



## NEWS RELEASE

**Jetlines loses SmartLynx and InHarv investments, postpones launch and reduces its activity until the Competition Bureau finalizes its WestJet investigation.**

**October 28, 2019**

**(JET: TSX-V; JETMF: OTCQB)**

**VANCOUVER, BRITISH COLUMBIA, Canada** Jetlines Ltd. (JET: TSX-V; JETMF: OTCQB) (the “Company” or “Jetlines”) postpones launch date until Competition Bureau defines its position.

The Company advises that given that it has not satisfied the financing condition to secure \$40 million in financing in addition to the funds committed by SmartLynx. As a result, SmartLynx and InHarv ULCC Growth Fund have exercised their rights to terminate their investment commitments. The Dec 17, 2019 Launch date will need to be postponed and the Company will not pay additional deposits and will therefore not receive their first two Airbus 320 it has planned to receive in November this year. No further date will be announced until funding is secured.

One of the principal concerns encountered by Jetlines team while engaging with investors is that they believe the existing dominant members of Canada’s aviation duopoly will react very aggressively once the company starts operations, and in fact have already done so in anticipation of Jetlines entry into the market. Specifically, Jetlines retained market analysis experts that concluded there is ample evidence to state that:

1. Swoop is pricing lower than other airlines, and significantly lower than the other ULCC entrant serving Canadian and transborder passengers;
2. Empirical evidence suggests that Swoop is pricing below avoidable costs on the routes identified by the Competition Bureau in their current investigation;
3. Empirical evidence suggests that Swoop is pricing below avoidable costs on routes other than those identified by the Competition Bureau in their current investigation;
4. Qualitative analysis of changes in service illustrates Swoop / WestJet’s rapid increase in capacity beyond what economic sense might dictate;
5. After Flair discontinued service to and from Hamilton, ON, Swoop maintained higher prices on the routes where Flair discontinued service than their other routes; and
6. Although Jetlines’ avoidable costs will be lower than Swoop’s, empirical evidence suggests that Swoop is pricing below Jetlines’ avoidable costs as well — and is attempting to deter entry by Jetlines on its proposed routes.

In the opinion of Jetlines management and its retained experts, the above factors all amount to an abuse of dominance. Senior representatives from the Company’s management team made multiple appearances before the Competition between January and July 2019.



An [Air Protest](#) was staged in the month of July to motivate the Competition Bureau to define its position on the current investigation the Bureau is conducting on WestJet and Swoop. The Company believes further consolidation in the Canadian Airline Industry is making the market opportunity even bigger and has confidence in raising the money once there is a firm position by the Competition Bureau.

In order to conserve cash, the Company will lay off most employees except for a core team lead by the Executive Chairman who will continue meeting with investors trying to secure financing. The Company intends to re-hire again employees once proper funding have been secured. In addition, the Company's CEO, Mr. Javier Suarez, has tendered his resignation effective immediately. The Company will begin the process to identify a replacement CEO. Mr. Zygimantas Surintas has also tendered his resignation as a director of the Company.

Most contracts signed for airline systems have been put on hold and will be ready to be re-started once the airline is ready to launch. Similarly, all the manuals that have been submitted to Transport Canada in order to obtain the Airline Operators Certificate will be kept and updated as required.

Mark Morabito, Executive Chairman comments *"It is very unfortunate that we have to postpone our launch date. We have built as much as anybody can without access to more capital. We have invested in bringing the most talented people who have done an incredible job putting together our operations manuals and systems, our brand, website and all other commercial components needed for launch."*

The Company also confirms that, further to its press release of October 8, 2019, the total amount of debt settled through the issuance of 738,094 shares is \$195,595.

### **About Canada Jetlines Ltd.**

Canada Jetlines is set to become Canada's first true Ultra-Low Cost Carrier (ULCC) airline, with plans to operate flights across Canada and provide non-stop service from Canada to the United States, Mexico and the Caribbean. The Company plans to commence operations with the Airbus A320 fleet, the most widely used aircraft for ultra-low cost carriers worldwide. Jetlines is led by a board with extensive experience and expertise in low-cost airlines, start-ups and capital markets. The Company was granted an unprecedented exemption from the Government of Canada that will permit it to conduct domestic air services while having up to 49% foreign voting interests.

Jetlines ability to sell tickets and launch airline service remains subject to the completion of the airline licensing process, the receipt of applicable regulatory approvals and the completion of financing.

For more information on Jetlines, please visit our website at [www.jetlines.com](http://www.jetlines.com).



## ON BEHALF OF THE BOARD

**"Mark J. Morabito"**  
Executive Chairman



Canada Jetlines is part of the King & Bay group of companies. King & Bay is a merchant bank that specializes in identifying, funding, developing and supporting growth opportunities in the resource, aviation, and technology sectors.

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### **Cautionary Note Regarding Forward-Looking Information**

*This news release contains "forward-looking information" concerning anticipated developments and events that may occur in the future. Forward-looking information contained in this news release includes, but is not limited to, statements with respect to (i) the commencement of operations and the success of expected future operations of the Company; (ii) the routes that Jetlines intends to service; and (iii) Jetlines ability to offer the lowest airfares in Canada.*

*In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information contained in this news release is based on certain factors and assumptions regarding, among other things, the receipt of financing to commence airline operations, the accuracy, reliability and success of the Jetlines' business model; the timely receipt of governmental approvals; the timely commencement of operations by Jetlines and the success of such operations; the legislative and regulatory environments of the jurisdictions where the Jetlines will carry on business or have operations; the impact of competition and the competitive response to the Jetlines' business strategy; and the availability of aircraft. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.*

*Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include risks related to, the ability to obtain financing at acceptable terms, the impact of general economic conditions, domestic and international airline industry conditions, future relations with shareholders, volatility of fuel prices, increases in operating costs, terrorism, pandemics, natural disasters, currency fluctuations, interest rates, risks specific to the airline industry, the ability of management to implement Jetlines' operational strategy, the ability to attract qualified management and staff, labour disputes, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits; and the additional risks identified in the "Risk Factors" section of the Company's reports and filings with applicable Canadian securities regulators. There is no assurance that the closing of the Offering will occur. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information is made as of the date of this news release. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information.*

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