GENERAL

This Management Discussion & Analysis ("MD&A") is intended to supplement and complement the consolidated financial statements and accompanying notes of Canada Jetlines Operations Ltd. (the "Company" or "Jetlines") the years ended December 31, 2022 and 2021. The information provided herein should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022 and the accompanying notes thereto.

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

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

DESCRIPTION OF BUSINESS AND RECENT DEVELOPMENTS

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

In 2021 the Company commenced the application process for a license to operate air service, large aircraft pursuant from the CTA. The application process required the Company to provide information regarding the ownership structure and financial information in two stages. The first stage required the provision of information and documentation regarding the funding requirements for the start-up and operation of an air service for a 90-day period. The second stage required the provision of evidence that the requisite funding is in place to finance the proposed air service. The Company completed the CTA process, and the CTA commercial license was issued in August 2022. During that period the Company commenced the application process with Transport Canada to obtain the Air Operator Certificate which was also issued in August 2022.

On December 17, 2021, the Company announced that it had entered into the MSN 4175 Lease Agreement, for its first Airbus A320 aircraft with delivery in February 2022. The aircraft is an Airbus A320-200, listed under the manufacturer's serial number #4175, equipped with two CFM56-5B4/3 engines. Prior to delivery to the Company, at the end of February 2022, the aircraft was painted with Jetlines livery and the new Recaro 3530 seats were installed.

On January 24, 2022, the Company announced that it had received conditional approval for flight crew (pilot) training from Transport Canada effective immediately. Final approval of Jetlines' Pilot Training program was granted in August 2022.

On April 7, 2022, the Company announced that it has selected Toronto Pearson International Airport (GTAA) as the airline's international travel hub out of Canada. Ranked Canada's busiest airport, GTAA offers five main runways and 30 taxiways, as well as an extensive list of scheduled and charter flights, providing the Toronto region with non-stop and same-plane service to more than 155 cities around the world. The Company operates out of the airport hub with a fleet of airbus family aircraft, starting with the A320. Canada Jetlines currently operates to international destinations within U.S. and Mexico and domestic cities in Canada. Charter Operations commenced in November 2022.

On April 26, 2022, the Company announced a partnership with Safran Landing Systems, to equip its Airbus A320 fleet. Lighter and more durable than the competing product, thanks to its high-performance carbon material and its superior anti-oxidation protective coating, Safran's A320-family carbon brakes provide airlines around the world with significant savings in terms of maintenance costs, fuel consumption, as well as a reduction in their CO2 emissions.

On April 27, 2022, the Company announced a partnership with Allianz Global Assistance, a Canadian leader in travel assistance and insurance, to provide travel insurance for future flights.

On June 23, 2022, the Company announced that the Travel Industry Council of Ontario has provided approval to the carrier's subsidiary Canada Jetlines Vacations Ltd. as a travel retailer and travel wholesaler under the Travel Industry Act, 2022.

On September 20, 2022, the Company announced that it has completed a worldwide distribution agreement with Sabre, the leading software and technology company that powers the global travel industry. This new long-term agreement ensures that Sabre will distribute the Company's comprehensive content for travel agencies and corporations through the Sabre travel marketplace (GDS) -- supporting the Company in powering future revenue growth while reaching key market segments associated with the GDS.

On September 22, 2022, the Company completed its inaugural flight from Toronto to Calgary.

On October 17, 2022, the Company announced that it had entered into the MSN 5995 Lease Agreement, for its second Airbus A320 aircraft with delivery in November 2022. The aircraft is an Airbus A320-200, listed under the manufacturer's serial number #5995, equipped with two CFM56-5B4/3 engines. Prior to delivery to the Company, at the end of November 2022, the aircraft was painted with Jetlines livery and the new Recaro 3530 seats were installed.

On October 19, 2022, the Company confirmed a new route out of its travel hub at Toronto Pearson International Airport (YYZ) with direct service to Vancouver International Airport (YVR).

On November 1, 2022, the Company announced that the United States Department of Transportation has granted economic authority to serve the U.S. Subsequently the Company announced its first international routes from Toronto Pearson Airport to Las Vegas, Nevada through Harry Reid International Airport and Melbourne Orlando International Airport.

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

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

On December 16, 2022, the Company received Federal Aviation Administration approvals to start operating to the United States.

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

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

On March 16, 2023, the Company announced that it is in discussions with Qatar Airways Group Q.C.S.C. ("Qatar Airways") to explore a potential collaboration between the two airlines. Subject to all regulatory approvals, the parties are discussing the possibility of including non-stop flights between Toronto-Pearson and Doha, the home of Qatar Airways. This would offer Canadian travellers access to Qatar Airways' unparalleled network via Doha to destinations in the Middle East, Africa, Indian Subcontinent and across Asia. The collaboration is subject to the airlines obtaining all necessary approvals, including, without limitation, approvals from Transport Canada and the Canadian Transportation Agency, as well as execution of all applicable agreements between the parties.

OUTLOOK

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

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

The proceeds from the issuance of shares and loan agreements are being used to further the business objectives of the Company in operating and growing a leisure airline, tour operator and charter airline based in Canada. The Company will continue to grow its business and route network through acquisition of additional aircraft, obtaining licenses to operate to international destinations, augmenting the leadership team with additional operations, financial and commercial personnel, branding and marketing activities, signing of commercial and operational agreements, as well as advancing internet, digital media and information technology systems initiatives. Further funding, in the form of debt, equity or other facilities, will be required to take delivery of additional aircraft, and to continue the operation and growth of the airline with aircraft, personnel, inventory, training, paying necessary up-front deposits, and other new routes launch activities, as well as for general and administrative expenditures and working capital.

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

PRIVATE PLACEMENTS AND OTHER FINANCING

On April 26, 2022, the Company closed a non-brokered private placement to raise a total of $3.35 million (the "April 2022 Offering"). The April 2022 Offering consisted of 9,571,413 units issued at $0.35 per unit (each an "April 2022 Unit"). Each April 2022 Unit consists of one common or variable voting share (each a "Voting Share") and one half of one warrant (each whole warrant an "April 2022 Warrant"). Each April 2022 Warrant entitles the holder thereof to purchase an additional Voting Share for a period of 48 months after closing at a price of $0.50 per Voting Share during the first two years after issuance of such April 2022 Warrant and $0.65 per Voting Share during the third and fourth years after issuance. The Company intends to use the net proceeds of the April 2022 Offering to advance the Canadian airline licensing process and for general corporate and working capital purposes. No finders' fees were paid in connection with the April 2022 Offering.

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

On September 30, 2022, the Company closed a non-brokered private placement to raise a total of $1.89 million (the "September 2022 Offering") consisting of 8,151,525 units issued at $0.255 per unit (each a "September 2022 Unit"). In order to encourage share ownership by employees of the Company, the

Company offered all of its employees the chance to participate in the September 2022 Offering with a bonus incentive. Employees that participated in the Offering received one additional Unit (each a "Bonus Unit") for every six September 2022 Units subscribed for in the Offering, without payment of additional consideration. A total of 8,151,525 Units (including Bonus Units) were issued in the September 2022 Offering with employees participating for $1.134 million of the September 2022 Offering. Each September 2022 Unit consists of one Voting Share and one half of one warrant (each whole warrant a "September 2022 Warrant"). Each September 2022 Warrant entitles the holder thereof to purchase an additional Share for a period of 24 months after closing at a price of $0.40 per Voting Share. The warrants expire on September 30, 2024.

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

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

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

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

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

SELECTED ANNUAL INFORMATION

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

	December 31, 2022	December 31, 2021	December 31, 2020
Revenue	$ 3,326,824	$ -	$ -
Income (loss) and comprehensive income (loss)	$(13,438,121)	$(3,100,717)	157,833
Earnings (loss) per share (basic and diluted)	$ (0.22)	$ (0.07)	$ -
Total assets	27,289,573	5,236,914	14,570

Income (loss) and comprehensive income (loss)

The decrease in income (loss) and comprehensive income (loss) for the year ended December 31, 2022 was due to significant operational expenses incurred as part of the launch of the company. The company started generating revenue beginning in September 2022.

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

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

Refer to "Review of Financial Results" for further detail of losses incurred during the years ended December 31, 2022, 2021 and 2020.

Total Assets

The increase in total assets as at December 31, 2022 compared to December 31, 2021 is primarily attributable to the capitalisation of Right of use assets and increase in property and equipment.

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

REVIEW OF FINANCIAL RESULTS

Loss and comprehensive loss for the period

For the year ended December 31, 2022, the Company reported comprehensive loss from operations in the amount of $(13,438,121) or $(0.22) per share, compared to a comprehensive loss in the amount of $(3,100,717) and $(0.07) per share in the prior year. The increase in loss from operations in the amounts of $ 10,337,404, is explained by increased corporate and operational activities detailed below.

During the year ended December 31, 2022, the Company earned $828,321 (2022: $Nil) in passenger revenues, as the Company started to sell flight tickets during the second quarter.

During year ended December 31, 2022, the Company earned $2,498,443 (2021: $Nil) in other revenues, comprised of ancillary revenue, and revenue from charters and subservice.

During the year ended December 31, 2022, the Company incurred aircraft fuel costs in the amounts of $1,168,193 (2021: $Nil) in connection with expenditures relating to purchasing fuel for aircraft.

During the year ended December 31, 2022, the Company incurred wages, salaries and benefits expenses of $4,867,891 (2021: $1,223,621) in connection with payments to employees during the periods as operational activity increased.

During the year ended December 31, 2022, the Company recorded depreciation in the amounts of $1,572,053 (2021: $ 6,046), in connection with property, equipment and right-of-use assets.

During the year ended December 31, 2022, the Company incurred aircraft maintenance expenses of $1,258,506 (2021: $112,410) in connection with maintenance of the aircrafts.

During the year ended December 31, 2022 the Company incurred airport and navigation fees of $499,288 (2021: $Nil), in connection with airport handling and navigation of flights.

During the year ended December 31, 2022 the Company incurred catering and onboard services expenses in the amounts of $136,454 (2021: $Nil) which relates to amounts spent on catering food.

During the year ended December 31, 2022, the Company incurred communications and information technology expenses in the amounts of $292,369 (2021: $1,467) which relates to amounts spent on software and communication related expenses.

During the year ended December 31, 2022 the Company incurred professional fees in the amounts of $2,482,588 (2021: $1,658,347), related to amounts spent on consulting and professional fees.

During the year ended December 31, 2022 the Company incurred other expenses in the amounts of $2,917,417 (2021: $231,560), related to amounts spent on aircraft insurance, travel and entertainment, office expenses, employee training and development and other overhead.

The Company recorded a foreign exchange gain (loss) for the year ended December 31, 2022, in the amounts of $6,952 (2021: ($12,942)) with respect to transactions and balances denominated in USD dollars and the impact of fluctuations in the exchange rate.

The Company recorded interest income for the year ended December 31, 2022, in the amounts of $25,022 (2021: $15,182), with respect to interest income earned on cash balances held in bank accounts.

The Company recorded interest expense and accretion for the year ended December 31, 2022, in the amounts of $35,526 (2021: $14,059) and $850,651 (2021: $ NIL), with respect to interest accretion expenses recorded on long-term loan balances and right-of-use liabilities.

SUMMARY OF QUARTERLY RESULTS

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

Description	**Q4 December 31, 2022 ($)**	**Q3 September 30, 2022 ($)**	**Q2 June 30, 2022 ($)**	**Q1 March 31, 2022 ($)**
Loss and comprehensive loss	(4,528,552)	(3,347,249)	(3,015,214)	(2,547,106)
Loss per share	(0.06)	(0.06)	(0.05)	(0.05)
Description	**Q4 December 31, 2021 ($)**	**Q3 September 30, 2021 ($)**	**Q2 June 30, 2021 ($)**	**Q1 March 31, 2021 ($)**
Loss and comprehensive loss	(2,056,875)	(874,331)	(147,775)	(21,736)
Loss per share	(0.04)	(0.02)	(0.00)	(0.00)

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company went into care and maintenance mode until quarter ended June 30, 2021 and continued to increase operational activity into the quarter and year ended December 31, 2022. The Company expects its expenditures to continue at an increased level as it continues to ramp up and grow its airline operations.

FOURTH QUARTER

Income

During the three-month period ended December 31, 2022, the company reported a revenue of $3,237,680 (2021-Nil) representing an increase of $3,237,680 compared to the same period of the prior year. Increase is comprised of flight revenue and subservice ACMI/charter revenue.

Expenses

During the three-month period ended December 31, 2022, the Company incurred expenses of $7,378,667 (2021 - $2,086,643), representing an increase of $5,292,024 compared to the same period of the prior year. The increase in total expenses is comprised of increases in Aircraft fuel $916,803, salaries and benefits $1,956,865, depreciation $678,504, aircraft maintenance $740,292, airport and navigation fees $422,755, sales and marketing $364,478, communication $133,184, Office and administration $492,267, Professional fees ($615,063), aircraft insurance $284,353 and others $245,983. The increases were due to the increase in operational activity related to the commencement of air service.

Other items

During the three-month period ended December 31, 2022, the Company incurred other expense/(income) of $385,214 (2021 – ($27,118)), representing an increase of $412,332 compared to the same period of the prior year. The increase in other expenses is comprised of interest accretion $376,874, interest expenses $35,039 and other income of ($6,349).

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2022, the Company had cash in the amount of $1,784,574 (December 31, 2021: $3,579,709) and working capital in the amount of ($5,069,741) (December 31, 2021: $3,353,191). The decrease in working capital in the amount of $8,422,932 is explained by cash used in operating activities during the period.

At present, the Company has commenced operations and started to earn operating income from the sale of flights. However, the Company does not have sufficient operating income or the required financing to complete the build-out of the airline and to secure additional aircraft. Based on the Company's existing operations and working capital position, the Company will need to raise additional capital during the next twelve months and beyond to support its business plan. To date, the Company's operations have been almost entirely financed from equity and loan financings. The Company will continue to identify financing opportunities in order to provide additional financial flexibility but aside from the March 2023 Offering, as of the date of this MD&A it does not have any committed sources of equity financing or debt. While the Company has been successful raising the necessary funds in the past, there can be no assurance it can do so in the future.

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

Cash Flows

The Company's cash flows for the year ended December 31, 2022, and 2021 are summarized in the table below.

	December 31, 2022	December 31, 2021
Cash provided used in operating activities	(7,107,359)	(2,667,473)
Cash provided used in investing activities	(2,011,865)	(26,297)
Cash provided by financing activities	7,324,089	6,270,309
Change in cash during the period	(1,795,135)	3,576,539
Cash, beginning of the period	3,579,709	3,170
Cash, end of the period	**$ 1,784,574**	**$ 3,579,709**

<u>Operating Activities</u>

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

<u>Investing Activities</u>

During the year ended December 31, 2022, the Company purchased $2,011,865 (2021 - $26,297) of property and equipment.

Financing Activities

Financing activities for the year ended December 31, 2022, consist of the following activities:

- Proceeds from private placements of $5,634,655 (2021 - $ 6,599,065)
- Share issuance costs paid of $ 14,887 (2021 - $450,131)
- Long-term loan received from a related party of $ 2,000,000 (2021 – Nil)
- Long-term loan repayments made to a related party of $ 226,984 (2021 – Nil)
- Lease payments made on office and aircraft leases of 1,109,919 (2021 – Nil)
- Reimbursements received from lessors $ 1,041,224 (2021 – Nil)
- Contributions from former parent company $ Nil (2021 - $121,375)

STATEMENT OF FINANCIAL POSITION INFORMATION

	As at December 31, 2022	As at December 31, 2021
Cash	$1,784,574	$ 3,579,709
Receivables	1,000,562	159,987
Inventory	40,042	-
Prepaid expenses and Deposits	1,278,880	1,152,869
Property and equipment	1,956,080	130,123
Right-of-use asset	21,229,435	214,226
Total Assets	**$ 27,289,573**	**$ 5,236,914**
Accounts payable and accrued liabilities	$ 2,968,475	$ 758,722
Lease liabilities – current	4,118,271	62,637
Long-term loan payable - current	761,014	-
Deferred revenue	369,583	-
Lease liabilities – long-term	19,265,792	207,240
Long-term loan payable	1,058,528	40,000
Return cost liability	406,508	-
Share capital	15,566,381	9,097,990
Obligation to issue shares	33,596	-
Reserves	3,194,773	2,085,552
Deficit	(20,453,348)	(7,015,227)
Total Liabilities and Equity	**$ 27,289,573**	**$ 5,236,914**

Assets

Cash decreased by $1,795,135 during the year ended December 31, 2022, as a result of increased operational activities. Cash flows are detailed in "Liquidity and Capital Resources". Operating activities are detailed in "Review of Financial Results".

Receivables increased by $840,575 during the year ended December 31, 2022, related to the timing of collections of GST input tax credits received net of GST payable, share subscriptions receivables, credit card processer holdback and increase in trade receivable.

Inventory increased by $40,042 during the year ended December 31, 2022, related to the purchase of catering inventory for the aircraft.

As at December 31, 2022, prepaid expenses and deposits increased by $126,011 compared to the balance as at December 31, 2021 which is primarily explained by increase in deposits made for operations.

During the year ended December 31, 2022, the Company recognized $ 2,011,864 (2021: $132,538), in property and equipment additions for the period. Increase in depreciation recorded of $185,908 (2021: $2,415), the net increase in of property and equipment is $1,825,957 (2021: $130,123).

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

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

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

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

Liabilities

During the year ended December 31, 2022, accounts payable and accrued liabilities increased by $2,209,753 which is explained by the timing of payments and invoices received at the end of the period.

During the year ended December 31, 2022, deferred revenue increased by $369,583, which is related to revenues collected in advance from customers for future flights.

The Company entered into a lease agreement with Airway Centre Inc., with respect to its office premises in Mississauga, Ontario. The lease commenced on December 1, 2021, with monthly lease payments of $5,420 until November 30, 2026. Additional office space was leased during the year with monthly lease payments of $1,506. The current portion of the lease liability is $83,111 and the long-term portion is $200,292. Interest accretion of $21,614 has been recorded during the period.
During the year ended December 31, 2022, the Company entered into two lease agreements with third party lessor, with respect to the lease of two Airbus A320 aircrafts. The lease commenced on February 28, 2022, and November 28, 2022 respectively. The current portion of the lease liability is $4,035,160 and the long-term portion is $19,065,500. Interest accretion of $813,837 has been recorded during the period.

On May 28, 2020, the Company received an interest-free Canada Emergency Business Account

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

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

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

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

- The aggregate current portion of the two loans from Roosheila is $ 761,014 and the long-term portion is $1,058,528. Interest accretion of $ 33,526 has been recorded during the year.

Equity

During the year ended December 31, 2022, the share capital balance increased from the following activities:

- The Company issued shares as part of the April 2022 Offering for $3,349,995.

- The Company issued shares as part of the September 2022 Offering for $1,889,497.

- The Company issued shares as part of the October 2022 Offering for $150,000.

- The Company issued 2,393,497 voting shares upon exercise of 2,393,497 restricted share units ("RSUs"), which had a fair value of $ 944,337.

Reserves increased by $1,109,221 during the year ended December 31, 2022, which is related to share-based payments expenses and RSUs being exercised during the period.

During the year ended December 31, 2022, the deficit increased in the amount of $13,438,121.

SHARE CAPITAL

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

Common voting shares

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

Variable voting shares

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

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

The Company has securities outstanding as follows:

As at December 31, 2022 **Security Description**	
Common voting shares – issued and outstanding	43,199,069
Variable voting shares – issued and outstanding	27,969,076
Voting Shares issuable on vesting of restricted share units	8,449,846
Voting Shares issuable on exercise of stock options	250,000
Voting Shares issuable on exercise of warrants	18,588,123
Voting Shares – fully diluted	98,456,114

Share issuances

Private Placement

On April 26, 2022, the Company closed the April 2022 Offering to raise a total of $3.35 million. 9,571,413 shares were issued as part of the April 2022 Units issued in the April 2022 Offering.

On September 30, 2022, the Company closed the September 2022 Offering to raise a total of $1.89 million. 8,151,525 shares were issued as part of the September 2022 Units issued in the September 2022 Offering.

On October 28, 2022, the Company closed the October 2022 Offering to raise a total of $150,000. 588,236 shares were issued as part of the 588,236 October 2022 Units issued in the October 2022 Offering.

For further details on the April 2022 Offering, September 2022 Offering and October 2022 Offering please refer to "Private Placements and Other Financing"

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

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

- On August 6, 2021, the Company issued 16,497,662 shares for gross proceeds of $6,599,065 pursuant to the 2021 Offering, less share issuance costs of $450,131.
- On September 10, 2021, the Company issued 487,667 shares for gross proceeds of $146,300.

Stock options

There were no stock options granted during the year ended December 31, 2022. 250,000 stock options were issued during the year ended December 31, 2021.

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

Restricted share units

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

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

During the year ended December 31, 2022, the Company granted 1,910,000 RSUs (2021 – 9,060,000) to various officers, directors, and consultants of the Company, whereby 50% of the RSUs vest at the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date.

During the year ended December 31, 2022, the Company granted 154,843 RSUs (2021 – nil) to various officers, directors, and consultants of the Company, whereby 33% of the RSUs vest every month following the grant date.

During the year ended December 31, 2022, the Company granted 125,000 (2021 – nil) to various officers, directors, and consultants of the Company, whereby 100% of the RSUs vest at the first anniversary of the grant date.
During the year ended December 31, 2022, the Company granted 349,000 RSUs (2021 – nil) to various employees of the Company, whereby 100% of the RSUs vest at the second anniversary of the grant date.

During the year ended December 31, 2022, the Company cancelled 655,500 RSUs (2021 – 100,000) related to individuals who left the Company during the year.

During the year ended December 31, 2022, the Company recorded share-based payments expense with respect to RSUs of $ 1,935,798 (2021 - $ 1,182,474).

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

RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management personnel

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

Remuneration attributed to key management personnel for the years ended December 31, 2022, and 2021 is summarized as follows:

	December 31, 2022	December 31, 2021
Consulting fees	$ 494,249	$ 529,452
Director fees	252,000	114,000
Salaries	338,333	-
Share-based payments	539,279	443,343
	$ 1,623,861	$ 1,086,795

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

Receivables

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

Related Party	Role	December 31, 2022	December 31, 2021
Eddy Doyle	CEO and President	$ -	$ 13,500
Barbara Syrek	Former CFO	-	4,000
Brad Warren	COO and VP Maintenance	-	13,500
Duncan Bureau	CCO	18,669	-
Victor Charlebois	Former VP Flight Operations	-	12,225
		$ 18,669	$ 43,225

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

Accounts payable and accrued liabilities.

As at December 31, 2022 and 2021, accounts payable and accrued liabilities include the following amounts due to related parties:

		Remuneration		Payable	
Related Party	**Role**	**2022**	**2021**	**2022**	**2021**
Beth Horowitz	Director	$ 36,000	$ 18,000	$ 9,000	$ 9,000
Margaret Gilmour	Director	24,000	18,000	-	9,000
Ken McKenzie	Former Director and Chairmar	27,000	18,000	18,000	9,000
David Kruschell	Director	36,000	18,000	9,000	9,000
Ravinder Minhas	Director	36,000	18,000	11,454	9,000
Jean Charest	Director	36,000	18,000	9,000	9,000
Ryan Goepel	Director	24,000	6,000	18,000	6,000
Reg Christian	Director	18,000	-	9,000	-
Brigitte Goersch	Director and Chairman	9,000	-	9,000	-
Shawn Klerer	Director	6,000	-	6,000	-
Sheila Paine	Corporate Secretary	37,749	18,990	3,575	-
Eddy Doyle	CEO and President	187,917	112,500	11,458	13,003
Duncan Bureau	CCO	185,833	105,000	10,417	15,000
Barbara Syrek	Former CFO	45,000	60,000	-	14,950
Percy Gyara	CFO	143,833	-	10,417	-
Brad Warren	COO and VP Maintenance	183,750	138,462	9,375	12,706
Victor Charlebois	Former VP Flight Operations	48,500	94,500	-	9,425
		$ 1,084,582	$ 643,452	$ 143,696	$ 125,084

The nature of these accounts payable and accrued liabilities relates to consulting fees, director fees and salaries payable as at December 31, 2022 and 2021. The amounts due to related parties are unsecured, non-interest bearing and have no stated terms of repayment.

Related Party Financing Transactions

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

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

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

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

GOING CONCERN

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

As at December 31, 2022, the Company had a negative working capital $5,069,741 and accumulated deficit of $20,453,348. The Company has commenced operations and started to earn operating income from the sale of flights. In April, September and October 2022, the Company completed private placements of $3.35 million, $1.89 million and $150,000 respectively, to support the ongoing build out of the airline operations. Without additional financing, the Company will be unable to fund general and administrative expenses and working capital requirements for the next twelve months. In addition, the Company does not have the required financing to complete the build-out of the airline and to secure additional aircraft. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

CRITICAL ACCOUNTING ESTIMATES

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

Critical Judgments

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

<u>Going Concern</u>

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

Key Sources of Estimation Uncertainty

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

Valuation of restricted share units

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

Share-based payments

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

Depreciation period for property and equipment

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

Maintenance Provision

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

ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the accompanying consolidated financial statements for the year ended December 31, 2022 and 2021.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

As at December 31 2022, the Company's financial instruments are comprised of cash, receivables, accounts payable and accrued liabilities, loans payable and lease liabilities. Cash is carried at fair value using level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities approximates their fair values due to the relatively short periods to maturity of these financial instruments. The long-term portion of lease liabilities and loans payable is accreted over the lease terms at market interest rate using the effective interest rate method. The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management and the Board of Directors monitor risk management activities and review the adequacy of such activities.

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

Interest rate risk

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

Liquidity risk

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

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

Foreign exchange rate risk

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

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

	December 31,2022	December 31,2021
Cash	934,175	110,709
Amounts receivable	583,670	-
Total financial assets	1,517,845	110,709
Accounts payable and accrued liabilities	(713,763)	(210,326)
Lease liabilities	(23,100,660)	-
Net statement of financial position exposure	(22,296,578)	(99,617)

Based on the net US dollar and liability exposure as at December 31, 2022 a 10% fluctuation in the CAD/US exchange rates would impact the Company's earnings by approximately $2,230,000 (2021 - $10,000).

Fuel price

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

RISK FACTORS

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

Ability to Obtain Additional Capital

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

If additional financing is raised by the Company through the issuance of securities from treasury, control of the Company may change and shareholders may suffer dilution. If additional financing is not available, or if available, not available on satisfactory terms, this could result in a material adverse effect or could require the Company to reduce, delay, scale back or eliminate portions of its actual or proposed operations at the applicable time or could prevent the Company from continuing as a going concern.

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

A Localized Epidemic or Global Pandemic

A widespread outbreak of influenza or any other similarly communicable illness, occurring in the United States or Canada, or a World Health Organization travel advisory primarily relating to North American cities or regions could affect the Company’s ability to continue full operations and could materially adversely affect customer demand for air travel.

During the year ended December 31, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. COVID-19 continues as a virus and while some jurisdictions have eased restrictions recently, various governments have previously enacted restrictions on the movement of people and goods during periods of increasing positive infection rates. Although multiple vaccines have been released and are being administered to the public, there have been coincidental mutations to the virus known as COVID-19 and which have been reported to be more virulent. At present, air travel demand has resumed, and most public health orders have been rescinded with the exception of, depending on the country, certain ones related to vaccination, testing and mask requirements. Should vaccines prove less effective against the new virus strains resulting in a resurgence of COVID-19, it is possible that additional governments would issue additional public health orders which might include restricting the movement of people and goods and thereby reduce the demand for air travel.

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

Even if the COVID-19 pandemic remains in its current state, any other outbreak of influenza or any other similarly communicable illness, occurring in the United States or Canada, or a World Health Organization travel advisory primarily relating to North American cities or regions could affect the Company's ability to continue full operations and could materially adversely affect the Company's customer demand for air travel. The Company cannot predict the likelihood of such a public health emergency nor the effect it may have on the Company's business or the value or market price of the Voting Shares. However, any significant reduction in passenger traffic on the Company's flights could result in a material adverse effect.

Accuracy of Business Model

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

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

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

Lack of Operational History

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

Regulatory Approvals

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

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

Access to Aircraft and Capital Requirements

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

Price and Availability of Fuel

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

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

The Company may be subject to cyber security risks

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

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

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

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

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

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

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

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

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

The Company's securities are subject to price volatility

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

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

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

COMMITMENTS

Flight Booking System

On November 12, 2021, the Company entered into a five year license agreement with a vendor to license a flight booking software system, which expires on November 11, 2026. The Company may terminate the agreement for convenience by providing ninety days written notice and paying a termination fee calculated as the number of months remaining on the contract by the minimum monthly fee. As at December 31, 2022, the termination fee of the contract would be $284,952.

Supplier Agreement

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

Merchant Agreement

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

Airbus Lease Agreement

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

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

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

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

CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations as of December 31, 2022:

Payments Due By Period

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	$ 2,968,475	$ 2,968,475	-	-	-
Lease liabilities	31,716,141	4,236,816	12,703,523	8,307,412	6,468,390
Long-term loan payable	2,010,122	853,368	1,156,754	-	-
Total Contractual Obligations	$36,694,738	$ 8,058,659	$13,860,277	$8,307,412	$6,468,390

OFF BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

The following events occurred subsequent to the period ended December 31, 2022:

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

- On March 15, 2023, the Company granted 75,000 RSUs to a director of the Company, whereby 100% of the RSUs vest at the first anniversary of the grant date.

- The Company has started flights to Las Vegas and Cancun from Toronto in February 2023 and March 2023 respectively.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

The Chief Executive Officer and Chief Financial Officer have certified that they have designed disclosure controls and procedures (or caused them to be designed under their supervision) and they are operating effectively to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to them by others within those entities as of December 31, 2022.

Internal Control Over Financial Reporting

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2022, the Company's internal control over financial reporting is effective.

During the year ended December 31, 2022, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitation of Controls and Procedures

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

ADDITIONAL INFORMATION

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

APPROVAL

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