2023, the Company had 43,202,040 (December 31, 2022 – 43,199,069) common voting shares and 28,196,893 (December 31, 2022 – 27,969,076) variable voting shares outstanding.

Common voting shares

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

Variable voting shares

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

- first, if required, a reduction of the voting rights of any single non-Canadian owner (inclusive of any single non-Canadian owner authorized to provide air service) carrying more than 25% of the votes (the "Stage 1 Reduction") to ensure that such non-Canadian owners never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders.
- second, if required and after giving effect to the Stage 1 Reduction, a further proportional reduction of the voting rights of all non-Canadian owners authorized to provide an air service to ensure that such non-Canadian owners authorized to provide an air service (the "Stage 2 Reduction"), in the aggregate, never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders; and
- third, if required and after giving effect to the Stage 1 Reduction and the Stage 2 Reduction if any, a proportional reduction of the voting rights for all non-Canadian owners as a class (the "Stage 3 Reduction") to ensure that non-Canadians never carry, in aggregate, more than 49% of the votes that owners of voting shares cast at any meeting of shareholders.

Share issuances

There were no share issuances during the periods ended March 31, 2023 and March 31, 2022.

Obligation to issue shares

As at March 31, 2023, the Company had a $27,000 (2022 - $Nil) obligation to issue shares related to 100,000 Shares issuable under the loan agreements (Note 10).

Reserves

Net investment of former parent company

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

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

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Warrants

The following is a summary of warrant activities during the three month period ended March 31, 2023 and the year ended December 31, 2022:

Outstanding, December 31, 2021	**9,374,159**	**$**	**0.70**
Issued	9,213,964		0.45
Outstanding, December 31, 2022	**18,588,123**	**$**	**0.58**
Issued	-		-
Outstanding, March 31, 2023	**18,588,123**	**$**	**0.58**

As at March 31, 2023, the following warrants were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
9,374,159	9,374,159	$0.70	0.35	August 6, 2023
4,134,141	4,134,141	$0.40	1.5	September 30, 2024
294,118	294,118	$0.40	1.49	September 26, 2024
4,785,705	4,785,705	$0.50[1]	3.07	April 26, 2026
18,588,123	**18,588,123**			

[1] *Exercise price increases to $0.65 on April 26, 2024.*

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the "Stock Option Plan"). The maximum exercise price of stock options granted shall not be less than the closing price of the common shares on the last trading day preceding the date on which the grant of options is approved by the Board of Directors. Options have a maximum expiry period of ten years from the grant date. The maximum number of common shares issuable pursuant to the exercise of outstanding stock options granted is 12,000,000.

The following is a summary of stock option activities during the three month period ended March 31,2023 and the years ended December 31, 2022 and 2021:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2022 and 2021	**250,000**	**$ 0.40**
Issued	-	
Outstanding, March 31, 2023	**250,000**	**$ 0.40**

As at March 31, 2023, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
250,000	250,000	$0.40	1.67	August 31, 2024
250,000	**250,000**			

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

During the three month period ended March 31, 2023, the Company recognized a share-based payment expense which is included wages, salaries and benefits with respect to stock options in the amount of $Nil (2022 – $12,344).

Restricted share units

The Company may grant RSUs to directors, officers, employees and consultants as compensation for services, pursuant to its RSU Plan (the "RSU Plan"). The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion. RSUs are required to be settled by December 15 in the third year following the year of grant. At the election of the Board of Directors, upon each vesting date, participants receive (a) Shares equal to the number of RSUs that vested; (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Share; or (c) a combination of (a) and (b). The maximum number of common shares issuable pursuant to the exercise of outstanding RSUs together with all other security based compensation arrangements is 12,000,000.

11. SHARE CAPITAL AND RESERVES *(continued)*

Restricted share units *(continued)*

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

During the three month period ended March 31, 2023, the Company granted 56,500 RSUs (2022 – 125,000) to various officers, directors, employees and consultants of the Company, whereby 50% of the RSUs vest at the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date.

During the three month period ended March 31, 2023, the Company granted 75,000 RSUs (2022 – 50,000) to various officers, directors, employees and consultants of the Company, whereby 100% of the RSUs vest at the first anniversary of the grant date.

During the three month period ended March 31, 2023, the Company granted 17,000 RSUs (2022 – Nil) to various employees of the Company, whereby 100% of the RSUs vest at the second anniversary of the grant date.

During the three month period ended March 31, 2023, the Company granted 114,442 RSUs (2022 – Nil) to various officers, directors, and consultants of the Company, whereby 100% of the RSUs vest March 31, 2023

During the three month period ended March 31, 2023, the Company cancelled 142,000 RSUs (2022 – 125,000) related to individuals who left the Company during the year.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES *(continued)*

The following is a summary of RSU activities during the three month period ended March 31, 2023 and the year ended December 31, 2022:

	Number of RSUs	Weighted average grant date fair value per RSU
Outstanding, December 31, 2021	**8,960,000**	$0.40
Issued	2,538,843	0.30
Exercised	(2,393,497)	0.39
Forfeited	(655,500)	0.39
Outstanding, December 31, 2022	**8,449,846**	**0.37**
Issued	262,942	0.22
Exercised	(230,788)	0.25
Forfeited	(142,000)	0.32
Outstanding, March 31, 2023	**8,340,000**	**$0.37**

As at March 31, 2023, the following RSUs were outstanding and exercisable:

Outstanding	Grant Date Fair Value	Exercisable	Final Vesting Date
2,075,000	$0.40	-	June 28, 2023
42,500	$0.40	-	September 24, 2023
4,000,000 **	$0.40	2,000,000**	June 30, 2024
62,500	$0.34	-	March 30, 2024
88,000	$0.36	-	April 1, 2024
368,000	$0.34	-	May 31, 2024
75,000	$0.32	-	June 23, 2023
10,000	$0.31	-	June 30, 2024
116,500	$0.31	-	July 29, 2024
800,000	$0.32	-	September 2, 2024
95,000	$0.29	-	September 30, 2024
110,000	$0.27	-	October 31, 2024
381,500	$0.22	-	December 30, 2024
15,000	$0.21		January 31, 2025
43,500	$0.25		February 28, 2025
75,000	$0.21		February 7, 2024
15,000	$0.22		March 31, 2025
8,340,000		**2,000,000****	

**Pursuant to a consulting agreement dated October 12, 2021 (the "Consulting Agreement"), 4,000,000 RSUs had been granted to a related party, subject to the terms and conditions of such agreement and the RSU Plan. The Consulting Agreement was terminated effective January 25, 2022 and the Company is in discussion with the related party with respect to the appropriate number of RSUs to be issued for services provided to the Company by the related party.

The value of the RSUs granted was based on the fair value of the Company's common shares on the date of grant. Accordingly, RSUs were granted at a fair value between $0.22 and $0.40 each for a total value of $944,337 (2021 - $3,624,000), which is recognized within share-based payments expense as the RSUs vest.

During the three month period ended March 31, 2023, the Company recorded share-based payments expense which is included in wages, salaries and benefits with respect to RSUs of $ 266,652 (2022 - $847,083).

Performance share units

The Company may grant Performance Share Units ("PSUs") to directors, officers, employees and consultants as compensation for services, pursuant to its Performance Share Unit Plan ("PSU Plan"). The number of PSUs awarded and underlying performance-based vesting conditions are determined by the Board of Directors in its discretion. PSUs are required to be settled by December 31 in the third year following the year of grant. The maximum number of common shares issuable pursuant to the exercise of outstanding PSUs together with all other security based compensation arrangements is 12,000,000. No PSUs shall be issuable to individuals or companies providing investor relations activities. At the election of the Board of Directors, upon each vesting date, participants receive (a) Shares equal to the number of PSUs that vested; (b) a cash payment equal to the number of vested PSUs multiplied by the fair market value of a Share; or (c) a combination of (a) and (b).

There were no PSUs granted during the three month period ended March 31, 2023, and the years ended December 31, 2022 and 2021.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the three month period ended March 31, 2023, except as disclosed elsewhere the Company did not have any non-cash investing and financing activities.

During the year ended December 31, 2022, the Company had the following non-cash investing and financing activities not disclosed elsewhere:

- Reimbursements from lessor included in receivables of $337,384.

13. CAPITAL MANAGEMENT

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

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

The Company currently is not subject to externally imposed capital requirements. There were no material changes in the Company's approach to capital management during the three month period ended March 31, 2023

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31 2023, the Company's financial instruments are comprised of cash, receivables, accounts payable and accrued liabilities, loans payable and lease liabilities. Cash is carried at fair value using level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities approximates their fair values due to the relatively short periods to maturity of these financial instruments. The long-term portion of lease liabilities and loans payable is accreted over the lease terms at market interest rate using the effective interest rate method. The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management and the Board of Directors monitor risk management activities and review the adequacy of such activities.

<u>Credit risk</u>

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

The Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. The Company actively monitors its amounts receivable and believes the exposure to credit risk is insignificant.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no debt subject to variable interest rates. Accordingly, the Company has limited exposure to interest rate movements.

<u>Liquidity risk</u>

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

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

As at March 31, 2023, the Company had a negative working capital of $6,739,273 and accumulated deficit of $24,072,164. At present, the Company requires additional financing to complete the growth of the airline's operations and to secure additional aircraft.

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

Foreign exchange rate risk

The Company's functional currency is the Canadian dollar. The Company funds certain operations and administrative expenses by using US Dollars converted from its Canadian bank accounts. Management is aware of the possibility of foreign exchange risk derived from currency conversions. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company is exposed to foreign currency risk through the following financial assets and liabilities held in the following Canadian dollar equivalents:

	March 31,2023	December 31,2022
Cash	1,135,026	934,175
Amounts receivable	123,597	583,670
Total financial assets	1,258,623	1,517,845
Accounts payable and accrued liabilities	(1,007,713)	(713,763)
Lease liabilities	(22,990,191)	(23,100,660)
Net statement of financial position exposure	(22,739,280)	(22,296,578)

Based on the net US dollar and liability exposure as at March 31, 2023 a 10% fluctuation in the CAD/US exchange rates would impact the Company's earnings by approximately $2,280,000 (2022: $2,230,000).

Fuel price

Fuel price risk is the risk that future cash flows will fluctuate because of changes in jet fuel prices. The Company currently is exposed to fuel risk and regularly reviews and adjust its strategy in light of market conditions. To manage its exposure it may elect to enter into derivative contract with financial intermediaries. There has been no fuel hedging activity to date.

15. SEGMENTED INFORMATION

The Company operates in one reportable segment, which is the development of a Canadian leisure and charter airline and its operations and head office are in Canada. As at March 31, 2023 and December 31, 2022, the Company's non-current assets and revenue is located in and earned in Canada.

The breakdown of operating revenue for the period ended March 31,2023 and year ended December 31, 2022, is as follows:

	March 31, 2023	December 31, 2022
Passenger revenues	1,714,461	828,321
Charter revenues	3,378,836	2,398,437
Other revenues	3,952	100,006
Total operating revenues	**$ 5,097,249**	**$ 3,326,824**

16. COMMITMENTS

Flight Booking System

On November 12, 2021, the Company entered into a five year license agreement with a vendor to license a flight booking system software, which expires on November 11, 2026. The Company may terminate the agreement for convenience by providing ninety days written notice and paying a termination fee calculated as the number of months remaining on the contract by the minimum monthly fee. As at March 31, 2023, the termination fee of the contract would be $ 266,600.

Supplier Agreement

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

Merchant Agreement

On May 11, 2022, the Company entered into a five year agreement with a vendor to receive credit card services. Under the terms of the agreement, if the Company terminates the agreement for any reason prior the end of the initial term, resulting fees will be charged to the Company for each month remaining unfulfilled on the term of the agreement.

17. SUBSEQUENT EVENTS

The following events occurred subsequent to the period ended March 31, 2023:

On April 27, 2023 the Company closed a non-brokered private placement to raise a total of $575,002 (the "April 2023 Offering"). The April 2023 Offering consisted of 2,738,104 units issued at $0.21 per unit (each an "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 Share. The Company intends to use the net proceeds of the April 2023 Offering for general corporate, working capital and investor relations purposes. $100,000 of the April 2023 Offering has been allocated to investor relations purposes. No finders' fees were paid in connection with the April 2023 Offering.

GENERAL

This Management Discussion & Analysis ("MD&A") is intended to supplement and complement the consolidated financial statements and accompanying notes of Canada Jetlines Operations Ltd. (the "Company" or "Jetlines") for the three month periods ended March 31, 2023 and 2022. The information provided herein should be read in conjunction with the Company's audited consolidated financial statements for the three month period ended March 31, 2023 and the accompanying notes thereto.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived therefrom are prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

FORWARD LOOKING STATEMENTS

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

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

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Neither the Company nor any other person assumes responsibility for the outcome of the forward-looking statements.

Many of the risks and other factors are beyond the control of the Company, which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A. The risks and other factors include, but are not limited to: the availability of financial resources to fund the Company's expenditures; competition for, among other things, capital reserves and skilled personnel; protection of intellectual property; the impact of competition and the competitive response to the Company's business strategy; third party performance of obligations under contractual arrangements; prevailing regulatory, tax and other applicable laws and regulations; stock market volatility and market valuations; uncertainty in global financial markets; the impact of COVID-19 on global economic conditions; the successful negotiation of aircraft leases; the completion of the financing necessary to sustain airline operations; and the other factors described under the heading "Risk Factors" in this MD&A and the Company's Annual Information Form.

These factors should not be considered exhaustive. With respect to forward-looking statements contained in this MD&A, the Company has made assumptions regarding, among other things: the impact of increasing competition; conditions in general economic and financial markets; current technology; cash flow; future exchange rates; timing and amount of capital expenditures; effects of regulation by governmental agencies; future operating costs; the Company's ability to conclude aircraft leases on acceptable terms; and the Company's ability to obtain financing on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive and that additional information on these and other factors that could affect the Company's operations or financial results is discussed in this MD&A. The above summary of assumptions and risks related to forward-looking statements is included in this MD&A in order to provide readers with a more complete perspective on the future operations of the Company. Readers are cautioned that this information may not be appropriate for other purposes.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company is not under any duty to update or revise any of the forward-looking statements except as expressly required by applicable securities laws.

DESCRIPTION OF BUSINESS AND RECENT DEVELOPMENTS

Canada Jetlines Operations Ltd. (the "Company" or "Jetlines") was amalgamated under the laws of British Columbia pursuant to the Canada Business Corporations Act ("CBCA") effective February 28, 2017. The Company's business activities include operating a value-focused leisure airline and providing Canadians with an option when flying to domestic, United States or Caribbean destinations, and the Company uses its fleet to provide corporate customers and brokers charter services and ACMI (Aircraft, Crew, Maintenance and Insurance). . The address of the Company's registered office is #2400 – 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 3P3. The Company's shares trade on the NEO Exchange (the "Exchange" or "NEO") under the symbol "CJET". Until June 28, 2021, the Company was a wholly owned subsidiary of Global Crossing Airlines Group Inc. ("GlobalX"), whose shares trade on the NEO under the symbols "JET" and "JET.B".

The Company received its Air Operator Certificate in August 2022 and completed its inaugural flight in September 2022. In December 2022 the company received Federal Aviation Administration approval to start operating to the United States.

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. Subsequently the Company started the service in February 2023.

On February 1, 2023, the Company announced that it continues to grow the charter segment of its business and had 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 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' unparalleled network via Doha to destinations in the Middle East, Africa, Indian Subcontinent and across Asia. The collaboration is subject to the airlines obtaining all necessary approvals, including, without limitation, approvals from Transport Canada and the Canadian Transportation Agency, as well as execution of all applicable agreements between the parties.

On March 27, 2023, the Company announced that it has signed a contract to provide aircraft and crew for 5 months starting at the end of March 2023. The contract consists of daily flying and will run until the beginning of September 2023.

On April 24, 2023, the Company announced that it has signed a contract to provide aircraft and crew to the Ottawa RedBlacks for select regular season games. The contract will see the Company fly the team to away games for the next three seasons starting in 2023 and continuing to 2025.

On April 27, 2023, the Company closed a non-brokered private placement to raise a total of $575,002 (the "April 2023 Offering"). The April 2023 Offering consisted of 2,738,104 units issued at $0.21 per unit (each an "April 2023 Unit"). Each April 2023 Unit consists of one Share and one half of one warrant (each whole warrant a "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 Share. The Company intends to use the net proceeds of the April 2023 Offering for general corporate, working capital and investor relations purposes. $100,000 of the April 2023 Offering has been allocated to investor relations purposes. No finders' fees were paid in connection with the April 2023 Offering.

On April 28, 2023, the Company announced that it has signed a contract to provide aircraft and crew to the Hamilton Tiger-Cats for their regular season games. The contract will see the Company fly the team to select away games during the 2023 season.

The Company has entered into a letter of intent for a Airbus A320 aircraft that was previously operated by a leading North American air carrier. The aircraft will be equipped with two CFM56-5B4/3 engines. The Company will install the Flymingo Box system, which offers an enhanced passenger experience through its wireless inflight entertainment. It is expected to be delivered in July 2023. The delivery of the aircraft remains subject to customary conditions, including the execution of a definitive aircraft lease agreement and satisfactory inspection of the aircraft by the Company.

OUTLOOK

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. In order to proceed with the Qatar Airways collaboration, the Company is waiting for approvals from Transport Canada and the Canadian Transportation Agency, as well as execution of all applicable agreements between the Company and Qatar Airways.

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 uses its fleet to provide corporate customers and brokers charter services and ACMI (Aircraft, Crew, Maintenance and Insurance). The Company intends to grow to four or five aircrafts during the current fiscal year and has a projected growth to 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 aircraft, personnel, inventory, training, paying necessary up-front deposits, and other new routes launch activities, as well as for general and administrative expenditures and working capital.

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

PRIVATE PLACEMENTS AND OTHER FINANCING

On April 26, 2022, the Company closed 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 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 April 2022 Warrant and $0.65 per Share during the third and fourth years after issuance. The Company intends to use the net proceeds of the April 2022 Offering to advance the Canadian airline licensing process and for general corporate and working capital purposes. No finders' fees were paid in connection with the April 2022 Offering.

In August 2022 the Company entered into a Loan Agreement for a $1,000,000 loan from Roosheila Group Inc. ("Roosheila") a related party. Roosheila is a holding company for Regenold Christian, a director of the Company.

On September 30, 2022, the Company closed a non-brokered private placement to raise a total of $1.89 million (the "September 2022 Offering") consisting of 8,151,525 units issued at $0.255 per unit (each a "September 2022 Unit"). In order to encourage share ownership by employees of the Company, the Company offered all of its employees the chance to participate in the September 2022 Offering with a bonus incentive. Employees that participated in the Offering received one additional Unit (each a "Bonus Unit") for every six September 2022 Units subscribed for in the Offering, without payment of additional consideration. A total of 8,151,525 Units (including Bonus Units) were issued in the September 2022 Offering with employees participating for $1.134 million of the September 2022 Offering. Each September 2022 Unit consists of one 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. The warrants expire on September 30, 2024.

In October 2022 the Company entered into a second Loan Agreement for a $1,000,000 loan from Roosheila.

On October 28, 2022, the Company closed a non-brokered private placement with a director of the Company to raise a total of $150,000 (the "October 2022 Offering") consisting of 588,236 units issued at $0.255 per unit (each an "October 2022 Unit"). Each October 2022 Unit consists of one common or variable voting share and one half of one warrant (each whole warrant an "October 2022 Warrant"). Each October 2022 Warrant entitles the holder to purchase an additional Share for a period of 24 months after closing at a price of $0.40 per Share. The October 2022 Warrants expire on October 28, 2024.

During the year ended December 31, 2022, the Company issued 2,393,497 voting shares upon exercise of 2,393,497 restricted share units ("RSUs"), which had a fair value of $ 944,337.

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

On April 27, 2023, the Company closed the April 2023 Offering. The April 2023 Offering consisted of 2,738,104 April 2023 Units issued at $0.21 per unit. Each April 2023 Unit consists of one Share and one half of one 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 Share.

REVIEW OF FINANCIAL RESULTS

Loss and comprehensive loss for the period

For the three month period ended March 31, 2023, the Company reported comprehensive loss from operations in the amount of $(3,618,816) or $(0.05) per share, compared to a comprehensive loss in the amount of $(2,547,106) and $(0.05) per share in the three month period in the prior year. The increase in loss from operations in the amounts of $1,071,710, is explained by increased corporate and operational activities detailed below.

During the three month period ended March 31, 2023, the Company earned $1,714,461 (2022: $Nil) in passenger revenues, as the Company did not start selling flight tickets until the second quarter of 2022.

During the three month period ended March 31, 2023, the Company earned $3,382,788 (2022: $Nil) in other revenues, comprised of ancillary revenue, and revenue from charters and subservice.

During the three month period ended March 31, 2023, the Company incurred aircraft fuel costs in the amounts of $1,505,370 (2022: $37,759) in connection with expenditures relating to purchasing fuel for aircraft. The significant increase is due to the fact that the Company was fully operating flights during the current period and during the three months ended March 31, 2022 the Company was still in the licensing process.

During the three month period ended March 31, 2023, the Company incurred wages, salaries and benefits expenses of $1,922,862 (2022: $864,521) in connection with payments to employees during the periods. These expenses increased as the Company hired additional employees in order to operate flight operations.

During the three month period ended March 31, 2023, the Company recorded depreciation in the amounts of $816,225 (2022: $216,433), in connection with property, equipment and right-of-use assets. The majority of the increase is explained by the depreciation related to the Company's two aircraft leases.

During the three month period ended March 31, 2023, the Company incurred aircraft maintenance expenses of $1,105,112 (2022: $55,815) in connection with maintenance of the aircrafts. Maintenance expenses increased significantly as the Company is now operating and maintaining two aircraft as compared to one aircraft in the comparative quarter.

During the three month period ended March 31, 2023 the Company incurred airport and navigation fees of $577,262 (2022: $1,691), in connection with airport handling and navigation of flights. The significant increase is due to the fact that the Company was fully operating flights during the current period and during the three months ended March 31, 2022 was still in the licensing process.

During the three month period ended March 31, 2023 the Company incurred sales and marketing expenses of $451,874 (2022: $91,829), in connection with marketing of air services to passengers and charter customers. The significant increase is due to the fact that the Company was fully operating flights during the current period and during the three months ended March 31, 2022 the Company was still in the licensing process.

During the three month period ended March 31, 2023 the Company incurred catering and onboard services expenses in the amounts of $103,909 (2022: $Nil) which relates to amounts spent on catering food. The significant increase is due to the fact that the Company was fully operating flights during the current period and during the three months ended March 31, 2022 the Company was still in the licensing process.

During the three month period ended March 31, 2023, the Company incurred communications and information technology expenses in the amounts of $200,040 (2022: $28,944) which relates to amounts spent on software and communication related expenses. As the Company has commenced airline operations, these expenses have increased substantially with online booking of tickets and management of flights.

During the three month period ended March 31, 2023 the Company incurred professional fees in the amounts of $388,675 (2022: $767,802), related to amounts spent on consulting and professional fees. The decrease in the current period is as a result of the Company's management team being transitioned from consultants to employees.

During the three month period ended March 31, 2023 the Company incurred other expenses in the amounts of $1,082,836 (2022: $369,227), related to amounts spent on aircraft insurance, travel and entertainment, office expenses, employee training and development and other overhead. The significant increase is due to the fact that the Company was fully operating flights during the current period and during the three months ended March 31, 2022 the Company was still in the licensing process.

The Company recorded a foreign exchange gain (loss) for the three month period ended March 31, 2023, in the amounts of $(18,931) (2022: $(11,468)) with respect to transactions and balances denominated in USD dollars and the impact of fluctuations in the exchange rate.

The Company recorded interest income for the three month period ended March 31, 2023, in the amounts of $Nil (2022: $5,975), with respect to interest income earned on cash balances held in bank accounts.

The Company recorded interest expense and accretion for the three month period ended March 31, 2023, in the amounts of $31,174 (2022: $(6,282)) and $457,174 (2022: $113,874), with respect to interest accretion expenses recorded on long-term loan balances and right-of-use liabilities.

SUMMARY OF QUARTERLY RESULTS

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

Description	Q1 March 31, 2023	Q4 ###############	Q3 ###############	Q2 June 30, 2022
Loss and comprehensive loss	$ (3,618,816)	$ (4,528,552)	$ (3,347,249)	$ (3,015,214)
Loss per share	(0.05)	(0.06)	(0.06)	(0.05)
Description	**Q1 March 31, 2022**	**Q4 ###############**	**Q3 ###############**	**Q2 June 30, 2021**
Loss and comprehensive loss	$ (2,547,106)	$ (2,056,875)	$ (874,331)	$ (147,775)
Loss per share	(0.05)	(0.04)	(0.02)	-

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company went into care and maintenance mode until quarter ended June 30, 2021 and continued to increase operational activity into the quarter ended March 31, 2023. The Company expects its expenditures to continue at an increased level as it continues to ramp up and grow its airline operations.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2023, the Company had cash in the amount of $3,877,438 (December 31, 2022: $1,784,574) and working capital in the amount of ($6,739,273) (December 31, 2022: $(5,069,741)). The decrease in working capital in the amount of $1,669,532 is explained by cash used in operating activities during the period.

At present, the Company has commenced operations and started to earn operating income from the sale of flights. However, the Company does not have sufficient operating income and requires additional financing to complete the growth of the airline's operations and to secure additional aircraft. In addition, based on the Company's existing operations and working capital position, the Company will need to raise additional capital during the next twelve months and beyond to continue operations. To date, the Company's operations have been almost entirely financed from equity and loan financings. The Company will continue to identify financing opportunities in order to provide additional financial flexibility. As of the date of this MD&A it does not have any committed sources of equity financing or debt. While the Company has been successful raising the necessary funds in the past, there can be no assurance it can do so in the future.

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

Cash Flows

The Company's cash flows for the three month period ended March 31, 2023, and 2022 are summarized in the table below.

	March 31, 2023	March 31, 2022
Cash provided used in operating activities	1,666,170	(918,469)
Cash provided used in investing activities	(48,536)	(134,498)
Cash provided by financing activities	475,231	(28,541)
Change in cash during the period	2,092,864	(1,081,508)
Cash, beginning of the period	1,784,574	3,579,709
Cash, end of the period	**$ 3,877,438**	**$ 2,498,201**

Operating Activities

Cash used in operating activities adjusts the loss for the year for non-cash items including, but not limited to, depreciation, interest expense on lease liabilities, and share-based payments. Cash used in operating activities also reflects changes in working capital items, such as receivables, inventory, prepaid expenses and amounts payable and accrued liabilities, which fluctuate in a manner that does not necessarily reflect predictable patterns for the overall use of cash, the generation of which depends on revenue from airline operations and sources of external financing to fund operations.

Investing Activities

During the three month period ended March 31, 2023, the Company purchased $48,536 (2022: $134,498) of property and equipment.

Financing Activities

Financing activities for the three month period ended March 31, 2023, consist of the following activities:

	March 31, 2023	March 31, 2022
Shares issued to vendors	25,321	-
Proceeds from loan payable	1,500,000	-
Repayments of loan	(206,158)	-
Lease payments	(843,933)	(28,541)
Net cash from financing activities	**$ 475,231**	**$ (28,541)**

STATEMENT OF FINANCIAL POSITION INFORMATION

	As at ################	**As at December 31, 2022**
Cash	$3,877,438	$1,784,574
Receivables	644,796	1,000,562
Inventory	63,423	40042
Prepaid expenses and Deposits	1,362,611	1,278,880
Property and equipment	1,913,398	1,956,080
Right-of-use assets	20,504,428	21,229,435
Total Assets	**$28,366,094**	**$27,289,573**
Accounts payable and accrued liabilities	$4,066,548	$2,968,475
Current portion of lease liabilities	4,118,271	4,118,271
Current portion of loans payable	956,093	761,014
Deferred revenue	2,737,197	369,583
Lease liabilities	18,871,920	19,265,792
Loans payable	2,187,885	1,058,528
Maintenance provision	413,622	406,508
Share capital	15,612,047	15,566,381
Obligation to issue shares	27,000	33,596
Reserves	3,447,675	3,194,773
Deficit	(24,072,164)	(20,453,348)
Total Liabilities and Equity	**$28,366,094**	**$27,289,573**

Assets

Cash increased by $2,092,864 during the three month period ended March 31, 2023, as a result of increased operational activities. Cash flows are detailed in "Liquidity and Capital Resources". Operating activities are detailed in "Review of Financial Results".

Receivables decreased by $355,766 during the three month period ended March 31, 2023, related to GST input tax credits received net of GST payable, credit card processer holdback releases, a decrease in trade receivable, and collection of aircraft modifications cost recovery.

Inventory increased by $23,381 during the three month period ended March 31, 2023, related to the purchase of catering and onboard products inventory.

Prepaid expenses and deposits increased by $83,730 during the three month period ended March 31, 2023 and this is primarily explained by increase in deposits made for operations.

During the three month period ended March 31, 2023, the Company recognized $48,536 in property and equipment additions and depreciation of $ 91,218.

The Company entered into a lease agreement with Airway Centre Inc., with respect to its office premises in Mississauga, Ontario. The lease commenced on December 1, 2021, with monthly lease payments of $5,420 until November 30, 2026. During the year ended December 31,2022 the company acquired additional office space for a monthly lease payments of $1,506 until November 30, 2026.

During the year ended December 31, 2022, the Company entered into a lease agreement with a third party, with respect to the lease of one Airbus A320 aircraft. The lease commenced on February 28, 2022, with maximum monthly lease payments of US$110,208 per month, for a term of eight years. A right-of-use asset was recorded for $8,780,683, with depreciation recorded of $742,430, which resulted in a net book value of $8,038,253.

During the year ended December 31, 2022, the Company entered into a lease agreement with a third party, with respect to the lease of one Airbus A320 aircraft. The lease commenced on November 28, 2022, with maximum monthly lease payments of US$145,322 per month, for a term of eight years. A right-of-use asset was recorded for $13,164,893, with depreciation recorded of $564,705, which resulted in a net book value of $12,600,188.

During the year ended December 31, 2022, the Company recorded a right-of-use for return cost of the leased aircrafts. The amount recorded for the asset was $391,308, with depreciation recorded of $27,142, which resulted in a net book value of $364,166.

Liabilities

During the three month period ended March 31, 2023, accounts payable and accrued liabilities increased by $1,108,807 which is explained by the timing of payments and invoices received at the end of the period.

During the three month period ended March 31, 2023, deferred revenue increased by $2,367,614, which is related to revenues collected in advance from customers for future flights.

The Company entered into a lease agreement with Airway Centre Inc., with respect to its office premises in Mississauga, Ontario. The lease commenced on December 1, 2021, with monthly lease payments of $5,420 until November 30, 2026. Additional office space was leased during the year with monthly lease payments of $1,506. The current portion of the lease liability is $83,111 and the long-term portion is $200,292. Interest accretion of $21,614 has been recorded during the period.

During the year ended December 31, 2022, the Company entered into two lease agreements with third party lessor, with respect to the lease of two Airbus A320 aircrafts. The lease commenced on February 28, 2022, and November 28, 2022 respectively. The current portion of the lease liability is $4,035,160 and the long-term portion is $19,065,500. Interest accretion of $813,837 has been recorded during the period.

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

During the year ended December 31, 2022, the company entered into loan agreements as follows:

- On August 22, 2022, the Company entered into a loan agreement for a $1,000,000 loan from Roosheila. The loan has a maturity date of 24 months from the closing date and bears interest at the rate of 7% per annum. The Company intends to use the net proceeds of the loan for general corporate and working capital purposes.

- On October 28, 2022, the Company entered into a second loan agreement for a $1,000,000 loan from Roosheila. The loan has a maturity date of 48 months from the closing date and bears interest at the rate of 7% per annum. The Company intends to use the net proceeds of the loan for general corporate and working capital purposes.

During the three month period ended March 31, 2023, the Company entered into loan agreement as follows:

- On February 9, 2023, the Company entered into a loan agreement for a $1,500,000 loan from Squarefic. The loan has a maturity date of 60 months from the closing date and bears interest at the rate of 7.95% per annum. The Company intends to use the net proceeds of the loan for general corporate and working capital purposes.

- The aggregate current portion of the loans payable is $956,093 and the long-term portion is $2,187,885. Interest accretion of $ 31,388 has been recorded during the quarter.

Equity

During the three month period ended March 31, 2023, the share capital balance increased from the following activities:

- The Company issued 230,788 voting shares upon exercise of 230,788 restricted share units ("RSUs"), which had a fair value of $ 45,666.

During the three month period ended March 31, 2023, Reserves increased by $252,902, which is related to share- based payments expenses and RSUs being exercised during the period.

During the three month period ended March 31, 2023, the deficit increased in the amount of $3,618,816.

SHARE CAPITAL

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

Common voting shares

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

Variable voting shares

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

- first, if required, a reduction of the voting rights of any single non-Canadian owner (inclusive of any single non- Canadian owner authorized to provide air service) carrying more than 25% of the votes (the "Stage 1 Reduction") to ensure that such non-Canadian owners never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders.
- second, if required and after giving effect to the Stage 1 Reduction, a further proportional reduction of the voting rights of all non-Canadian owners authorized to provide an air service to ensure that such non-Canadian owners authorized to provide an air service (the "Stage 2 Reduction"), in the aggregate, never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders; and
- third, if required and after giving effect to the Stage 1 Reduction and the Stage 2 Reduction if any, a proportional reduction of the voting rights for all non-Canadian owners as a class (the "Stage 3 Reduction") to ensure that non- Canadians never carry, in aggregate, more than 49% of the votes that owners of voting shares cast at any meeting of shareholders.

The Company has securities outstanding as follows:

As at March 31, 2023

Security Description	
Common voting shares - issued and outstanding	43,202,040
Variable voting shares - issued and outstanding	28,196,893
Voting Shares issuable on vesting of restricted share units	8,340,000
Voting Shares issuable on exercise of stock options	250,000
Voting Shares issuable on exercise of warrants	18,588,123
Voting Shares - fully diluted	**98,577,056**

Share Issuances

Private Placement

During the three month period ended March 31, 2023, the Company issued 230,788 voting shares upon exercise of 230,788 restricted share units ("RSUs"), which had a fair value of $ 45,666.

In addition, the following additional share issuances occurred during the year ended December 31, 2022:

- On April 26, 2022, the Company closed the April 2022 Offering to raise a total of $3.35 million. 9,571,413 shares were issued as part of the April 2022 Units issued in the April 2022 Offering.
- On September 30, 2022, the Company closed the September 2022 Offering to raise a total of $1.89 million. 8,151,525 shares were issued as part of the September 2022 Units issued in the September 2022 Offering.
- On October 28, 2022, the Company closed the October 2022 Offering to raise a total of $150,000. 588,236 shares were issued as part of the 588,236 October 2022 Units issued in the October 2022 Offering.
- For further details on the April 2022 Offering, September 2022 Offering and October 2022 Offering please refer to "Private Placements and Other Financing".

Stock options

There were no stock options granted during the three month period ended March 31, 2023.

During the year ended December 31, 2022, the Company recognized a share-based payment expense with respect to stock options in the amount of $28,642 (2021: $Nil).

Restricted share units

The Company may grant RSUs to directors, officers, employees and consultants as compensation for services, pursuant to its RSU Plan (the "RSU Plan"). The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion. RSUs are required to be settled by December 15 in the third year following the year of grant. At the election of the Board of Directors, upon each vesting date, participants receive (a) Shares equal to the number of RSUs that vested; (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Share; or (c) a combination of (a) and (b). The maximum number of common shares issuable pursuant to the exercise of outstanding RSUs together with all other security based compensation arrangements is 12,000,000.

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

During the three month period ended March 31, 2023, the Company granted 56,500 RSUs (2022: 125,000) to various officers, directors, employees and consultants of the Company, whereby 50% of the RSUs vest at the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date.

During the three month period ended March 31, 2023, the Company granted 75,000 RSUs (2022: 50,000) to various officers, directors, employees and consultants of the Company, whereby 100% of the RSUs vest at the first anniversary of the grant date.

During the three month period ended March 31, 2023, the Company granted 17,000 RSUs (2022: Nil) to various employees of the Company, whereby 100% of the RSUs vest at the second anniversary of the grant date.

During the three month period ended March 31, 2023, the Company granted 114, 442 RSUs (2022: Nil) to various officers, directors, and consultants of the Company, whereby 100% of the RSUs vest March 31, 2023

During the three month period ended March 31, 2023, the Company cancelled 142,000 RSUs (2022: 125,000) related to individuals who left the Company during the year.

Pursuant to a consulting agreement dated October 12, 2021 (the "Consulting Agreement"), 4,000,000 RSUs had been granted to a related party, subject to the terms and conditions of such agreement and the RSU Plan. The Consulting Agreement was terminated effective January 25, 2022 and the Company is in discussion with the related party with respect to the appropriate number of RSUs to be issued for services provided to the Company by the related party.

RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management personnel

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

Remuneration attributed to key management personnel for the three month period ended March 31, 2023, and 2022 is summarized as follows:

		March 31, 2023		March 31, 2022
Consulting fees		-		226,136
Director fees		64,000		60,000
Salaries		270,800		-
Share-based payments		119,978		219,627
	$	454,778	$	505,763

Consulting and director fees are included in professional fees. Salaries and share-based payments are included in wages, salaries and benefits on the statements of operations and comprehensive loss.

Receivables

As at December 31, 2022 and 2021, receivables include the following amounts due from related parties:

Related Party	Role		March 31, 2023		March 31, 2022
Duncan Bureau	CCO	$	10,870		-
		$	10,870	$	-

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

Accounts payable and accrued liabilities.

As at March 31, 2023 and 2022, accounts payable and accrued liabilities include the following amounts due to related parties:

		Remuneration		Payable	
Related Party	**Role**	**2023**	**2022**	**2023**	**2022**
Beth Horowitz	Director	$ 9,000	$ 9,000	$ 9,000	$ 9,000
Margaret Gilmour	Director	-	9,000	-	9,000
Ken McKenzie	Former Director and Chairman	-	9,000	18,000	9,000
David Kruschell	Director	9,000	9,000	9,000	9,000
Ravinder Minhas	Director	9,000	9,000	11,454	9,000
Jean Charest	Director	-	9,000	9,000	9,000
Ryan Goepel	Director	6,000	6,000	6,000	6,000
Reg Christian	Director	9,000	-	9,000	-
Brigitte Goersch	Director and Chairman	9,000	-	9,000	-
Shawn Klerer	Director	9,000	-	9,000	-
Rossen Dimitrov	Director	4,000	-	4,000	-
Sheila Paine	Corporate Secretary	20,800	5,636	9,913	2,944
Eddy Doyle	CEO and President	68,750	45,000	11,458	12,712
Duncan Bureau	CCO	62,500	45,000	10,417	15,000
Percy Gyara	CFO	62,500	-	10,417	-
Brad Warren	COO	56,250	45,000	9,375	14,163
Barbara Syrek	Former CFO	-	45,000	-	16,950
Victor Charlebois	Former VP Flight Operations	-	40,500	-	9,425
		$ 334,800	$ 286,136	$ 145,033	$ 131,194

The nature of these accounts payable and accrued liabilities relates to consulting fees, director fees and salaries payable as at March 31, 2023 and 2022. The amounts due to related parties are unsecured, non-interest bearing and have no stated terms of repayment.

Related Party Financing Transactions

On August 22, 2022, the Company entered into a loan agreement for a $1,000,000 loan from Roosheila. The loan has a maturity date of 24 months from the closing date and bears interest at the rate of 7% per annum.

On October 28, 2022, the Company entered into a second loan agreement for a $1,000,000 loan from Roosheila. The loan has a maturity date of 48 months from the closing date and bears interest at the rate of 7% per annum..

On February 9, 2023, the Company entered into a loan agreement for a $1,500,000 loan from Roosheila (the "Third Loan"). The Third Loan was subsequently assigned to Squarefic. The principal balance of the Third Loan and interest accrued is repayable monthly in accordance with an agreed upon payment schedule between the Lender and the Company. The Third Loan has a maturity date of 60 months from the closing date and bears interest at the rate of 7.95% per annum. The loan is secured with a subordinate security interest against the Company's credit card processor holdback funds. The Third Loan proceeds were advanced on March 12, 2023.

Roosheila and Squarefic are each related parties owned by Regenold Christian, a Director of the Company.

GOING CONCERN

The accompanying consolidated financial statements of the Company have been prepared using IFRS on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon the Company's ability to continue to raise adequate financing and to achieve profitable operations in the future. The Company is evaluating financing its future requirements through a combination of debt, equity and/or other facilities. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

As at March 31, 2023, the Company had a negative working capital $6,739,273 and accumulated deficit of $24,072,164. The Company has commenced operations and started to earn operating income from the sale of flights. In April, September and October 2022, and April 2023, the Company completed private placements of $3.35 million, $1.89 million, $150,000 and $575,002 respectively, to support the ongoing growth of the airline operations. Without additional financing, the Company will be unable to fund general and administrative expenses and working capital requirements for the next twelve months. In addition, the Company requires additional financing to complete the growth of the airline's operations and to secure additional aircraft. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

CRITICAL ACCOUNTING ESTIMATES

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

Critical Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

Going Concern

The preparation of the accompanying consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1 of the consolidated financial statements.

Key Sources of Estimation Uncertainty

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

Valuation of restricted share units

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

Share-based payments

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

Depreciation period for property and equipment

The Company makes estimates about the expected useful lives of long-lived assets. Changes in these estimates could be caused by a variety of factors, including but not limited to, changes in operating costs, utilization of the aircrafts and changing market prices.

Maintenance Provision

The recording of maintenance provisions related to return conditions on aircraft leases requires management to make estimates of the future costs associated with the maintenance events required under the lease return condition and estimates of the expected future maintenance condition of the aircraft at the time of lease expiry. These estimates take in account current costs of these maintenance events, estimates of inflation surrounding these costs as well as assumptions surrounding utilization of the related aircraft. Any differences in actual maintenance cost incurred at the end of the lease and the amount of provision is recorded in aircraft maintenance expenses on the statements of operations and comprehensive loss in the period. The effect of any changes in estimates, including changes in discount rates, inflation assumptions, cost estimates or lease expiries is recognized as an adjustment to the right-of-use asset.

ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the accompanying consolidated financial statements for the three month period ended March 31, 2023 and 2022.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31 2023, the Company's financial instruments are comprised of cash, receivables, accounts payable and accrued liabilities, loans payable and lease liabilities. Cash is carried at fair value using level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities approximates their fair values due to the relatively short periods to maturity of these financial instruments. The long-term portion of lease liabilities and loans payable is accreted over the lease terms at market interest rate using the effective interest rate method. The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management and the Board of Directors monitor risk management activities and review the adequacy of such activities.

<u>Credit risk</u>

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

The Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. The Company actively monitors its amounts receivable and believes the exposure to credit risk is insignificant.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no debt subject to variable interest rates. Accordingly, the Company has limited exposure to interest rate movements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations.

Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

Foreign exchange rate risk

The Company's functional currency is the Canadian dollar. The Company funds certain operations and administrative expenses by using US Dollars converted from its Canadian bank accounts. Management is aware of the possibility of foreign exchange risk derived from currency conversions. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company is exposed to foreign currency risk through the following financial assets and liabilities held in the following Canadian dollar equivalents:

	March 31,2023	**December 31,2022**
Cash	1,135,026	934,752
Amounts receivable	123,597	583,670
Total financial assets	1,258,623	1,517,845
Accounts payable and accrued liabilities	(1,007,713)	(713,763)
Lease liabilities	(22,990,191)	(23,100,660)
Net statement of financial position exposure	(22,739,280)	(22,296,579)

Based on the net US dollar and liability exposure as at March 31, 2023 a 10% fluctuation in the CAD/US exchange rates would impact the Company's earnings by approximately $2,280,000 (2022 - $2,230,000).

Fuel price

Fuel price risk is the risk that future cash flows will fluctuate because of changes in jet fuel prices. The Company currently is exposed to fuel risk and regularly reviews and adjusts its strategy in light of market conditions. To manage its exposure, it may elect to enter into derivative contract with financial intermediaries. There has been no fuel hedging activity to date.

RISK FACTORS

The development and ultimate operation of a Canadian scheduled and charter airline involves significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Certain of the more prominent risk factors that may materially affect the Company's future performance, in addition to those referred to above, are listed hereunder. Reference should also be made to the section entitled "Risk Factors" in the Company's Annual Information Form.

Ability to Obtain Additional Capital

The ability of the Company to execute its build-out strategy and grow its operations will depend on acquiring additional financing through debt financing, equity financing, a strategic corporate transaction or other means. There are no assurances that such financing will be available, or if available, available upon terms acceptable to the Company. Failure to obtain such financing may result in the delay of such growth strategy or even impact the ability of the Company to continue as a going concern.

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.

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 Shares. However, any significant reduction in passenger traffic on the Company's flights could result in a material adverse effect.

Accuracy of Business Model

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

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

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

Lack of Operational History

The Company has only recently begun 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 significant operational history to evaluate future viability or profitability. The Company will be subject to the risks, difficulties and uncertainties associated with an early stage airline. The Company's future performance will depend upon a number of factors, including its ability to: maintain the safety and security of operations; capitalize on its business strategy; implement its growth strategy; provide the intended products and services at the prices anticipated; maintain adequate control of expenses; attract, retain and motivate qualified personnel; react to customer and market demands; and ability to generate operating revenue.

Regulatory Approvals

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 objective 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 has commenced the regulatory approval process in some other jurisdictions and has requested regulatory approval for the Qatar Airways collaboration, 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.

Access to Aircraft and Capital Requirements

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

Price and Availability of Fuel

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

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

The Company may be subject to 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 is required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

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

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

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

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

General economic conditions may adversely affect the Company's growth, future profitability, ability to finance and operations.

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

The Company has a history of losses and expects to incur losses for the foreseeable future

The Company has incurred losses since its inception and expects to incur losses for the foreseeable future. The Company expects to continue to incur losses unless and until such time as airline operations 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 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.

The Company's securities are subject to price volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations that have not been necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding any potential success in creating revenues, cash flows or earnings. The value of the Company's common shares will be affected by such volatility.

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

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

COMMITMENTS

Flight Booking System

On November 12, 2021, the Company entered into a five year license agreement with a vendor to license a flight booking software system, which expires on November 11, 2026. The Company may terminate the agreement for convenience by providing ninety days written notice and paying a termination fee calculated as the number of months remaining on the contract by the minimum monthly fee. As at March 31, 2023, the termination fee of the contract would be $266,600.

Supplier Agreement

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

Merchant Agreement

On May 11, 2022, the Company entered into a five year agreement with a vendor to receive credit card services. Under the terms of the agreement, if the Company terminates the agreement for any reason prior the end of the initial term, resulting fees will be charged to the Company for each month remaining unfulfilled on the term of the agreement.

Airbus Lease Agreement

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

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

On October 14, 2022, the Company entered into definitive aircraft lease agreement for one Airbus A320 aircraft (the "Second Airbus Lease Agreement") with a third party (the "Second Lessor"). The lease payments began starting November 28, 2022.

Security deposits paid by the Company in the amount of US$142,000 were retained by the Second Lessor. The maximum monthly lease payments will be US$145,332 per month, for a term of eight years.

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations as of March 31, 2023:

Payments Due By Period

Contractual Obligations	Total	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 4,066,548	$ 4,066,548	$ -	$ -
Lease liabilities	30,872,207	4,236,816	16,836,452	9,798,939
Long-term loan payable	3,711,349	1,123,196	2,588,153	-
Total Contractual Obligations	$ 38,650,104	$ 9,426,560	$ 19,424,605	$ 9,798,939

OFF BALANCE SHEET ARRANGEMENTS

The company has a line of credit from Export Development Corporation in the amount of C$2,000,000. This line is being used to issue letters of credit to vendors.

SUBSEQUENT EVENTS

The following events occurred subsequent to the period ended March 31, 2023:

On April 27, 2023 the Company closed the April 2023 Offering. The April 2023 Offering consisted of 2,738,104 April 2023 Units issued at $0.21 per unit. Each April 2023 Unit consists of one Share and one half of one 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 Share. The Company intends to use the net proceeds of the April 2023 Offering for general corporate, working capital and investor relations purposes. $100,000 of the April 2023 Offering has been allocated to investor relations purposes. No finders' fees were paid in connection with the April 2023 Offering.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and the Chief Financial Officer, are responsible for the design of the Company's disclosure controls and procedures in order to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

The Chief Executive Officer and Chief Financial Officer have certified that they have designed disclosure controls and procedures (or caused them to be designed under their supervision) and they are operating effectively to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to them by others within those entities as of March 31, 2023.

Internal Control Over Financial Reporting

The Company maintains a system of internal controls over financial reporting, as defined by National Instrument 52- 109 - Certification of Disclosure in Issuers' Annual and Interim Filings in order to provide reasonable assurance that assets are safe-guarded and financial information is accurate and reliable and in accordance with IFRS.

Management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2023, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of March 31, 2023, the Company's internal control over financial reporting is effective.

During the three month period ended March 31, 2023, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitation of Controls and Procedures

Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com.

APPROVAL

The Board of Directors of the Company has approved the disclosures contained in this MD&A.