CANADA JETLINES LTD.

(FORMERLY "JET METAL CORP.")

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Canada Jetlines Ltd.

We have audited the accompanying consolidated financial statements of Canada Jetlines Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Canada Jetlines Ltd. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 26, 2018

CANADA JETLINES LTD.
(FORMERLY "JET METAL CORP.")
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

		DECEMBER 31, 2017		DECEMBER 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	$	**2,981,046**	$	91,397
Receivables		**119,994**		32,374
Prepaid expenses		**96,077**		7,412
		3,197,117		131,183
Available-for-sale investment (Note 5)		**200,000**		-
Deposits (Note 6)		**162,727**		67,135
Equipment (Note 7)		**4,987**		1,178
	$	**3,564,831**	$	199,496
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities				
Accounts payable and accrued liabilities	$	**455,569**	$	592,146
Due to related party (Note 11)		**43,262**		-
Short-term loan (Note 9)		**-**		213,536
		498,831		805,682
Future reclamation provision (Note 8)		**20,807**		-
		519,638		805,682
Shareholders' equity (deficiency)				
Share capital (Note 10)		**14,848,347**		2,879,895
Reserves		**1,327,913**		600,763
Deficit		**(13,131,067)**		(4,086,844)
		3,045,193		(606,186)
	$	**3,564,831**	$	199,496

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

Approved on April 26, 2018 on behalf of the Board of Directors:

"Stanley Gadek"	Director	*"John Sutherland"*	Director
Stanley Gadek		John Sutherland	

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

CANADA JETLINES LTD.
(FORMERLY "JET METAL CORP.")
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

		2017		**2016**
OPERATING ITEMS				
Consulting	$	**4,560**	$	18,969
Depreciation (Note 7)		**2,239**		2,895
Finance income		**(44,688)**		-
Foreign exchange loss (gain)		**(1,458)**		6,054
Gain on debt forgiveness and settlement (Note 12)		**(35,894)**		-
Interest expense (Note 9)		**3,674**		14,272
Licensing and route network		**659,073**		-
Listing expense (Note 4)		**4,990,119**		-
Marketing and investor relations		**744,280**		680
Office and administration		**161,987**		139,558
Professional fees		**784,393**		71,205
Regulatory costs		**247,409**		-
Salaries and benefits (Note 11)		**864,052**		350,176
Share-based payments (Notes 10 and 11)		**611,610**		296,281
Travel		**76,338**		42,835
Loss from continuing operations		**(9,067,694)**		(942,925)
Gain from discontinued operations (Note 8)		**23,471**		-
Net loss and comprehensive loss for the year	$	**(9,044,223)**	$	(942,925)
Basic and diluted loss per share	$	**(0.16)**	$	(0.07)
Weighted average number of shares outstanding		**57,711,443**		14,267,549

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

CANADA JETLINES LTD.
(FORMERLY "JET METAL CORP.")
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	$	**(9,044,223)**	$	(942,925)
Items not affecting cash:				
Accrued interest on short-term loan		**3,674**		13,536
Depreciation		**2,239**		2,895
Gain on debt forgiveness and settlement		**(35,894)**		-
Listing expense		**4,936,879**		-
Share-based payments		**611,610**		296,281
Foreign exchange loss		**4,594**		6,087
Non-cash working capital item changes:				
Receivables		**(56,586)**		1,029
Prepaid expenses		**11,436**		1,894
Accounts payable and accrued liabilities		**(369,696)**		71,143
Due to related party		**43,262**		-
Net cash used in operating activities		**(3,892,705)**		(550,060)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Canada Jetlines Operations Ltd.		**225,991**		**-**
Deposit refunded on aircraft purchase agreement		**-**		65,178
Purchase of equipment		**(6,048)**		**-**
Net cash provided by investing activities		**219,943**		65,178
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issuance of shares		**6,901,687**		394,801
Share issue costs		**(389,276)**		(32,950)
Short-term loan advances		**50,000**		200,000
Net cash provided by financing activities		**6,562,411**		561,851
Net change in cash and cash equivalents during the year		**2,889,649**		76,969
Cash and cash equivalents, beginning of the year		**91,397**		14,428
Cash and cash equivalents, end of the year	$	**2,981,046**	$	91,397
Cash and cash equivalents				
Cash	$	**2,958,046**	$	91,397
Liquid short term investments		**23,000**		-
	$	**2,981,046**	$	91,397
Cash received for				
Interest	$	**41,892**	$	-
Taxes	$	**-**	$	-

Supplemental disclosures with respect to cash flows (Note 12)

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

CANADA JETLINES LTD.
(FORMERLY "JET METAL CORP.")
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Share Capital								
	Number of Shares		**Amount**		**Reserves**		**Deficit**		**Total**
Balance – December 31, 2015	**13,802,967**	**$**	**2,526,757**	**$**	**314,947**	**$**	**(3,163,097)**	**$**	**(321,393)**
Issuance of shares (Note 10)	1,465,671		394,801		-		-		394,801
Share issue costs (Note 10)	-		(32,950)		-		-		(32,950)
Share-based payments – warrants	-		-		52,222		-		52,222
Share-based payments – stock options (Note 10)	-		-		40,807		-		40,807
Share-based payments – performance shares (Note 10)	-		-		203,252		-		203,252
Stock options forfeited	-		-		(19,178)		19,178		-
Revaluation of warrants	-		(8,713)		8,713		-		-
Loss for the year	-		-		-		(942,925)		(942,925)
Balance – December 31, 2016	**15,268,638**		**2,879,895**		**600,763**		**(4,086,844)**		**(606,186)**
Issuance of shares – reverse takeover (Note 4)	19,145,527		5,743,658		-		-		5,743,658
Issuance of shares – prospectus offering (Note 10)	22,778,700		6,833,610		-		-		6,833,610
Issuance of shares – warrants exercised (Note 10)	223,596		81,683		(13,606)		-		68,077
Issuance of shares – finders' fees (Note 10)	443,544		133,063		-		-		133,063
Issuance of shares – debt settlement (Note 10)	250,000		70,000		-		-		70,000
Share issue costs (Note 10)	-		(764,416)		-		-		(764,416)
Agents warrants issued (Note 10)	-		(129,146)		129,146		-		-
Share-based payments – stock options (Note 10)	-		-		417,330		-		417,330
Share-based payments – performance shares (Note 10)	-		-		177,244		-		177,244
Share-based payments – warrants (Note 10)	-		-		17,036		-		17,036
Loss for the year	-		-		-		(9,044,223)		(9,044,223)
Balance – December 31, 2017	**58,110,005**	**$**	**14,848,347**	**$**	**1,327,913**	**$**	**(13,131,067)**	**$**	**3,045,193**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Jetlines Ltd. (formerly "Jet Metal Corp.") (the "Company" or "Jetlines") was incorporated under the laws of British Columbia and continued as a Federal corporation pursuant to the *Canada Business Corporations Act* effective February 28, 2017 in connection with the completion of a reverse takeover transaction (Note 4). The Company's principal business activity is the start-up of an ultra-low cost carrier ("ULCC") scheduled airline service. The address of the Company's registered office is #1240 – 1140 West Pender Street, Vancouver, British Columbia, Canada V6E 4G1. The Company's shares trade on the TSX Venture Exchange (the "Exchange") under the symbol "JET" and the OTC Market Group's OTCQB Marketplace under the symbol "JETMF".

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

As at December 31, 2017, the Company had working capital of $2,698,286 and a deficit of $13,131,067. During the year ended December 31, 2017, the Company completed a prospectus offering for gross proceeds of $6,833,610 (Note 10). The proceeds will be used to further the business objectives of the Company in launching a ULCC in Canada; however further funding, in the form of debt, equity or other facilities, will be required to meet domestic licensing financial capability requirements and to complete the build-out of the airline. Should there be delays in obtaining the necessary funds required to commence commercial operations, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital. Subsequent to the year ended December 31, 2017, the Company received additional funds through the exercise of share purchase warrants and stock options (Note 18).

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

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of presentation

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries, and have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, and available-for-sale, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information.

2. BASIS OF PRESENTATION *(continued)*

Basis of consolidation

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

Details of the Company's subsidiaries are as follows:

Name	Place of incorporation	Interest %	Principal activity
Canada Jetlines Operations Ltd.	Canada	100% ownership by the Company	Start-up of a ULCC scheduled airline service
Target Exploration and Mining Corp.	British Columbia, Canada	100% ownership by the Company	Maintenance of mineral interests (Note 8)
Crosshair Energy USA, Inc.	Nevada, United States	100% ownership by Target	Maintenance of mineral interests (Note 8)
Bootheel Project LLC	Colorado, United States	81% ownership by Crosshair USA	Maintenance of mineral interests (Note 8)
Gemini Metals Corp.	British Columbia, Canada	100% ownership by the Company	Inactive subsidiary, dissolved as of June 16, 2017

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. 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:

Share-based payments

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

2. BASIS OF PRESENTATION *(continued)*

Significant accounting judgments and estimates *(continued)*

<u>Critical accounting estimates</u> *(continued)*

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Future reclamation provision

The Company assesses its provision for reclamation related to its historical exploration and evaluation activities at each reporting period or when new material information becomes available. Accounting for reclamation obligations requires management to make estimates of the future costs that will be incurred to complete the reclamation to comply with existing laws and regulations. Actual future costs that will be incurred may differ from those amounts estimated as a result of changes to environmental laws and regulations, timing of future cash flows, changes to future costs, technical advances, and other factors. In addition, the actual work required may prove to be more extensive than estimated because of unexpected geological or other technical factors. The measurement of the present value of the future obligation is dependent on the selection of a suitable discount rate and the estimate of future cash outflows. Changes to either of these estimates may materially affect the present value calculation of the obligation.

<u>Critical accounting judgments</u>

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

Going concern

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

Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

The functional currency of the Company is determined based on the currency of the primary economic environment in which the Company operates.

Transactions and balances

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.

Equipment

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

Depreciation is provided for at the following rates:

Assets	Rate
Computer equipment	3 years, straight-line method

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

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

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

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.

Financial instruments

<u>Financial assets</u>

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Regular purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

<u>Financial liabilities</u>

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period of maturity. The effective interest rate is the rate that exactly discounts estimated future cash payments to the carrying value through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit and loss. The Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the associated obligation is discharged, cancelled or expired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Classification and measurement

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Available-for-sale investment	Available-for-sale	Cost
Reclamation bond	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Short-term loan	Other financial liabilities	Amortized cost

Financial instruments measured at fair value are classified into one of three levels in a fair value hierarchy that prioritizes the input 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 date (unobservable inputs).

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to profit or loss. Management reviews the fair value of its marketable securities at the end of each reporting period. When the securities are trading below their cost for a prolonged period of time or the decline in value is significant, it is considered impaired. Reversals of impairment in respect of equity instruments classified as available-for-sale are recognized in other comprehensive income (loss) and are not recognized in profit or loss.

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 liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 (tax loss).

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes *(continued)*

Deferred tax *(continued)*

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Such deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

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, options and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, options, or warrants 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 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 at their fair value, as determined by the closing price on the announcement date. The balance, if any, is allocated to the attached warrants.

In situations where share capital is 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 (as defined) 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 Exchange on the date of the agreement to issue shares as determined by the Board of Directors.

Loss per share

Basic 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options 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 options or equity instruments that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options 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 options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss 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 equity instruments issued. Expenses are recorded in the statement of loss 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 behavioural considerations.

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

Where a grant of options 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Exploration and evaluation assets and expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed. Costs to acquire exploration and evaluation assets are capitalized as incurred. Costs related to the exploration and evaluation and maintenance of exploration and evaluation assets are expensed as incurred. The Company considers mineral rights to be assets and accordingly, the Company capitalizes certain costs related to the acquisition of mineral rights. The Company considers each exploration and evaluation asset to be a separate cash generating unit.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation asset or shown as an expense recovery depending on the nature of the activity generating the refund. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Future reclamation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of reclamation of mineral interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

New accounting pronouncements

The following accounting pronouncements have been made, but are not yet effective for the Company as at December 31, 2017.

- IFRS 9, *Financial Instruments* - In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Company will adopt IFRS 9 in its consolidated financial statements on January 1, 2018. The impact of the adoption of this standard is not anticipated to be material.

- IFRS 15, *Revenue Recognition - Revenue from Contracts with Customers* establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company will adopt IFRS 15 in its consolidated financial statements on January 1, 2018. The impact of the adoption of this standard is not anticipated to be material.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New accounting pronouncements *(continued)*

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

4. REVERSE TAKEOVER ("RTO")

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

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

For financial reporting purposes, the Company is considered a continuation of Jetlines Operations, the legal subsidiary, except with regard to authorized and issued share capital which is that of the Company, the legal parent. Consequently, comparative amounts in these consolidated financial statements are those of Jetlines Operations only.

(Expressed in Canadian Dollars)

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

The Transaction was recorded as follows:

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

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

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

5. AVAILABLE-FOR-SALE INVESTMENT

As at December 31, 2017, the balance of available-for-sale investment consists of 1,000,000 common shares of Voleo, Inc. ("Voleo") with a carrying value of $200,000 (December 31, 2016 - $Nil). Voleo is a privately held mobile-focused fintech company and has developed mobile applications and software platforms to meet the investment expectations of millennial investors, including smartphone stock trading applications for investment clubs.

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

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

6. DEPOSITS

		As at December 31, 2017		As at December 31, 2016
Related party security deposit (Note 11)	$	100,000	$	-
Aircraft security deposits (Note 17)		62,727		67,135
	$	162,727	$	67,135

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

(Expressed in Canadian Dollars)

7. EQUIPMENT

		Computer Equipment
Cost		
Balance - December 31, 2015 and 2016	$	10,668
Additions		6,048
Balance - December 31, 2017	$	16,716
Accumulated Depreciation		
Balance - December 31, 2015	$	6,595
Depreciation		2,895
Balance - December 31, 2016		9,490
Depreciation		2,239
Balance - December 31, 2017	$	11,729
Net Book Value		
Aa at December 31, 2016	$	1,178
As at December 31, 2017	$	4,987

8. DISCONTINUED OPERATIONS

Exploration and evaluation assets

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

The Company holds the following uranium exploration and evaluation assets:

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

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

Bootheel (Wyoming, USA)

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

Maintenance costs

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

During the year ended December 31, 2017, the Company incurred maintenance costs in the amount of $23,488 (2016 - $Nil) which have been presented as discontinued operations in the consolidated statements of loss and comprehensive loss.

8. DISCONTINUED OPERATIONS *(continued)*

Reclamation bond

During the year ended December 31, 2017, the Company received a refund from the Wyoming Department of Environmental Quality in the amount of $46,959 (US$36,600). The Company previously recorded an impairment loss with respect to the reclamation bonds. The reversal of the impairment loss on receipt of the refund in the amount of $46,959 has been presented as discontinued operations in the consolidated statements of loss and comprehensive loss.

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

Future reclamation provision

As at December 31, 2017, the balance of the future reclamation provision is $20,807 (December 31, 2016 - $Nil) and relates to a property which was abandoned in a prior year. Although the Company no longer has title to the underlying property, it may be required to incur cleanup costs in the future. The timing of the cleanup costs is uncertain.

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

9. SHORT-TERM LOAN

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

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

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

During the year ended December 31, 2016, Bridge Loan advances and accrued interest totaled $200,000 and $13,536, respectively.

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

As at December 31, 2016, the balance of the short-term loan consists of the principal amount of $200,000 and accrued interest in the amount of $13,536.

10. SHARE CAPITAL AND RESERVES

Authorized

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

10. SHARE CAPITAL AND RESERVES *(continued)*

Authorized *(continued)*

As at December 31, 2017, the Company had 48,315,429 common voting shares and 9,794,576 variable voting shares outstanding.

As at December 31, 2017, 4,679,402 (December 31, 2016 - Nil) Voting Shares were held in escrow and restricted from trading. These trading restrictions expire on March 6, 2018 (1,048,380 Voting Shares), September 6, 2018 (1,048,380 Voting Shares), March 6, 2019 (860,880 Voting Shares), September 6, 2019 (860,880 Voting Shares) and March 6, 2020 (860,882 Voting Shares).

<u>Common voting shares</u>

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

<u>Variable voting shares</u>

A variable voting share carries one vote per variable voting share, unless (a) the number of issued and outstanding variable voting shares exceeds 25% of the total number of all issued and outstanding Voting Shares (or any higher percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*); or (b) the total number of votes cast by or on behalf of holders of variable voting shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting. Due to the exemption order issued to the Company by the Minister of Transport, references above to 25% are increased to 49% for the duration of the exemption order.

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

Share issuances

The Company issued the following shares during the year ended December 31, 2017:

- On February 28, 2017, the Company closed a prospectus offering in connection with the Transaction and issued 22,778,700 units for gross proceeds of $6,833,610. Each unit consists of one share and one-half of one share purchase warrant. 11,389,350 share purchase warrants were issued with an exercise price of $0.50 and expiry of February 28, 2019. In connection with the prospectus offering, the Company paid share issue costs in the amount of $764,416. The Company also issued 1,708,401 agent warrants valued at $116,978 to third parties for finders' fees. Deferred transaction costs in the amount of $375,140 were included in the net assets acquired pursuant to the Transaction and applied to the share issue costs of the prospectus offering (Notes 4 and 12).

- On February 28, 2017, the Company issued 443,544 shares valued at $133,063 to a third party in connection with closing the Transaction which were included in the consideration of the purchase price calculation (Note 4).

- On August 29, 2017, the Company issued 25,000 shares for gross proceeds of $8,500 pursuant to the exercise of 25,000 share purchase warrants with an exercise price of $0.34.

- On October 2, 2017, the Company issued 250,000 shares valued at $70,000 and paid cash in the amount of $30,000 to settle amounts payable to a third party in the amount of $75,000, resulting in a loss on settlement of debt in the amount of $25,000 (Note 12).

- On December 22, 2017, the Company issued 198,596 shares for gross proceeds of $59,577 pursuant to the exercise of 198,596 share purchase warrants with an exercise price of $0.30. The fair value of the warrants in the amount of $13,606 was credited to share capital.

10. SHARE CAPITAL AND RESERVES *(continued)*

Share issuances *(continued)*

The Company issued the following shares during the year ended December 31, 2016:

- On February 11, 2016, the Company issued 150,000 shares to management for gross proceeds of $100. The fair value of these shares is $50,000 based on the share price of previous private placements completed at $0.33. The difference between the market price of these shares and the consideration received by the Company is $49,900, which was expensed as share-based payment expense over the vesting period.

- On March 17, 2016, the Company issued through a private placement 63,333 units for gross proceeds of $19,000 with each unit consisting of one share plus one share purchase warrant. The holder of each share purchase warrant is entitled to purchase one share at an exercise price of $0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to $1,520 in cash.

- On April 7, 2016, the Company issued through a private placement 16,500 units for gross proceeds of $4,950 with each unit consisting of one share plus one share purchase warrant. The holder of each share purchase warrant is entitled to purchase one share at an exercise price of $0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to $396 in cash.

- On June 9, 2016, the Company issued through a private placement 213,750 units for gross proceeds of $64,125 with each unit consisting of one share plus one share purchase warrant. The holder of each share purchase warrant is entitled to purchase one share at an exercise price of $0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to $6,412 in cash.

- On October 13, 2016, the Company issued through a private placement 150,000 units for gross proceeds of $45,000 with each unit consisting of one share plus one share purchase warrant. The holder of each share purchase warrant is entitled to purchase one share at an exercise price of $0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to $3,600 in cash.

- On October 26, 2016, the Company issued through a private placement 334,500 units for gross proceeds of $100,350 with each unit consisting of one share plus one share purchase warrant. The holder of each share purchase warrant is entitled to purchase one share at an exercise price of $0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to $8,000 in cash.

- On November 22, 2016, the Company issued through a private placement 537,588 units for gross proceeds of $161,276 with each unit consisting of one share plus one share purchase warrant. The holder of each share purchase warrant is entitled to purchase one share at an exercise price of $0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to $13,022 in cash.

Performance shares

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

During the year ended December 31, 2017, the Company amended the conditions of 112,500 performance shares previously granted by waiving the forfeiture clause for holders that resigned. As of February 28, 2017 upon closing the Transaction, all outstanding performance shares were deemed vested (Note 4).

During the year ended December 31, 2017, the Company recorded share-based payments related to performance shares in the amount of $177,244 (2016 - $203,252).

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

Share purchase warrants

The following is a summary of share purchase warrants activities during the years ended December 31, 2017 and 2016:

	Number of Share Purchase Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2015	**4,302,763**	**$0.42**
Issued	1,615,668	$0.37
Outstanding, December 31, 2016	**5,918,431**	**$0.40**
RTO (Note 4)	13,333,315	$0.38
Issued	13,497,049	$0.47
Exercised	(223,596)	$0.30
Expired	(2,653,262)	$0.37
Outstanding, December 31, 2017	**29,871,937**	**$0.43**

The Company issued the following share purchase warrants during the year ended December 31, 2017:

- On February 28, 2017, the Company issued 11,389,350 share purchase warrants with an exercise price of $0.50 and expiry of February 28, 2019 in connection with a prospectus offering.

- On February 28, 2017, the Company issued 1,708,401 share purchase warrants with an exercise price of $0.30 and expiry of February 28, 2019 to agents in connection with a prospectus offering. Each share purchase warrant is exercisable into one share and one half of an additional share purchase warrant. Each additional share purchase warrant has an exercise price of $0.50 and expires on February 28, 2019. The fair value of $116,978 was estimated at the issue date using the Black-Scholes Option Pricing Model and recorded as share issue costs in the consolidated statements of changes in shareholders' equity (deficiency).

- On March 17, 2017, the Company issued 300,000 share purchase warrants with an exercise price of $0.30 and expiry of March 10, 2019 to the former Chief Financial Officer of Jetlines Operations upon his resignation from the position. The fair value of $17,036 was estimated at the issue date using the Black-Scholes Option Pricing Model and recorded as share-based payments in the consolidated statements of loss and comprehensive loss.

- On December 22, 2017, the Company issued 99,298 share purchase warrants with an exercise price of $0.50 and expiry of February 28, 2019 in connection with agent warrants exercised for one share and one half of an additional share purchase warrant. The fair value of $12,168 was estimated at the issue date using the Black-Scholes Option Pricing Model and recorded as share issue costs in the consolidated statements of changes in shareholders' equity (deficiency).

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

Share purchase warrants *(continued)*

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
Risk-free interest rate	0.77%	0.36%
Expected life (years)	1.96	2.00
Annualized volatility	40%	100%
Dividend yield	0%	0%

As at December 31, 2017, the Company had the following share purchase warrants outstanding and exercisable:

Number of share purchase warrants	Exercise price	Remaining life (years)	Expiry date
957,000	$0.50	0.05	January 16, 2018[2]
300,000	$0.34	0.12	February 11, 2018[4]
63,333	$0.38	0.21	March 17, 2018[4]
427,500	$0.50	0.23	March 23, 2018[3]
16,500	$0.38	0.27	April 7, 2018[4]
240,000	$0.50	0.39	May 22, 2018
213,750	$0.38	0.44	June 9, 2018
150,000	$0.38	0.79	October 13, 2018
334,500	$0.38	0.82	October 26, 2018
537,586	$0.38	0.90	November 22, 2018
1,509,805[1]	$0.30	1.17	February 28, 2019
11,488,648	$0.50	1.17	February 28, 2019
300,000	$0.30	1.19	March 10, 2019
13,333,315	$0.38	1.71	September 16, 2019
29,871,937			

(1) Each share purchase warrant is exercisable into one share and one half of an additional share purchase warrant. Each additional share purchase warrant has an exercise price of $0.50 and expires on February 28, 2019.
(2) On January 16, 2018, 48,000 share purchase warrants expired unexercised.
(3) On March 23, 2018, 130,500 share purchase warrants expired unexercised.
(4) All share purchase warrants were exercised prior to expiry.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

Stock options

The Company's Stock Option Plan is a 10% rolling plan that allows a maximum 10% of the issued shares to be reserved for issuance under the plan. Options granted under the plan may not have a term exceeding 10 years and vesting provisions are at the discretion of the Board of Directors. On May 9, 2017, the Board of Directors approved an amendment to the Company's Stock Option Plan to increase the maximum number of shares that may be issued pursuant thereto to 11,525,000. The amendment is subject to the Exchange's acceptance and shareholder approval. The Company will require specific shareholder approval for any new stock option grants that are part of the increased maximum.

The following is a summary of stock option activities during the years ended December 31, 2017 and 2016:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2015	**1,125,000**	**$0.31**
Forfeited	(450,000)	$0.27
Outstanding, December 31, 2016	**675,000**	**$0.34**
Granted	6,125,000	$0.28
Outstanding, December 31, 2017	**6,800,000**	**$0.28**

As at December 31, 2017, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
675,000	675,000	$0.34	2.56	July 22, 2020
4,475,000	1,118,750	$0.30	4.17	February 28, 2022
150,000	37,500	$0.30	4.28	April 10, 2022
225,000	56,250	$0.22	4.33	May 1, 2022
225,000	56,250	$0.21	4.36	May 9, 2022
675,000	243,750	$0.20	4.43	June 1, 2022
225,000	56,250	$0.21	4.50	July 1, 2022
150,000	-	$0.24	4.83	October 30, 2022
6,800,000	**2,243,750**			

Share-based payments

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

During the year ended December 31, 2017, the Company recognized share-based payment expense with respect to stock options in the amount of $417,330 (2016 - $40,807).

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES *(continued)*

Share-based payments *(continued)*

The following weighted average assumptions were used to estimate the weighted average grant date fair value of stock options granted during the years ended December 31, 2017 and 2016:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Risk-free interest rate	1.09%	-
Expected life (years)	5.00	-
Annualized volatility	40%	-
Dividend yield	0%	-

11. RELATED PARTY TRANSACTIONS

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, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Remuneration attributed to key management personnel for the years ended December 31, 2017 and 2016 is summarized as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Short-term benefits [1]	$ 1,005,983	$ 274,029
Share-based payments (Note 10)	348,483	201,586
	$ 1,354,466	$ 475,615

[1] Short-term benefits include base salaries and directors' fees, pursuant to contractual employment or consultancy arrangements, management and consulting fees

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS *(continued)*

Other related party transactions and balances

King & Bay West Management Corp. ("King & Bay West") is an entity owned by Mark Morabito, Executive Chairman of the Company, and provides administrative, management, finance, legal, regulatory, business development and corporate communications services to the Company.

Transactions entered into with related parties other than key management personnel during the years ended December 31, 2017 and 2016 include the following:

	For the year ended December 31, 2017	For the year ended December 31, 2016
King & Bay West	$ 538,320	$ -

As at December 31, 2017, King & Bay West holds a security deposit in accordance with the management services agreement between King & Bay West and the Company (the "Management Services Agreement") in the amount of $100,000 (December 31, 2016 - $Nil) (Notes 4 and 6). Upon termination of the Management Services Agreement, the security deposit will be applied to the final invoice rendered by King & Bay West to the Company.

As at December 31, 2017, the amount due to a related party in the amount of $43,262 (December 31, 2016 - $Nil) is payable to King & Bay West in relation to the services described above. The amount due is unsecured, non-interest bearing and has no stated terms of repayment.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Non-cash transactions affecting cash flows from investing or financing activities during the year ended December 31, 2017 are summarized below:

- The Company applied deferred transactions costs in the amount of $375,140 which were acquired in the Transaction to share issue costs (Notes 4 and 10).

- The Company issued 1,807,699 share purchase warrants to agents in connection with a prospectus offering and related underlying warrants. The fair value of $129,146 was recorded as share issue costs (Note 10).

- The Company recognized a listing expense in the amount of $4,990,119 pursuant to the Transaction (Note 4). The listing expense constitutes a non-cash transaction with the exception of cash payments relating to finders' fees and other professional fees in the amounts of $44,354 and $8,886, respectively.

- The Company credited $13,606 to share capital in relation to the fair value of share purchase warrants exercised (Note 10).

- The Company issued 250,000 shares valued at $70,000 and paid cash in the amount of $30,000 to settle amounts payable to a third party in the amount of $75,000, resulting in a loss on settlement of debt in the amount of $25,000 (Note 10).

- The Company recorded a gain on debt forgiveness in the amount of $60,894 with respect to amounts payable to a third party which were forgiven.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS *(continued)*

Non-cash transactions affecting cash flows from investing or financing activities during the year ended December 31, 2016 are summarized below:

- The Company reversed share-based payments in the amount of $19,178 for forfeited stock options.
- Share subscriptions received in the amount of $80,000 were reclassified to accounts payable and accrued liabilities.
- The Company extended the expiry dates of warrants and recorded the incremental fair value of the modification in the amount of $8,713.

13. SEGMENTED INFORMATION

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

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

14. CAPITAL MANAGEMENT

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

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

The Company currently is not subject to externally imposed capital requirements. There were no material changes in the Company's approach to capital management during the year ended December 31, 2017.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, accounts payable and accrued liabilities, amounts due to related parties and short-term loan approximate carrying value, due to their short-term nature. The Company's cash and cash equivalents are measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. The Company's available-for-sale investment is measured at cost on the basis that the common shares do not have a quoted market price in an active market and the fair value cannot be reliably measured. The Company's other financial instrument, being its reclamation bond, is measured at amortized cost.

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

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

Credit risk

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

The Company is subject to credit risk on its cash and cash equivalents and receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company has no investments in asset-backed commercial paper. The Company's receivables consist mainly of Goods and Services Tax receivable due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

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

The Company manages liquidity risk through its capital management as outlined in Note 14. As at December 31, 2017, the Company had working capital of $2,698,286 and a deficit of $13,131,067. As a result of financing completed during the year ended December 31, 2017 and the ability to defer certain discretionary expenditures and reduce operating costs should there be delays in obtaining the necessary funds required to commence commercial operations, management has assessed that working capital is sufficient to support ongoing operating expenditures and meet its liabilities as they fall due. Subsequent to the year ended December 31, 2017, the Company received additional funds through the exercise of share purchase warrants and stock options (Note 18).

Market Risk

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

(a) Interest rate risk

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

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

(b) Currency risk

The Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. The Company has US dollar commitments with respect to the purchase of aircrafts (Note 17). At this time, the Company does not have any currency hedges in place for fluctuations in the exchange rate between the Canadian dollar and the US dollar. As at December 31, 2017, a 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately $10,000.

(Expressed in Canadian Dollars)

16. INCOME TAXES

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

		For the year ended December 31, 2017		For the year ended December 31, 2016
Loss before income taxes from continuing operations	$	(9,067,694)	$	(942,925)
Expected income tax recoverable at statutory rate		(2,358,000)		(245,000)
Change in statutory rates and other		(751,000)		1,000
Non-deductible expenses		1,457,000		64,000
Share issuance costs		(105,000)		(9,000)
Adjustment to prior years provision versus statutory tax rates		56,000		89,000
Impact of RTO (Note 4)		(18,154,000)		-
Change in unrecognized deductible temporary differences		19,855,000		100,000
Total income tax expense (recovery) from continuing operations	$	-	$	-

During the year ended December 31, 2017, the Company recorded a gain on discontinued operations in the amount of $23,471 (December 31, 2016 - $Nil) which resulted in no tax expense impact.

The effective Canadian Federal and British Columbia Provincial corporate tax rates are 15% and 11%, respectively. The Company revalued its deferred tax assets in respect of Canadian operations to reflect the increase in the British Columbia Provincial tax rate from 11% to 12% for years subsequent to December 31, 2017. Therefore, the combined future tax rate is 27% (December 31, 2016 – 26%). No tax expense impact resulted from the change as the deferred tax assets are fully unrecognized.

As a result of tax legislation enacted in the United States during the year ended December 31 2017, the Federal United States corporate tax rate applicable to years subsequent to December 31, 2017 was reduced from 34% to 21%. No tax expense impact resulted from the change as the deferred tax assets are fully unrecognized.

The significant components of the Company's deferred tax assets and liabilities are as follows:

		As at December 31, 2017		As at December 31, 2016
Exploration and evaluation assets	$	10,996,000	$	-
Non-capital losses available for future periods		8,043,000		875,000
Investment tax credits		840,000		-
Allowable capital losses		491,000		-
Property and equipment		215,000		2,000
Share issue costs		163,000		28,000
Marketable securities		13,000		-
		20,761,000		905,000
Unrecognized deferred tax assets		(20,761,000)		(905,000)
	$	-	$	-

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

(Expressed in Canadian Dollars)

16. INCOME TAXES *(continued)*

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

		December 31, 2017	Expiry Date Range		December 31, 2016
Temporary Differences					
Exploration and evaluation assets	$	40,726,000	No expiry date	$	-
Non-capital losses available for future periods		29,784,000	2026 - 2037		3,365,000
Allowable capital losses		1,820,000	No expiry date		-
Investment tax credit		1,151,000	2028		-
Property and equipment		800,000	No expiry date		9,000
Share issue costs		605,000	2018 - 2021		108,000
Marketable securities		49,000	No expiry date		-

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

17. COMMITMENTS

Aircraft Purchase

On December 11, 2014, the Company signed a definitive purchase agreement with The Boeing Company ("Boeing") to acquire up to twenty-one Boeing 737 MAX aircraft for delivery commencing in 2023 (the "Boeing Agreement"). The Boeing Agreement includes five firm orders, purchase rights for an additional sixteen 737 MAX and some conversion rights to the 737-8 MAX aircraft. The following is a summary of the key terms of the Boeing Agreement, as amended (Note 18).

- The Company will purchase five Boeing 737-7 MAX aircraft, beginning with expected monthly deliveries in January 2023, for an aggregate estimated base price of US$423 million, subject to certain terms and conditions. The cost for the airframe and engines is based on the 2014 price with an escalation factor to determine final price at delivery. Variable costs include the cost of optional equipment furnished by Boeing and the cost of optional equipment furnished by the Company. The variable cost items, while estimated, remain subject to final determination. The Company estimates that assuming scheduled delivery in 2023, and taking into account presently known facts and assumptions, the escalated basic list price for the five aircraft would be approximately US$547 million.
- The Company is required in connection with the five firm orders to pay deposits ("Initial Payments") as follows:

Due Date	Amount
January 30, 2015	US$50,000 (paid)
February 1, 2018 (Note 18)	US$25,000[(1)]
June 1, 2018	US$125,000
August 1, 2018	US$1,755,700
February 1, 2019	US$1,755,700
August 1, 2019	1% less previous payments

[(1)] Paid subsequent to the year ended December 31, 2017.

(Expressed in Canadian Dollars)

17. COMMITMENTS *(continued)*

Aircraft Purchase *(continued)*

- In addition to the Initial Payments, the Company is required to make the following payments on account of the basic list price of the five firm orders (the “Pre-Delivery Payments”):

Month Prior to Scheduled Delivery Month	% of the Total Basic List Price of the Five Firm Orders
24	4%
21, 18, 12	5% each
Total	20% (including Initial Payments)

- The following shows the Company’s calendar year contractual commitments with respect to the Initial Payments and Pre-Delivery Payments as at December 31, 2017:

Calendar Year	Amount (USD)
2018	$ 1,905,700
2019	3,511,340
2020	-
2021	76,538,560
2022	27,335,200
Total	**$ 109,290,800**

- The Company may elect to defer the Pre-Delivery Payments in accordance with the following schedule (which payments are referred to as the "Deferred Advance Payments"):

Month Prior to Scheduled Delivery Month	% of the Total Basic List Price of the Five Firm Orders
24	4%
21, 18, 12	5% each
Total	20% (including Initial Payments)

- The Company is required to pay interest on the Deferred Advance Payments from the day on which each advance payment would have been due in accordance with Boeing's regular payment schedule until the date of actual delivery of the applicable aircraft. Interest on Deferred Advance Payments is payable from the calendar day on which each advance payment would have been due in accordance with the table above until delivery of the applicable Aircraft. The rate used to calculate such interest will be the 3-month LIBOR as set forth in The Wall Street Journal, US edition, plus nine-hundred (900) basis points. The effective rate will be the rate in effect on the first business day of the calendar quarter in which the advance payment was initially deferred, and will be reset every calendar quarter. Interest on unpaid amounts will be calculated using a 360 day year, compounded quarterly. Accrued interest on the Deferred Advance Payments for each Aircraft will be due and payable on the date of each Aircraft delivery.

- The Company will have the right to purchase up to 16 additional Boeing 737-7 MAX aircraft. This purchase right is exercisable by the Company by notice not less than 24 months before the desired date of delivery. The additional aircraft are offered subject to available position for delivery prior to December 31, 2024. The price of the aircraft subject to the purchase right will be determined based on the provisions of the Boeing Agreement using the then current prices for such aircraft at the time of exercise of the purchase right subject to the escalation factors in the Boeing Agreement.

17. COMMITMENTS *(continued)*

Aircraft Purchase *(continued)*

- The Company will have the right to substitute any Boeing 737-7 MAX ordered with a Boeing 737-8 MAX with a scheduled month of delivery 24 months after delivery of the first Boeing 737-8MAX aircraft to a Boeing customer. The Company may exercise this right of substitution by providing notice to Boeing not less than the first day of the month that is: (i) 12 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted if the Company has previously received a substituted aircraft; or (ii) 15 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted, if the Company has not previously received a substituted aircraft. The acquisition of any substituted aircraft will be subject to the execution of a definitive purchase agreement and product capabilities of the Boeing 737-8 MAX. Pricing will be based on the pricing for the Boeing 737-8 MAX aircraft as set out in the Boeing Agreement, subject to adjustments for configuration specifications by Boeing which arise between the date of the Boeing Agreement and the date of execution of the definitive agreement for the substitution Boeing 737-8 MAX.
- The Company may not terminate the Boeing Agreement unless there is a non-excusable delivery delay in which case either party may terminate the agreement with respect to an aircraft if there is a non-excusable delay for that aircraft which in the aggregate exceeds 180 days. Boeing has agreed to pay the Company a pre-determined liquidated damages amount in the event of a non-excusable delay associated with the delivery of aircraft. The Boeing Agreement also contains a clause that if the Company enters into an agreement to operate or purchase non-Boeing aircraft, the full 1% deposit (less previous payments) for all aircraft will be due and payable immediately.
- Boeing has agreed to provide a service life policy and product assurance in respect of certain components of the aircraft.
- Boeing has agreed to provide promotional support to the Company in respect of the entry of the Boeing 737-7 MAX into the Company's operations.

The Company has not hedged its exposure to exchange rate fluctuations between the US and Canadian dollar with respect to the Boeing Agreement. The purchase price of the five aircraft is denominated in US dollars and therefore, the Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Assuming an exchange rate where US$1 equals CAD$1.2545, a 10% increase or decrease in the exchange rate will increase or decrease the aggregate base purchase price by approximately CAD$53.1 million and increase or decrease the aggregate escalated purchase price by CAD$68.6 million.

18. SUBSEQUENT EVENTS

The following events occurred subsequent to the year ended December 31, 2017:

- On January 18, 2018, the Company granted 505,000 stock options with an exercise price of $0.76 and term of five years.
- On January 29, 2018, the Company granted 450,000 stock options with an exercise price of $0.74 and term of five years.
- On February 5, 2018, the Company granted 225,000 stock options with an exercise price of $0.70 and term of five years.
- On February 8, 2018, the Company and Boeing amended the Boeing Agreement to defer certain deposits with respect to the Initial Payments (Note 17).
- On April 23, 2018, the Company paid a refundable deposit in the amount of US$876,000 pursuant to a term sheet to lease two aircraft. The term sheet is subject to executing a definitive lease agreement and other conditions customary to a transaction of this nature.
- The Company issued 11,918,934 shares for gross proceeds of $4,910,509 pursuant to the exercise of 1,065,000 stock options and 10,853,934 share purchase warrants.

Canada Jetlines Ltd.
(formerly "Jet Metal Corp.")
Management Discussion & Analysis
For the Year Ended December 31, 2017

Date Prepared: April 26, 2018

GENERAL

This Management Discussion & Analysis ("MD&A") is intended to supplement and complement the consolidated financial statements and accompanying notes of Canada Jetlines Ltd. (formerly "Jet Metal Corp.") (the "Company" or "Jetlines") for the year ended December 31, 2017. The information provided herein should be read in conjunction with the Company's audited financial statements and the accompanying notes thereto.

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

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of British Columbia and continued as a Federal corporation pursuant to the Canada Business Corporations Act effective February 28, 2017 in connection with the completion of a reverse takeover transaction, as detailed below. The Company's principal business activity is the start-up of an ultra-low cost carrier ("ULCC") scheduled airline service. The Company's shares trade on the TSX Venture Exchange (the "Exchange") under the symbol "JET". Effective October 3, 2017, the Company's shares also commenced trading on the OTC Market Group's OTCQB Marketplace under the symbol "JETMF".

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

Jetlines expects that by applying the ULCC model, a new market of Canadian travelers will be created comprised of persons who: (1) are not presently flying from Canadian airports due to high airfares; (2) are not flying because of the lack of jet service from Canada's over 30 secondary airports; (3) are using American ULCC airlines in United States border towns near Canada; or (4) are not flying to trans-border destinations because the service in not currently offered, or is offered via multiple stops and connections. Jetlines anticipates this new market of passengers to be comprised of price sensitive travelers, which could include budget conscious leisure travelers, students, families and business travelers seeking to contain costs.

Canada has six cities/metro areas with a population of greater than 1 million and there are 30 metro areas with a population of more than 100,000.

Adopting proven ULCC business principles, Jetlines expects to have a cost base at least 40% below existing airlines in the Canadian market and comparable to other ULCCs in the U.S. Jetlines plans to offer a fully unbundled approach to fares, allowing it to offer base fares approximately 50% below current Canadian competitors. The worldwide use of other ULCC airlines such as Allegiant Air and Spirit Airlines in the United States, Air Asia in Asia, and Ryanair and EasyJet in Europe demonstrates the power of these ULCC airlines to attract and significantly stimulate passenger traffic and lead the markets they operate in, while generating strong returns for shareholders.

On May 16, 2016, Jetlines submitted to the Honourable Marc Garneau, Minister of Transport, a request for the issuance of an exemption order pursuant to subsection 62(1) of the *Canada Transportation Act* ("**CTA**"). The request was for Jetlines to be exempt from the current 25% foreign voting interest limit in the CTA and be permitted to have up to an aggregate of 49% foreign voting interests. Under law, the Minister may grant an exemption, if the government believes it is in the "public interest" to do so. On December 2, 2016 the formal exemption order (the "Exemption Order") was issued to the Company by Minister Garneau.

The Exemption Order was granted for a five-year term ending on December 1, 2021 and will permit the Company's subsidiary, Jetlines Operations, to conduct domestic air services once it satisfies all of the remaining licensing requirements. The Exemption Order was issued subject to certain conditions, including:

- at all times, at least 51% of the voting interest of Jetlines must be owned by Canadians;
- no single foreign investor or its affiliates can own more than a 25% voting interest in Jetlines;
- no non-Canadian air carrier or its affiliates can own more than a 25% voting interest in Jetlines;
- at all times Jetlines must be controlled in fact by Canadians; and
- at the end of the term of the Exemption Order, Jetlines must conform to the legislative framework regarding the ownership of Canadian air carries that is in place at such time.

The Exemption Order will permit foreign ownership in Jetlines at up to 49% voting interests, subject to the conditions noted above. Management believes that this greatly improves the Jetlines' ability to source the necessary capital to commence airline operations.

REVERSE TAKEOVER ("RTO")

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

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

For financial reporting purposes, the Company is considered a continuation of Jetlines Operations, the legal subsidiary, except with regard to authorized and issued share capital which is that of the Company, the legal parent. Consequently, comparative amounts in this MD&A and the accompanying consolidated financial statements are those of Jetlines Operations only.

OUTLOOK

On February 28, 2017, the Company and Jetlines Operations closed the Transaction and concurrent financing for gross proceeds of $6,833,610. The proceeds of the concurrent financing are being used to further the business objectives of the Company in launching an ULCC airline in Canada through its pre-operating stage, including advancing the domestic licensing process, augmenting the leadership team with operations and commercial personnel, branding and marketing activities, as well as advancing internet, digital media and information technology systems initiatives. Management believes that it has sufficient funds to carry out most or all of the aforementioned pre-operating activities, however further funding, in the form of debt, equity or other facilities, will be required to meet domestic licensing financial capability requirements and to complete the build-out of the airline with aircraft, personnel, inventory, training, paying necessary up-front deposits, finalizing sales and administrative systems and other launch activities. Current estimates are that the Company will require an additional $55 million in combined debt, equity or other facilities to enter into operations with two aircraft, expand by four aircraft per year and maintain an acceptable level of working capital.

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

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

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

Management has retained a team of experienced subject matter experts in order to complete the Transport Canada Air Operator Certificate process. Pending funding to the approval of the Agency, the acquisition of an aircraft, the completion of the Transport Canada Air Operator Certificate and being properly insured, the Company will receive its airline licence to operate as an ULCC airline in Canada. The Company can make a request to the Agency to sell airline tickets prior to the licensing process being completed. The pre-selling of airline tickets combined with full operational funding could allow first operational flight to occur forthwith the completion of the licensing process.

With respect to aircraft acquisition, the current market for leased aircraft has tightened considerably during 2017 and early 2018. The principal reasons are the well documented engine manufacturing issues for the Airbus neo-powered aircraft, the increased demand for the Boeing freighter conversion program for Boeing 737-800s and world-wide traffic demand exceeding projections. All of these factors have led to increased demand and decreased supply of used aircraft available for lease. Jetlines previously secured aircraft under a letter of intent; however, the lessor was unable to provide a definitive delivery date.

At this stage Jetlines is in advanced negotiations with several major aircraft lessors to secure the aircraft required to support both its start-up and growth plans. On April 23, 2018 the Company paid a refundable deposit pursuant to a term sheet to lease two aircraft (see "Subsequent Events"). However, it will not attain a June 2018 start-up date as previously projected. Once Jetlines has secured definitive aircraft delivery dates, it will provide new public guidance on its projected start-up date.

Upon receipt of its licence to operate in Canada and once otherwise eligible, Jetlines intends to apply for a foreign air carrier permit or an exemption therefrom from the U.S. Department of Transportation (the "U.S. Department") in order to allow Jetlines to fly into destinations in the United States. Jetlines also intends to concurrently apply for similar approvals from the regulatory authorities in Mexico and certain Caribbean countries. Provided such licences, permits or exemptions are received, Jetlines expects to grow its business significantly by increasing its route network throughout Canada and to selected locations in the United States, Mexico and the Caribbean. Jetlines believes a total new opportunity of more than 50 twinjet narrow-body aircraft is available in Canada before growth will be linked to a percentage increase of the annual GDP.

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

EXPLORATION AND EVALUATION ASSETS

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

The Company holds the following uranium exploration and evaluation assets:

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

Central Mineral Belt ("CMB") Project

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

Bootheel Uranium Project

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

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

During the year ended December 31, 2017, the Company incurred maintenance costs in the amount of $23,488 (2016 - $Nil) and recovered reclamation bonds in the amount of $46,959 (2016 - $Nil) for a net gain from discontinued operations in the amount of $23,471 (2016 - $Nil).

SELECTED ANNUAL INFORMATION

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

	December 31, 2017	December 31, 2016	December 31, 2015
Revenue	$ -	$ -	$ -
Loss from continuing operations	(9,067,694)	(942,925)	(1,524,067)
Loss and comprehensive loss	(9,044,223)	(942,925)	(1,524,067)
Loss per share (basic and diluted)	(0.16)	(0.07)	(0.13)
Total assets	3,564,831	199,496	199,610

Net Loss

The increased loss for the year ended December 31, 2017 is directly attributable to the closing of the Transaction and the Company's transition to a publicly traded company. The Company began undertaking corporate and operational initiatives in order to advance commercial operations subsequent to closing the Transaction. During the years ended December 31, 2016 and 2015, the Company was focused on raising financing for continued operations and evaluating strategic opportunities, including the Transaction.

Refer to "Review of Consolidated Financial Results" for further detail of losses incurred during the years ended December 31, 2017 and 2016.

Total Assets

The increase in total assets as at December 31, 2017 is explained by the Transaction, including the assets directly acquired and the concurrent financing completed. Refer to "Statement of Financial Position Information" for further detail of asset balance changes and "Liquidity and Capital Resources" for cash flow information by activity during the year ended December 31, 2017.

Total assets at December 31, 2016 and 2015 remained consistent in amount and nature and related to cash on hand, short-term receivables, deposits and computer equipment.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Loss from Continuing Operations

For the year ended December 31, 2017, the Company reported a loss from continuing operations of $9,067,694 or $0.16 per share, compared to a loss from continuing operations of $942,925 or $0.07 per share for the prior year. The increase in loss from continuing operations of $8,124,769 is directly attributable to the closing of the Transaction and resulting listing expense in the amount of $4,990,119. The listing expense includes the costs of closing the Transaction and is essentially comprised of the difference between the non-cash fair value of the equity instruments retained by the shareholders of the Company and the non-cash fair value of the net assets of the Company acquired by Jetlines Operations. Further, with the closing of the Transaction and concurrent financing completed in February 2017, the Company began undertaking corporate and operational initiatives in order to advance towards commercial operations which also contributed to the increase in loss from continuing operations.

During the year ended December 31, 2017, the Company incurred marketing and investor relations expenses in the amount of $744,280 (2016 - $680), of which a significant portion relates to non-recurring items such as corporate re-branding, a new website and a merchandising portal that were initiated subsequent to closing the Transaction. Marketing and investor relations expense also includes ongoing investor outreach, marketing through social media, research coverage, attendance at conferences and roadshows, and overall public relations.

Professional fees for the year ended December 31, 2017 totaled $784,393 (2016 - $71,205), representing an increase of $713,188 which is explained by recruitment costs as the Company further augmented its leadership team, accounting, audit and legal fees in connection with closing the Transaction and the transition from a private to a public entity.

During the year ended December 31, 2017, the Company incurred licensing and route network related costs in the amount of $659,073 (2016 - $Nil) in connection with the CTA licensing process and advancement of the Company's business plan.

Regulatory costs increased to $247,409 for the year ended December 31, 2017 from $Nil for the prior year as the Company transitioned from a private to public entity upon closing the Transaction. Regulatory costs include transfer agent, listing and filing fees and the cost of Board meetings. In addition, effective May 1, 2017, the Company commenced directors' fees payable to non-management board members which are included in regulatory costs.

The Company incurred salaries and benefits in the amount of $864,052 for the year ended December 31, 2017, compared to $350,176 for the prior year, representing an increase of $513,876. The increase is explained by the closing of the Transaction, including organizational changes and the Company's severance obligations with respect to departing personnel.

The Company recorded share-based payments expense for the year ended December 31 2017 in the amount of $611,610 (2016 - $296,281) which reflects stock options, warrants and performance shares issued to employees and consultants of the Company.

Travel expenses increased to $76,338 for the year ended December 31, 2017 compared to $42,835 for the year ended December 31, 2016. The increase in travel expenses of $33,503 was due to board and management meetings held subsequent to closing the Transaction.

During the year ended December 31, 2017, the Company incurred office and administration expenses in the amount of $161,987 (2016 - $139,558). The increase in office and administration in the amount of $22,429 was driven by increased corporate initiatives and personnel, as previously discussed.

Finance income for the year ended December 31, 2017 in the amount of $44,688 (2016 - $Nil) relates to interest income earned on excess cash on hand. The increase in finance income is explained by increased cash balances held by the Company subsequent to completing the Transaction during the year ended December 31, 2017.

During the year ended December 31, 2017, the Company recorded a net gain on debt forgiveness and settlement in the amount of $35,894 with respect to amounts payable and re-negotiated with third parties.

Gain from Discontinued Operations

During the year ended December 31, 2017, the Company incurred maintenance costs in the amount of $23,488 (2016 - $Nil) and recovered reclamation bonds in the amount of $46,959 (2016 - $Nil) for a net gain from discontinued operations in the amount of $23,471 (2016 - $Nil). Refer to "Exploration and Evaluation Assets" for additional discussion of the historical exploration and evaluation properties to which discontinued operations relate.

SUMMARY OF QUARTERLY RESULTS

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

Description	Q4 December 31, 2017 ($)	Q3 September 30, 2017 ($)	Q2 June 30, 2017 ($)	Q1 March 31, 2017 ($)
Loss from continuing operations	**(849,141)**	(1,218,233)	(1,476,408)	(5,523,912)
Loss and comprehensive loss	**(811,835)**	(1,221,383)	(1,484,473)	(5,526,532)
Loss per share	**(0.01)**	(0.02)	(0.03)	(0.10)
Description	**Q4 December 31, 2016 ($)**	**Q3 September 30, 2016 ($)**	**Q2 June 30, 2016 ($)**	**Q1 March 31, 2016 ($)**
Loss from continuing operations	**(313,493)**	(151,403)	(213,208)	(264,821)
Loss and comprehensive loss	**(313,493)**	(151,403)	(213,208)	(264,821)
Loss per share	**(0.02)**	(0.01)	(0.02)	(0.02)

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

The quarters ended in fiscal 2017 reflect the closing of the Transaction and advancement of the Company's strategic objectives subsequent to closing the concurrent financing, as detailed in "Review of Consolidated Financial Results – Loss from Continuing Operations". The quarter ended March 31, 2017 also includes listing expense in the amount of $4,990,119, which as previously discussed, is primarily a non-cash item.

For the quarters ended in fiscal 2016, loss from continuing operations reflects the Company's focused efforts to complete the Transaction and maintain lower levels of expenditures prior to closing.

FOURTH QUARTER

Loss from Continuing Operations

For the three month period ended December 31, 2017, the Company reported a loss from continuing operations of $849,141 or $0.01 per share, compared to a loss from continuing operations of $313,493 or $0.02 per share for the same period of the prior year. The increase in loss from continuing operations of $535,648 is due to the Company focusing on its strategic objectives subsequent to closing the Transaction and concurrent financing.

During the three month period ended December 31, 2017, the Company incurred marketing and investor relations expenses in the amount of $204,795 (2016 - $190), including merchandising, website and social media content, translation services, ongoing investor outreach, attendance at conferences and roadshows, and public relations.

Professional fees for the three month period ended December 31, 2017 totaled $160,842 (2016 - $16,818), representing an increase of $144,024 which includes accounting, audit and legal fees in connection with public company compliance.

During the three month period ended December 31, 2017, the Company incurred licensing and route network related costs in the amount of $143,785 (2016 - $Nil) in connection with the CTA licensing process and advancement of the Company's business plan.

Regulatory costs increased to $84,618 for the three month period ended December 31, 2017 from $Nil for the same period of the prior year as the Company transitioned from a private to public entity upon closing the Transaction. Regulatory costs included transfer agent and listing and filing fees. In addition, effective May 1, 2017, the Company commenced directors' fees payable to non-management board members which are included in regulatory costs.

The Company incurred salaries and benefits in the amount of $181,539 for the three month period ended December 31, 2017 compared to $175,767 for the same period of the prior year, representing an increase of $5,772, explained by organizational changes subsequent to closing the Transaction.

The Company recorded share-based payments expense for the three month period ended December 31, 2017 in the amount of $92,175 (2016 - $56,749) which reflects stock options, warrants and performance shares issued to employees and consultants of the Company.

Finance income for the three month period ended December 31, 2017 in the amount of $12,768 (2016 - $Nil) relates to interest income earned on excess cash on hand. The increase in finance income is explained by increased cash balances held by the Company subsequent to completing the Transaction.

During the three month period ended December 31, 2017, the Company recorded a net gain on debt forgiveness and settlement in the amount of $35,894 with respect to amounts payable to and re-negotiated with third parties.

Gain from Discontinued Operations

During the three month period ended December 31, 2017, the Company incurred maintenance costs in the amount of $9,653 (2016 - $Nil) and recovered reclamation bonds in the amount of $46,959 (2016 - $Nil) for a net gain from discontinued operations in the amount of $37,306 (2016 - $Nil). Refer to "Exploration and Evaluation Assets" for additional discussion of the historical exploration and evaluation properties to which discontinued operations relate.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company had cash and cash equivalents of $2,981,046 (December 31, 2016 - $91,397) and working capital of $2,698,286 (December 31, 2016 – working capital deficit of $674,499). The increase in working capital of $3,372,785 is explained by the closing of the Transaction and concurrent financing during the year ended December 31, 2017. Refer to "Statement of Financial Position Information" for further details with respect to account balance changes for the year ended December 31, 2017.

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

On February 28, 2017, the Company and Jetlines Operations closed the Transaction and concurrent financing for gross proceeds of $6,833,610. The proceeds are being used to further the business objectives of the Company in launching an ultra-low cost carrier airline in Canada, including advancing the domestic licensing process, augmenting the leadership team with operations and commercial personnel, branding and marketing activities, as well as advancing internet, digital media and information technology systems initiatives. Management believes that it has sufficient funds to carry out most or all of the aforementioned pre-operating activities, however further funding, in the form of debt, equity or other facilities, will be required to meet domestic licensing financial capability requirements and to complete the build-out of the airline with aircraft, personnel, inventory, training, paying necessary up-front deposits, finalizing sales and administrative systems and other launch activities. Should there be delays in obtaining the necessary funds required to commence commercial operations, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital. Subsequent to the year ended December 31, 2017, the Company received additional funds through the exercise of share purchase warrants and stock options, as detailed in "Subsequent Events".

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

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

Cash Flows

The Company's cash flows for the years ended December 31, 2017 and 2016 are summarized as follows:

	December 31, 2017	December 31, 2016
Cash used in operating activities	$ (3,892,705)	$ (550,060)
Cash provided by investing activities	219,943	65,178
Cash provided by financing activities	6,562,411	561,851
Change in cash and cash equivalents during the year	2,889,649	76,969
Cash and cash equivalents, beginning of the year	91,397	14,428
Cash and cash equivalents, end of the year	**$ 2,981,046**	**$ 91,397**

Operating Activities

Cash used in operating activities adjusts loss for the year for non-cash items including, but not limited to, depreciation, accrued interest, listing expense recorded as a result of the Transaction, share-based payments, and unrealized gains and losses. Cash used in operating activities also reflects changes in working capital items, such as amounts receivable, prepaid expenses and amounts payable, which fluctuate in a manner that does not necessarily reflect predictable patterns for the overall use of cash, the generation of which depends almost entirely on sources of external financing to fund operations.

Investing Activities

Pursuant to the Transaction, the Company acquired cash in the amount of $225,991 during the year ended December 31, 2017 which is presented as an investing activity. The Company also purchased computer equipment in the amount of $6,048.

During the year ended December 31, 2016, the Company received a refund of an aircraft security deposit previously paid in the amount of $65,178.

Financing Activities

During the year ended December 31, 2017, financing activities consisted of shares issued for gross proceeds of $6,901,687, net of share issue costs paid of $389,276, and a loan advance in the amount of $50,000 received prior to closing the Transaction. In addition, deferred transaction costs in the amount of $375,140 were included in the net assets acquired pursuant to the Transaction and applied to the share issue costs of the prospectus offering for cumulative cash share issue costs in the amount of $764,416.

During the year ended December 31, 2016, financing activities consisted of shares issued for gross proceeds of $394,801, net of share issue costs paid of $32,950, and a loan advance in the amount of $200,000.

STATEMENT OF FINANCIAL POSITION INFORMATION

	As at December 31, 2017		As at December 31, 2016	
Cash and cash equivalents	$	2,981,046	$	91,397
Receivables		119,994		32,374
Available-for-sale investment		200,000		-
Prepaid expenses		96,077		7,412
Deposits		162,727		67,135
Equipment		4,987		1,178
Total Assets	**$**	**3,564,831**	**$**	**199,496**
Accounts payable and accrued liabilities	**$**	455,569	$	592,146
Due to related party		43,262		-
Short-term loan		-		213,536
Future reclamation provision		20,807		-
Share capital		14,848,347		2,879,895
Reserves		1,327,913		600,763
Deficit		(13,131,067)		(4,086,844)
Total Liabilities and Equity	**$**	**3,564,831**	**$**	**199,496**

Assets

Cash and cash equivalents increased by $2,889,649 during the year ended December 31, 2017 as a result of closing the Transaction and concurrent financing, net of operating activities. Cash flows are detailed in "Liquidity and Capital Resources". Operating activities are detailed in "Review of Consolidated Financial Results".

Receivables increased by $87,620 during the year ended December 31, 2017 and relates primarily to Goods and Services Tax ("GST") input tax credits paid on increased operating activities.

As at December 31, 2017, prepaid expenses increased by $88,665 compared to the balance as at December 31, 2016 mainly due to additional directors' and officers' insurance obtained, and public company listing fees.

As at December 31, 2017, available-for-sale investment consists of 1,000,000 common shares of Voleo, Inc. which have an aggregate purchase price of $200,000. The investment in Voleo, Inc. is carried at cost on the basis that the common shares do not have a quoted market price in an active market and the fair value cannot be reliably measured. The available-for-sale investment was included in the net assets acquired pursuant to the Transaction during the year ended December 31, 2017.

The balance of the non-current deposits as at December 31, 2017 consists of an aircraft security deposit in the amount of $62,727 (December 31, 2016 - $67,135) and a related party security deposit of $100,000 (December 31, 2016 - $Nil). The related party security deposit in the amount of $100,000 was included in the net assets acquired pursuant to the Transaction in accordance with a management services agreement which is detailed in "Related Party Transactions".

As at December 31, 2017, the Company's computer equipment had a net book value of $4,987 (December 31, 2016 - $1,178). During the year ended December 31, 2017, the Company purchased additional computer equipment in the amount of $6,048 and recorded depreciation expense in the amount of $2,239 for a net increase in the amount of $3,809 to computer equipment.

Pursuant to the Transaction, a reclamation bond related to the Bootheel Uranium Project in the amount of $10,598 (US$8,300) was included in the net assets acquired. During the year ended December 31, 2017, the reclamation bond was released by the Wyoming Department of Environmental Quality. The Company also received a refund from the Wyoming Department of Environmental Quality in the amount of $46,959 (US$36,600) with respect to a reclamation bond which was previously written off.

Liabilities

During the year ended December 31, 2017, accounts payable and accrued liabilities decreased by $136,577 and is explained by the timing of payments to third parties and the settlement of various outstanding amounts payable to third parties.

As at December 31, 2017, the balance due to a related party in the amount of $43,262 (December 31, 2016 - $Nil) relates to services rendered to or expenses incurred on behalf of the Company during the year ended December 31, 2017 which were unpaid at year end. For further details with respect to related party balances and transactions, refer to "Related Party Transactions".

With respect to the short-term loan payable, during the period from January 1, 2017 to February 28, 2017, advances and accrued interest totaled $50,000 and $3,674, respectively. Subsequent to February 28, 2017, the short-term loan payable is non-interest bearing, due on demand and eliminated on consolidation.

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

Equity

Share capital increased by $11,968,452 during the year ended December 31, 2017 and is explained by the exchange of shares pursuant to the Transaction ($5,743,658), the issuance of 22,778,700 shares for cash proceeds ($6,833,610), the exercise of share purchase warrants ($81,683), cash share issue costs paid ($764,416), the issuance of 443,544 shares for finders' fees ($133,063), the issuance of 250,000 shares for debt settlement ($70,000) and the fair value of warrants issued to agents as share issue costs ($129,146). Equity transactions are further detailed in "Share Capital".

Reserves increased by $727,150 during the year ended December 31, 2017 and is explained by the fair value of warrants issued to agents as share issue costs ($129,146) and share-based payments related to stock options, performance shares and warrants ($611,610), net of the fair value of share purchase warrants exercised ($13,606).

Deficit increased by the loss for the year ended December 31, 2017 in the amount of $9,044,223.

SHARE CAPITAL

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

Common voting shares

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

Variable voting shares

A variable voting share carries one vote per variable voting share, unless (a) the number of issued and outstanding variable voting shares exceeds 25% of the total number of all issued and outstanding Voting Shares (or any higher percentage that the Governor in Council may specify pursuant to the Canada Transportation Act); or (b) the total number of votes cast by or on behalf of holders of variable voting shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may specify pursuant to the Canada Transportation Act) of the total number of votes that may be cast at such meeting. Due to the Exemption Order issued to the Company by the Minister of Transport, references above to 25% are increased to 49% for the duration of the exemption order.

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

The Company has securities outstanding as follows:

Security Description	As at December 31, 2017
Common voting shares – issued and outstanding	48,315,429
Variable voting shares – issued and outstanding	9,794,576
Stock options – outstanding	6,800,000
Voting Shares issuable on exercise of warrants	30,626,840
Voting Shares – fully diluted	95,536,845

Share and issuances

The Company issued the following shares during the year ended December 31, 2017:

- On February 28, 2017, the Company closed a prospectus offering in connection with the Transaction and issued 22,778,700 units for gross proceeds of $6,833,610. Each unit consists of one share and one-half of one share purchase warrant. 11,389,350 share purchase warrants were issued with an exercise price of $0.50 and expiry of February 28, 2019. In connection with the prospectus offering, the Company paid share issue costs in the amount of $764,416. The Company also issued 1,708,401 agent warrants valued at $116,978 to third parties for finders' fees. Deferred transaction costs in the amount of $375,140 were included in the net assets acquired pursuant to the Transaction and applied to the share issue costs of the prospectus offering.

- On February 28, 2017, the Company issued 443,544 shares valued at $133,063 to a third party in connection with closing the Transaction which were included in the consideration of the purchase price calculation.

- On August 29, 2017, the Company issued 25,000 shares for gross proceeds of $8,500 pursuant to the exercise of 25,000 share purchase warrants with an exercise price of $0.34.

- On October 2, 2017, the Company issued 250,000 shares valued at $70,000 and paid cash in the amount of $30,000 to settle amounts payable to a third party in the amount of $75,000, resulting in a loss on settlement of debt in the amount of $25,000.

- On December 22, 2017, the Company issued 198,596 shares for gross proceeds of $59,577 pursuant to the exercise of 198,596 share purchase warrants with an exercise price of $0.30. The fair value of the warrants in the amount of $13,606 was credited to share capital.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

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

Remuneration attributed to key management personnel for the years ended December 31, 2017 and 2016 is summarized as follows:

		For the year ended December 31, 2017		For the year ended December 31, 2016
Short-term benefits [(1)]	$	1,005,983	$	274,029
Share-based payments		348,483		201,586
	$	1,354,466	$	475,615

[(1)] Short-term benefits include base salaries and directors' fees, pursuant to contractual employment or consultancy arrangements, management and consulting fees

Other related party transactions and balances

King & Bay West Management Corp. ("King & Bay") is an entity that is owned by Mr. Mark J. Morabito, the Executive Chairman and former President and Chief Executive Officer of the Company. King & Bay West employs or retains certain directors, officers and consultants of the Company and provides administrative, management, finance, legal, regulatory, business development and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The fees are consistent with what King & Bay West charges its clients for similar services. The amount set out in the table below represents amounts paid or accrued to King & Bay West for the services of King & Bay West personnel and for overhead and third party costs incurred by King & Bay West on behalf of the Company.

Transactions entered into with related parties other than key management personnel during the years ended December 31, 2017 and 2016 include the following:

		For the year ended December 31, 2017		For the year ended December 31, 2016
King & Bay West	$	538,320	$	-

As at December 31, 2017, King & Bay West holds a security deposit in accordance with the management services agreement between King & Bay West and the Company (the "Management Services Agreement") in the amount of $100,000 (December 31, 2016 - $Nil). Upon termination of the Management Services Agreement, the security deposit will be applied to the final invoice rendered by King & Bay West to the Company.

As at December 31, 2017, the amount due to a related party in the amount of $43,262 (December 31, 2016 - $Nil) is payable to King & Bay West in relation to the services described above. The amount due is unsecured, non-interest bearing and has no stated terms of repayment.

GOING CONCERN

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

As at December 31, 2017, the Company had working capital of $2,698,286 and a deficit of $13,131,067. As a result of financing completed during the year ended December 31, 2017 and the ability to defer certain discretionary expenditures and reduce operating costs should there be delays in obtaining the necessary funds required to commence commercial operations, management has assessed that working capital is sufficient for the Company to maintain its operations and activities for the next 12 months, as detailed in "Outlook" and "Liquidity and Capital Resources". Subsequent to the year ended December 31, 2017, the Company received additional funds through the exercise of share purchase warrants and stock options, as detailed in "Subsequent Events".

USE OF PROCEEDS

On February 28, 2017, the Company closed a prospectus offering in connection with the Transaction and issued 22,778,700 units for gross proceeds of $6,833,610. Each unit consists of one share and one-half of one share purchase warrant. As at December 31, 2017, the Company has used the proceeds as follows:

Activity	Initial Estimated Use of Proceeds	Actual Use of Proceeds
Aircraft launch activities, including leasing of initial aircraft	$ 2,315,420	$ 593,926
General and administrative expenses	1,021,108	2,558,107
Marketing	612,650	314,370
Reservation system procurement and development	501,385	-
Website for merchandising and destination content	350,000	127,440
Recruitment and training of air and cabin crew	362,650	-
Operations system procurement and development	250,000	-
Human resource management system and advisory	200,000	-
Canadian Transportation Agency licensing process	100,000	142,560
Transaction costs	787,521	808,770
Unallocated working capital	332,876	-
	$ 6,833,610	$ 4,545,173

The actual use of proceeds summarized above reflects ten months of activities subsequent to the completion of the Transaction on a cash basis. As such, many of the activities had not been launched as at December 31, 2017. The actual use of proceeds to date is not necessarily representative of the allocation of total expected use of proceeds. The variance reflected in general and administrative expenses in the table above is explained by certain amounts that were assumed to be funded with cash on hand prior to the completion of the Transaction and hence were excluded from the initial estimated use of proceeds. In addition, general and administrative expenses include costs associated with recruitment, relocation and severance obligations as a result of organizational changes as the Company continues to augment its leadership team.

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.

Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the Canadian dollar.

Key Sources of Estimation Uncertainty

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

Share-based payments

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

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management’s assessment of the Company’s ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Future reclamation provision

The Company assesses its provision for reclamation related to its historical exploration and evaluation activities at each reporting period or when new material information becomes available. Accounting for reclamation obligations requires management to make estimates of the future costs that will be incurred to complete the reclamation to comply with existing laws and regulations. Actual future costs that will be incurred may differ from those amounts estimated as a result of changes to environmental laws and regulations, timing of future cash flows, changes to future costs, technical advances, and other factors. In addition, the actual work required may prove to be more extensive than estimated because of unexpected geological or other technical factors. The measurement of the present value of the future obligation is dependent on the selection of a suitable discount rate and the estimate of future cash outflows. Changes to either of these estimates may materially affect the present value calculation of the obligation.

ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the accompanying consolidated financial statements for the year ended December 31, 2017.

New Accounting Pronouncements

The following accounting pronouncements have been made, but are not yet effective for the Company as at December 31, 2017.

- IFRS 9, *Financial Instruments* - In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Company will adopt IFRS 9 in its consolidated financial statements on January 1, 2018. The impact of the adoption of this standard is not anticipated to be material.

- IFRS 15, *Revenue Recognition - Revenue from Contracts with Customers* establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company will adopt IFRS 15 in its consolidated financial statements on January 1, 2018. The impact of the adoption of this standard is not anticipated to be material.

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

FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Available-for-sale investment	Available-for-sale	Cost
Reclamation bond	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Short-term loan	Other financial liabilities	Amortized cost

The fair value of the Company's receivables, accounts payable and accrued liabilities, amounts due to related parties and short-term loan approximate carrying value, due to their short-term nature. The Company's cash and cash equivalents are measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. The Company's available-for-sale investment is measured at cost on the basis that the common shares do not have a quoted market price in an active market and the fair value cannot be reliably measured. The Company's other financial instrument, being its reclamation bond, is measured at amortized cost.

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

Credit risk

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

The Company is subject to credit risk on its cash and cash equivalents and receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company has no investments in asset-backed commercial paper. The Company's receivables consist mainly of Goods and Services Tax receivable due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

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

The Company manages liquidity risk through its capital management. See "Outlook" and "Liquidity and Capital Resources" sections for further details.

Market Risk

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

(a) Interest rate risk

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

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

(b) Currency risk

The Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. The Company has US dollar commitments with respect to the purchase of aircraft. At this time, the Company does not have any currency hedges in place for fluctuations in the exchange rate between the Canadian dollar and the US dollar. As at December 31, 2017, a 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately $10,000.

RISK FACTORS

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

Uncertainties associated with the Transaction

The Transaction has resulted in the integration of companies that previously operated independently. An important factor in the success of the Company going forward will be the ability of the management of the Company to integrate all or part of the operations, systems and technologies of the Company and Jetlines Operations. The Transaction or the integration of the two businesses can result in unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees. There can be no assurance that the business integration will be successful or that the combination will not adversely affect the business, financial condition or operating results of the Company or Jetlines Operations. There can be no assurance that the Company will not incur additional material costs in subsequent quarters to reflect additional costs associated with the Transaction or that that the benefits expected from the Transaction will be realized.

Entry into New Business Activities

Completion of the Transaction has resulted in a combination of the current business activities carried on by each of the Company and Jetlines Operations as separate entities. While the Company has had minimal operations for several years, the combination of these activities into the merged entity may expose the Company's shareholders and creditors to different business risks than those to which they were exposed prior to the Transaction. In particular, shareholders will gain exposure to the business of Jetlines Operations.

Ability to Obtain Additional Capital

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

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by the Company through the issuance of securities from treasury, control of the Company may change and shareholders may suffer dilution. If additional financing is not available, or if available, not available on satisfactory terms, this could result in a material adverse effect or could require the Company to reduce, delay, scale back or eliminate portions of its actual or proposed operations at the applicable time or could prevent the Company from continuing as a going concern. In such circumstance, purchasers could lose their entire investment in the Company.

Ability to Obtain Aircraft

Critical to the Company's business model is a supply of modern and cost-effective aircraft that can service the various sectors required to fly the Company's planned route network. Should these aircraft not be available for start-up to complete the licensing process or to support the Company's growth strategy, or should the aircraft lease or maintenance costs increase drastically there could be an impact on the Company's ability to complete the licensing process, commence operations, growth strategy, cost structure and potential profitability.

Commitment of Jetlines Operations under the Boeing Agreement

Jetlines Operations has entered into the Boeing Agreement for the firm purchase of five Boeing 737 MAX aircraft with delivery commencing in 2023. Pursuant to the Boeing Agreement, Jetlines Operations is required to make the Initial Payments (defined below). In the event Jetlines Operations fails to make these Initial Payments by the agreed upon dates, Boeing has the unilateral right to terminate the Boeing Agreement or enter into negotiations with Jetlines Operations to amend certain terms of the Boeing Agreement. If Boeing elects to terminate the Boeing Agreement, Boeing is required to repay to Jetlines Operations an amount equal to any deposit and advance payments received by Boeing from Jetlines Operations less all of Boeing's costs and expenses accrued in connection with Boeing Agreement. In the event that the Boeing Agreement is terminated, the long term business operations of Jetlines Operations may be adversely affected. In addition, in the event that Boeing terminates the Boeing Agreement, Jetlines Operations may be subject to liability which may adversely affect the business of Jetlines Operations and the Company.

In addition to the initial deposits under the Boeing Agreement, Jetlines Operations will be required to make advance payments on account of the purchase price of the five Boeing 737 MAX aircraft commencing in 2021 and eventual aircraft delivery payments in 2023. The Boeing Agreement also provides Jetlines Operations with the option to acquire a further 16 Boeing 737-7 MAX or 737-8 MAX aircraft on payment terms set forth in the Boeing Agreement. To date, beyond the amounts of the initial deposits under the Boeing Agreement, Jetlines Operations has not made arrangements for financing for the payments of the purchase price of the aircraft required to be purchased by it under the Boeing Agreement or subject to option under the Boeing Agreement. There is no guarantee that financing for the payments on account of the purchase price under the Boeing Agreement will be available on reasonable commercial terms or at all. In the event that Jetlines Operations is unable to obtain aircraft acquisition financing on reasonable commercial terms, the operations of Jetlines Operations may be adversely affected and Jetlines Operations would be subject to material financial liabilities for which it would not be able to satisfy, each of which would have a material adverse effect. Further, the Boeing Agreement also contains a clause that if Jetlines Operations enters into an agreement to operate or purchase non-Boeing aircraft, the full 1% deposit (less previous payments) for all aircraft will be due and payable immediately. As a result, in the event Jetlines Operations enters into an agreement to operate or purchase non-Boeing aircraft and Boeing is able to successfully make a legal claim to enforce this provision, Jetlines Operations may be subject to liability which may materially adversely affect the business of Jetlines Operations and the Company.

General economic conditions in Canada, the United States and other parts of the world

Consumer purchases of discretionary items, which include the purchase of the Company's airfares and other products of the Company, may be adversely affected by economic conditions such as employment levels, salary and wage levels, the availability of consumer credit, inflation, interest rates, tax rates, fuel prices and consumer confidence with respect to current and future economic conditions. Consumer purchases may decline during recessionary periods or at other times when unemployment is higher or disposable income is lower. Consumer willingness to make discretionary purchases may decline, may stall or may be slow to increase due to national and regional economic conditions.

There remains considerable uncertainty and volatility in the Canadian and U.S. economy. Further or future slowdowns or disruptions in the economy could adversely affect passenger demand for the Company's airfares and products and could materially and adversely affect the Company and its growth plans. The Company may not be able to maintain its recent rate of growth in net revenue if there is a decline in consumer spending. In addition, a deterioration of economic conditions and future recessionary periods may impact the other risks faced by the Company's business, including those risks it may encounter as it attempts to execute growth plans.

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

The Company has incurred losses since its inception and expects to incur losses for the foreseeable future. The Company expects to continue to incur losses unless and until such time as airline operations commence and generate sufficient revenues to fund continuing operations. The development of the Company's airline operations will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of the licensing process, the results of consultant analysis and recommendations, the rate at which operating losses are incurred, and the execution of agreements with strategic partners and service providers. Some of these factors are beyond the Company's control. There can be no assurance that the Company will ever launch airline operations or achieve profitability.

The Company's securities are subject to price volatility

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

COMMITMENTS

The Company has commitments for aircraft deposits as described below.

Aircraft Purchase

On December 11, 2014, the Company signed a definitive purchase agreement with The Boeing Company to acquire up to twenty-one Boeing 737 MAX aircraft for delivery commencing in 2023. The Boeing Agreement includes five firm orders, purchase rights for an additional sixteen 737 MAX and some conversion rights to the 737-8 MAX aircraft. The following is a summary of the key terms of the Boeing Agreement, as amended.

- The Company will purchase five Boeing 737-7 MAX aircraft, beginning with expected monthly deliveries in January 2023, for an aggregate estimated base price of US$423 million, subject to certain terms and conditions. The cost for the airframe and engines is based on the 2014 price with an escalation factor to determine final price at delivery. Variable costs include the cost of optional equipment furnished by Boeing and the cost of optional equipment furnished by the Company. The variable cost items, while estimated, remain subject to final determination. The Company estimates that assuming scheduled delivery in 2023, and taking into account presently known facts and assumptions, the escalated basic list price for the five aircraft would be approximately US$547 million.
- The Company is required in connection with the five firm orders to pay deposits ("Initial Payments") as follows:

Due Date	Amount
January 30, 2015	US$50,000 (paid)
February 1, 2018[1]	US$25,000 (paid)
June 1, 2018	US$125,000
August 1, 2018	US$1,755,700
February 1, 2019	US$1,755,700
August 1, 2019	1% less previous payments

(1) Subsequent to the year ended December 31, 2017, the Company and Boeing amended the Boeing Agreement to defer certain deposits with respect to the Initial Payments.

- In addition to the Initial Payments, the Company is required to make the following payments on account of the basic list price of the five firm orders (the "Pre-Delivery Payments"):

Month Prior to Scheduled Delivery Month	% of the Total Basic List Price of the Five Firm Orders
24	4%
21, 18, 12	5% each
Total	20% (including Initial Payments)

- The following shows the Company's calendar year contractual commitments with respect to the Initial Payments and Pre-Delivery Payments as at December 31, 2017:

Calendar Year	Amount (USD)
2018	$ 1,905,700
2019	3,511,340
2020	-
2021	76,538,560
2022	27,335,200
Total	**$ 109,290,800**

- The Company may elect to defer the Pre-Delivery Payments in accordance with the following schedule (which payments are referred to as the "Deferred Advance Payments"):

Month Prior to Scheduled Delivery Month	% of the Total Basic List Price of the Five Firm Orders
24	4%
21, 18, 12	5% each
Total	20% (including Initial Payments)

- The Company is required to pay interest on the Deferred Advance Payments from the day on which each advance payment would have been due in accordance with Boeing's regular payment schedule until the date of actual delivery of the applicable aircraft. Interest on Deferred Advance Payments is payable from the calendar day on which each advance payment would have been due in accordance with the table above until delivery of the applicable Aircraft. The rate used to calculate such interest will be the 3-month LIBOR as set forth in The Wall Street Journal, US edition, plus nine-hundred (900) basis points. The effective rate will be the rate in effect on the first business day of the calendar quarter in which the advance payment was initially deferred, and will be reset every calendar quarter. Interest on unpaid amounts will be calculated using a 360 day year, compounded quarterly. Accrued interest on the Deferred Advance Payments for each Aircraft will be due and payable on the date of each Aircraft delivery.

- The Company will have the right to purchase up to 16 additional Boeing 737-7 MAX aircraft. This purchase right is exercisable by the Company by notice not less than 24 months before the desired date of delivery. The additional aircraft are offered subject to available position for delivery prior to December 31, 2024. The price of the aircraft subject to the purchase right will be determined based on the provisions of the Boeing Agreement using the then current prices for such aircraft at the time of exercise of the purchase right subject to the escalation factors in the Boeing Agreement.

- The Company will have the right to substitute any Boeing 737-7 MAX ordered with a Boeing 737-8 MAX with a scheduled month of delivery 24 months after delivery of the first Boeing 737-8MAX aircraft to a Boeing customer. The Company may exercise this right of substitution by providing notice to Boeing not less than the first day of the month that is: (i) 12 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted if the Company has previously received a substituted aircraft; or (ii) 15 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted, if the Company has not previously received a substituted aircraft. The acquisition of any substituted aircraft will be subject to the execution of a definitive purchase agreement and product capabilities of the Boeing 737-8 MAX. Pricing will be based on the pricing for the Boeing 737-8 MAX aircraft as set out in the Boeing Agreement, subject to adjustments for configuration specifications by Boeing which arise between the date of the Boeing Agreement and the date of execution of the definitive agreement for the substitution Boeing 737-8 MAX.

- The Company may not terminate the Boeing Agreement unless there is a non-excusable delivery delay in which case either party may terminate the agreement with respect to an aircraft if there is a non-excusable delay for that aircraft which in the aggregate exceeds 180 days. Boeing has agreed to pay the Company a pre-determined liquidated damages amount in the event of a non-excusable delay associated with the delivery of aircraft. The Boeing Agreement also contains a clause that if Jetlines Operations enters into an agreement to operate or purchase non-Boeing aircraft, the full 1% deposit (less previous payments) for all aircraft will be due and payable immediately.

- Boeing has agreed to provide a service life policy and product assurance in respect of certain components of the aircraft.

- Boeing has agreed to provide promotional support to the Company in respect of the entry of the Boeing 737-7 MAX into the Company's operations.

The Company has not hedged its exposure to exchange rate fluctuations between the US and Canadian dollar with respect to the Boeing Agreement. The purchase price of the five aircraft is denominated in US dollars and therefore, the Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Assuming an exchange rate where US$1 equals CAD$1.2545, a 10% increase or decrease in the exchange rate will increase or decrease the aggregate base purchase price by approximately CAD$53.1 million and increase or decrease the aggregate escalated purchase price by CAD$68.6 million.

OFF BALANCE SHEET ARRANGEMENTS

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements and corresponding accompanying Management’s Discussion and Analysis. In contrast to the certificates under National Instrument 52-109 (Certification of Disclosure in an Issuer’s Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined by National Instrument 52-109.

SUBSEQUENT EVENTS

The following events occurred subsequent to the year ended December 31, 2017:

- On January 18, 2018, the Company granted 505,000 stock options with an exercise price of $0.76 and term of five years.
- On January 29, 2018, the Company granted 450,000 stock options with an exercise price of $0.74 and term of five years.
- On February 5, 2018, the Company granted 225,000 stock options with an exercise price of $0.70 and term of five years.
- On February 8, 2018, the Company and Boeing amended the Boeing Agreement to defer certain deposits with respect to the Initial Payments.
- On April 23, 2018, the Company paid a refundable deposit in the amount of US$876,000 pursuant to a term sheet to lease two aircraft. The term sheet is subject to executing a definitive lease agreement and other conditions customary to a transaction of this nature.
- The Company issued 11,918,934 shares for gross proceeds of $4,910,509 pursuant to the exercise of 1,065,000 stock options and 10,853,934 share purchase warrants.

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.