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### **GENERAL**

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

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

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

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

### FORWARD LOOKING STATEMENTS

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

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

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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 a global pandemic on global economic conditions; the successful negotiation of aircraft leases; the completion of the financing necessary to sustain airline operations; and the other factors described under the heading "Risk Factors" in this MD&A and the Company's Annual Information Form.

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

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

## DESCRIPTION OF BUSINESS AND RECENT DEVELOPMENTS

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

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

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

On February 1, 2023, the Company announced that it was continuing to grow the charter segment of its business and had completed 95 charter flights in December 2022 and January 2023.

On March 16, 2023, the Company announced that it was 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 were discussing the possibility of including non-stop flights between Toronto-Pearson and Doha, the home of Qatar Airways. The collaboration was 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. At present the Company has received a designation from the Minister of Transport that it is eligible to hold a license for scheduled international service to Qatar. However, the Minister of Transport has not allocated any own-aircraft capacity to the Company for this route. At the present time the Company is not pursuing this transaction.

On March 27, 2023, the Company announced that it had signed a contract to provide aircraft and crew for another airline for 5 months starting at the end of March 2023. The contract consisted of daily flying that continued until the beginning of September 2023.

On April 24, 2023, the Company announced that it had signed a contract to provide aircraft and crew to the Ottawa RedBlacks for select regular season games. The contract cover the period from 2023 to 2025.

On April 27, 2023, the Company closed a non-brokered private placement to raise a total of \$575,003 (the "April 2023 Offering"). The April 2023 Offering consisted of 2,738,104 units issued at \$0.21 per unit (each an "April 2023 Unit"). Each April 2023 Unit consisted of one Share and one half of one warrant (each whole warrant a "April 2023 Warrant"). Each April 2023 Warrant entitles the holder thereof to purchase an additional Share for a period of 24 months after closing at a price of \$0.35 per Share. The Company used the net proceeds of the April 2023 Offering for general corporate, working capital and investor relations purposes. \$100,000 of the April 2023 Offering was specifically allocated to investor relations purposes. No finders' fees were paid in connection with the April 2023 Offering.

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

On May 17, 2023, the Company announced that it had signed a contract with a leading Cruise company that provided for Canada Jetlines provide charter operations in the months of July and August 2023.

On June 5, 2023, the Company announced that it had signed a contract to provide aircraft and crew to the Toronto Argonauts for their regular season games. The contract provided for the Company to fly the team to select away games during the 2023 season and has now concluded.

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On July 6, 2023, the Company signed a 6-month contract with FlyAllways, a Caribbean airline based in Suriname, where FlyAllways chartered the Company's aircraft to provide weekly flights between Toronto and Georgetown, Guyana. Commencement of flying started in Q3 2023 and has now concluded.

On July 31, 2023, the Company announced that it had taken delivery of its third Airbus A320 aircraft, which was provided by a global aviation lessor providing aircraft and capital to the world's airlines. The aircraft is an Airbus A320-200, listed under the manufacturer's serial number MSN3460, equipped with two CFM56-5B4/3 engines. Prior to delivery to the Company the aircraft was painted with Jetlines livery and new Recaro 3530 seats were installed.

On October 3, 2023, the Company announced that it had closed the first tranche of its non-brokered private placement with a single arm's length investor to raise a total of \$13,500,001 (the "Jetstream Offering"). The Jetstream Offering consists of Shares issued at \$0.1721252 per Share. The investor is Jetstream Aviation Inc. (the "Investor" or "Jetstream") which is a Canadian corporation. The closing of the first tranche of the Jetstream Offering resulted in the Investor purchasing 19,598,017 Shares, equal to approximately 19.9% of the issued and outstanding shares of the Company, for an aggregate purchase price of \$3,373,313.

On December 29, 2023 the Company announced that it had closed on a second tranche \$2.66 million in proceeds from its non-brokered private placement with the Jetstream Offering. The closing of the additional proceeds of the Jetstream Offering resulted in the Investor purchasing 15,453,868 Shares, for an aggregate purchase price of \$2,660,000. The balance amount of \$7,466,688 was received on January 23, 2024 and the Company issued an additional 43,379,402 Shares to the Investor on such date. As a result of the closing of the additional proceeds of the Jetstream Offering, Jetstream now holds 78,431,287 Shares equal to approximately 50% of the issued and outstanding shares of the Company at the time of closing.

On January 4, 2024, the Company announced the addition of two new A320-214 aircraft to its fleet. The Company has signed lease agreements with CMB Financial Leasing, also known as CMB Leasing, marking a strategic move to enhance the airline's operational capabilities and meet the growing demand for affordable air travel. The A320-214 aircraft, scheduled for delivery in the second quarter of 2024.

On January 9, 2024, the Company announced the addition of its sixth aircraft, a A320-214 aircraft. The Company has signed the lease agreement on Aircraft bearing MSN 5661. This aircraft was delivered on March 15, 2024.

On March 3, 2024, the Company announced a strategic wet lease agreement with a prominent European carrier. The operation is set to begin with one aircraft in late April 2024 for a period of six months and with a second aircraft in late June for a period of three months, the collaboration reflects Canada Jetlines operational ability in maximizing fleet utilization by deploying its aircraft and crew to Europe in the summer.

On March 18, 2024, the Company announced the delivery of one (1) Airbus A320-200 on long-term lease from Aviation Capital Group LLC (ACG).

On March 26, 2024, the Company announced that it will deploy an additional two aircraft from its fleet in Morocco this summer under an Wetlease /ACMI (Aircraft, Crew, Maintenance, and Insurance) lease agreement with Air Arabia Moroc. Under the terms of the agreement, two of Canada Jetlines' A320 aircraft will operate flights between Western European destinations and Morocco. The lease duration spans three months, commencing mid-June through to mid-September 2024.

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### **OUTLOOK**

The Company operates passenger flights, charter and leasing, with business in USA, Jamaica, Guyana, and 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 also provides vacation packages to Canadian destinations and beyond via strong partnerships with airports, CVBs, tourism entities, hotels, hospitality brands, and attractions. The Company also uses its fleet to provide corporate customers and brokers charter services and ACMI (Aircraft, Crew, Maintenance and Insurance). The Company intends to grow to seven aircrafts by the end of 2024 and has a projected growth to 15 aircrafts by 2026, Jetlines aims to offer the best-inclass 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 sells Package Vacations products like hotel stays, car rental, and other travel related products and services. In addition, Jetlines Vacations will support the airline and will build a network of resellers and holiday partnerships to offer for sale.

## PRIVATE PLACEMENTS AND OTHER FINANCING

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

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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 September 2022 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 September 2022 Units (including Bonus Units) were issued in the September 2022 Offering with employees participating for \$1.134 million of the September 2022 Offering. Each September 2022 Unit consists of one Share and one half of one warrant (each whole warrant a "September 2022 Warrant"). Each September 2022 Warrant entitles the holder thereof to purchase an additional Share for a period of 24 months after closing at a price of \$0.40 per Share. The warrants expire on September 30, 2024.

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

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

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

On February 9, 2023, the Company entered into a third loan agreement (the "February 2023 Loan Agreement") with Roosheila for a loan of \$1,500,000. Subsequently this loan agreement was assigned to Square Financial Investment Corporation ("Squarefic") and proceeds were advanced on March 10, 2023. Squarefic is also wholly owned subsidiary of Regenold Christian, a director of the Company.

On April 27, 2023, the Company closed the April 2023 Offering. The April 2023 Offering consisted of 2,738,104 units issued at \$0.21 per unit. Each April 2023 Unit consists of one Share and one half of one April 2023 Warrant. Each April 2023 Warrant entitles the holder thereof to purchase an additional Share for a period of 24 months after closing at a price of \$0.35 per Share.

On August 22, 2023, the Company issued 25,000 Common Shares, and on October 30, 2023, the Company issued 25,000 Common Shares of the 100,000 Common Shares issuable under the loan agreements.

On October 3, 2023, the Company secured a non-brokered private placement to raise \$13,500,001 consisting of 78,431,287 Common Shares issued at \$0.1721252 per Common Share. As of December 31, 2023 \$6,033,313 was received and 35,051,885 Common Shares issued. The balance amount of \$7,466,688 was received on January 23, 2024.

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During the year ended December 31, 2023 the Company issued 5,193,139 Shares upon the exercise of 5,193,139 RSUs, which had a fair value of \$1,943,471.

### SELECTED ANNUAL INFORMATION

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

	De	ecember 31, 2023	D	ecember 31, 2022	D	ecember 31, 2021
Revenue		37,181,396		3,326,824		-
Income (loss) and comprehensive income (loss)	\$	(11,495,335)	\$	(13,438,121)	\$	(3,100,717)
Earnings (loss) per share (basic and diluted)	\$	(0.14)	\$	(0.22)	\$	(0.07)
Total assets		50,218,049		27,289,573		5,236,914

## Income (loss) and comprehensive income (loss)

The decrease in loss and comprehensive loss for the year ended December 31, 2023 as compared to the year ended December 31, 2022 was due to the first full year of revenue generating operation but also saw its operating expenses increasing from flight operations.

The increase in loss and comprehensive loss for the year ended December 31, 2022 as compared to the year ended December 31, 2021 was due to significant operational expenses incurred as part of the launch of the company. The company started generating revenue beginning in September 2022 but also saw its operating expenses increasing from flight operations.

The Company's loss and comprehensive 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.

Refer to "Review of Financial Results" for further detail of losses incurred during the years ended December 31, 2023, 2022, and 2021.

#### **Total Assets**

The increase in total assets as at December 31, 2023 compared to December 31, 2022 and 2021 is primarily attributable to the capitalization of right of use assets associated with the addition of aircraft under lease and increase in property and equipment.

## Canada Jetlines Operations Ltd. Management Discussion & Analysis

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### **REVIEW OF FINANCIAL RESULTS**

### Income (Loss) and comprehensive income (loss) for the period

For the year ended December 31, 2023, the Company operated 29 aircraft months as compared to 4 aircraft months in 2022.

For the year ended December 31, 2023, the Company reported comprehensive loss from operations in the amount of \$(11,495,335) or \$(0.14) per share, compared to a comprehensive loss in the amount of \$(13,438,121) and \$(0.22) per share in the prior year. The decrease in loss from operations in the amounts of \$1,942,785, is explained by the fact that the Company was fully operational during the current period.

#### Passenger revenues

For the year ended December 31, 2023, the Company earned \$9,784,002 versus \$828,321 in passenger revenues for the year ended December 31, 2022, as the Company did not start selling flight tickets until the second quarter of 2022 and revenue recognition did not occur until the third quarter of 2022.

#### Charter revenues

For the year ended December 31, 2023, the Company earned \$26,734,329 (2022: \$2,398,437) in revenue from charters and subservice (including ACMI). Such increase is due to increased flying activity with the Company's larger aircraft fleet.

## Other revenues

For the year ended December 31, 2023, the Company earned \$663,065 (2022: \$100,066) in ancillary and other revenues. Such increase is due to increased flying activity with the Company's larger aircraft fleet.

### Aircraft Fuel

For the year ended December 31, 2023, the Company incurred aircraft fuel costs in the amount of \$9,976,454 (2022: \$1,168,193) in connection with expenditures relating to purchasing fuel for aircraft. The significant increase is explained by the fact that the Company was fully operational during the current period.

## Wages, salaries and benefits

For the year ended December 31, 2023, the Company incurred wages, salaries and benefits expenses of \$9,896,066 (2022: \$4,867,891) in connection with payments to employees during the periods. These expenses increased as the Company hired additional employees in order to operate increased flight operations.

## Depreciation

For the year ended December 31, 2023, the Company recorded depreciation in the amounts of \$4,352,405 (2022: \$1,572,053), in connection with property, equipment and right-of-use assets. The majority of the increase is explained by the depreciation related to the Company's three aircraft leases.

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## Aircraft maintenance

For the year ended December 31, 2023, the Company incurred aircraft maintenance expenses of \$3,794,395 (2022: \$1,258,506) in connection with maintenance of the aircrafts. Maintenance expenses increased significantly as the Company is now operating and maintaining three aircraft as compared to one aircraft in the previous year.

## Airport and navigation fees

For the year ended December 31, 2023, the Company incurred airport and navigation fees of \$5,174,037 (2022: \$499,288) in connection with airport handling and navigation of flights. The significant increase is due to the fact that the Company was fully operational during the current period.

Sales, marketing, and distribution cost

For the year ended December 31, 2023, the Company incurred sales and marketing expenses of \$2,161,247 (2022: \$745,752), in connection with marketing of air services to passengers and charter customers. The significant increase is due to the fact that the Company was fully operating flights during the current period. The expenses have also increased substantially as a result of costs associated with online booking and distribution of tickets.

### Ground package costs

For the year ended December 31, 2023, the Company incurred ground package costs of \$14,802 (2022: \$Nil) which relates to expenses for vacation packages.

## Catering and onboard services

For the year ended December 31, 2023, the Company incurred catering and onboard services expenses in the amounts of \$882,054 (2022: \$136,454) which relates to amounts spent on catering food, beverage and other items. The significant increase is due to the fact that the Company was fully operating flights during the current period.

## Communications and information technology

For the year ended December 31, 2023, the Company incurred communications and information technology expenses in the amounts of \$1,638,303 (2022: \$292,369) which relates to amounts spent on software and communication related expenses. As the Company has commenced airline operations, these expenses have increased substantially and is a function of growing aircraft fleet and flight management expenses.

## Professional fees

For the year ended December 31, 2023, the Company incurred professional fees in the amounts of \$2,125,972 (2022: \$2,482,588), related to amounts spent on consulting and professional fees. The decrease in the current period is as a result of the Company's management team being transitioned from consultants to employees.

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Other overhead

For the year ended December 31, 2023, the Company incurred other expenses in the amounts of \$5,958,469 (2022: \$2,917,417), related to amounts spent on aircraft insurance, travel and entertainment, office expenses, employee training and development and other overhead. The significant increase is explained by the fact that the Company was fully operational during the current period.

## Non-Operating expense

For the year ended December 31, 2023, the Company recorded a foreign exchange gain (loss) in the amounts of \$(84,257) (2022: \$6,952) with respect to transactions and balances denominated in USD dollars and the impact of fluctuations in the exchange rate.

For the year ended December 31, 2023, the Company recorded interest income in the amounts of \$60,829 (2022: \$25,022) earned on cash balances held in bank accounts.

For the year ended December 31, 2023, the Company recorded interest expense and accretion in the amounts of \$190,988 (2022: \$35,526) and \$2,433,704 (2022: \$850,651), 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, 2023		Q3 September 30, 2023			Q2	Q1 March 31, 2023		
Description						June 30, 2023			
Revenues	\$	9,876,898	\$	13,398,728	\$	8,808,521	\$	5,097,249	
Income/(Loss) and comprehensive income (loss)	\$	(7,057,488)	\$	120,976	\$	(940,007)	\$	(3,618,816)	
Income/(Loss) per share		(0.09)		0.00		(0.01)		(0.05)	
Description	Q4 December 31, 2022		Q3 September 30, 2022		Q2 June 30, 2022		Q1 March 31, 2022		
				-		June 30, 2022	. 101	iai (ii 51, 2022	
Revenues	\$	3,237,680	\$	89,144	\$	-	\$	-	
Income/(Loss) and comprehensive income (loss)	\$	(4,528,552)	\$	(3,347,249)	\$	(3,015,214)	\$	(2,547,106)	
Income/(Loss) per share		(0.06)		(0.06)		(0.05)		(0.05)	

Historical quarterly results of operations and loss per share data do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company had limited operations focused on completing the airline licensing process until quarter ended September 30, 2022, after which it started its operational activities and continued to increase operational activity for the full year 2023. The Company's revenues have on average increased over the last four quarters, and except for the quarter ended December 31, 2023, its loss and comprehensive loss has also decreased as a result of the Company generating higher revenues. The loss and comprehensive loss were higher for the quarter ended December 31, 2023 as a result of higher fixed cost due to growth in the fleet. Going forward, the Company expects to see seasonal variation in its revenues, loss and comprehensive loss. Generally during the second and third quarter the Company conducts more charter and ACMI flying which has lower revenues but also lower expenses as

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the Company is not responsible for certain expenditures such as fuel. During the fourth quarter and first quarter the Company completes more scheduled service flying which can have greater revenue but also have higher expenses. 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, 2023, the company reported revenue of \$9,876,898 (2022 - \$3,237,680) representing an increase of \$6,639,218 compared to the same period of the prior year. Increase is comprised of flight revenue and subservice ACMI/charter revenue. The Company operated 12 aircraft months as compared to 4 aircraft months in 2022.

## **Expenses**

During the three-month period ended December 31, 2023, the Company incurred expenses of \$15,939,930 (2022 - \$7,378,667), representing an increase of \$8,561,264 compared to the same period of the prior year. The increase in total expenses is comprised of increases in Aircraft fuel \$3,493,609, salaries and benefits \$2,406,174, depreciation \$928,194, airport and navigation fees \$1,719,141, sales and marketing \$200,704, catering and onboard services \$193,332, communications and information technology \$659,329, office and administration \$499,620, and others \$270,506. The increases were due to the increase in operational activity related to the commencement of air service. Aircraft maintenance represents a decrease of \$1,809,344 due to capitalization of Maintenance reserves.

## Other items

During the three-month period ended December 31, 2023, the Company incurred other expense/(income) of \$994,457 (2022 – \$385,214), representing an increase of \$609,243 compared to the same period of the prior year. The increase in other expenses is comprised of interest accretion \$509,454, foreign exchange loss \$140,032, interest expenses \$22,433 and other income of (\$62,676).

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company had cash in the amount of \$5,367,877 (December 31, 2022: \$1,784,574) and working capital in the amount of (\$12,817,644) (December 31, 2022: \$(5,311,522)). The decrease in working capital in the amount of \$7,506,122 is explained by the increase in accounts payable and accrued liabilities, deferred revenue and customer deposits.

The Company commenced operations in the third quarter of 2022 and started to earn operating income from the sale of flights. However, the Company does not have sufficient operating income and requires additional financing to complete the growth of the airline's operations and to secure additional aircraft. In addition, based on the Company's existing operations and working capital position, the Company will need to raise additional capital during the next twelve months and beyond to continue operations. To date, the Company's operations have been almost entirely financed from equity and loan financing. The Company will continue to identify financing opportunities in order to provide additional financial flexibility. On October 3, 2023 the Company has secured additional equity financing of \$13.5 million, of which \$6,033,313 was received as of December 31, 2023. The balance amount of \$7,466,688 was received on January 23, 2024. These funds will be used to enhance the expansion plans and also help with working

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capital position of the company.

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, 2023, and 2022 are summarized in the table below.

	Dece	ember 31, 2023	<b>December 31, 2022</b>
Cash provided by (used in) operating activities		2,971,397	(7,107,359)
Cash provided by (used in) investing activities		(1,352,930)	(2,011,865)
Cash provided by (used in) financing activities		1,964,836	7,324,089
Change in cash during the period		3,583,303	(1,795,135)
Cash, beginning of the period		1,784,574	3,579,709
Cash, end of the period	\$	5,367,877	\$ 1,784,574

## **Operating Activities**

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

## **Investing Activities**

During the year ended December 31, 2023, the Company purchased \$1,352,930 (2022: \$2,011,865) of property and equipment.

## Financing Activities

Financing activities for the year ended December 31, 2023, consist of the following activities:

	December 31, 2023	<b>December 31, 2022</b>
Proceeds from private placement	6,608,316	5,634,655
Share issuance costs	(22,969)	(14,887)
Shares issued to vendors	83,463	-
Proceeds from loan payable	1,500,000	2,000,000
Repayments of loan	(976,055)	(226,984)
Lease payments	(4,927,397)	(1,109,919)
Maintenance payments	(300,522)	-
Payments received from lessor	-	1,041,224
Net cash from financing activities	\$ 1,964,836	\$ 7,324,089

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## STATEMENT OF FINANCIAL POSITION INFORMATION

	As at	As at
	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$5,367,877	\$1,784,574
Receivables	1,064,583	758,781
Inventory	55,177	40,042
Prepaid expenses	202,392	322,424
Deposits	6,023,215	1,198,237
Property and equipment	2,883,343	1,956,080
Right-of-use assets	34,621,462	21,229,435
Total Assets	\$50,218,049	\$27,289,573
Accounts payable and accrued liabilities	\$10,699,079	\$2,968,475
Deferred revenue and customer deposits	4,349,441	369,583
Lease liabilities - current	3,673,322	4,118,271
Loans payable - current	785,831	761,014
Lease liabilities - long term	34,055,543	19,265,792
Loans payable - long term	1,775,644	1,058,528
Maintenance provision	586,255	406,508
Share capital	24,060,950	15,566,381
Obligation to issue shares	26,250	33,596
Reserves	2,154,417	3,194,773
Deficit	(31,948,683)	(20,453,348)
Total Liabilities and Equity	\$50,218,049	\$27,289,573

## **Assets**

Cash increased by \$3,583,303 during the year ended December 31, 2023, as a result of equity financing, increased aircraft utilization, higher demand in charter sales, and strong advanced sales to customers for future flights in fiscal 2024. Cash flows are detailed in "Liquidity and Capital Resources". Operating activities are detailed in "Review of Financial Results". Equity financing activities are detailed in "Private Placements and Other Financing"

Receivables increased by \$305,802 during the year ended December 31, 2023, due to an increase in operational activity.

Inventory increased by \$15,135 during the year ended December 31, 2023, related to the purchase of catering and onboard products inventory.

Prepaid expenses decreased by \$120,032 during the year ended December 31, 2023 and this is primarily explained by amortization of prepaid expenses.

Deposits increased by \$4,824,978 during the year ended December 31, 2023 and this is primarily explained by increase in deposits made for operations.

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During the year ended December 31, 2023, the Company recognized \$1,352,930 in property and equipment additions, and depreciation of \$425,667.

During the year ended December 31, 2023, the Company recognized \$17,318,764 (2022: \$22,401,354) in right-of-use asset additions, and depreciation of \$3,868,675 (2022: \$1,386,145). The right-of-use asset consists of three aircraft leases, office leases, maintenance reserve provision, and aircraft return maintenance provision.

### Liabilities

During the year ended December 31, 2023, accounts payable and accrued liabilities increased by \$7,730,604 which is explained by higher costs associated with increased operational activity and the timing of payments and invoices received at the end of the period.

During the year ended December 31, 2023, deferred revenue increased by \$3,979,858, which is related to revenues and customer deposits collected in advance from customers for future flights.

During the year ended December 31, 2023, the Company recognized lease liability addition of \$17,167,884 (2022: \$23,520,693). The current portion of the lease liability is \$3,673,322 and the long-term portion is \$34,055,543. Interest accretion of \$2,433,704 has been recorded during the period (2022: \$850,651). The lease liability consists of three aircraft leases, office leases, maintenance reserve provision, and aircraft return maintenance provision.

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. The Company repaid 75% of the principal amount before December 31, 2023, the repayment of the remaining 25% of the principal amount was forgiven and recorded as income.

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 used 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 used the net proceeds of the loan for general corporate and working capital purposes.

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During the year ended December 31, 2023, the Company entered into loan agreement as follows:

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

The aggregate current portion of the loans payable is \$785,831 and the long-term portion is \$1,775,644. Interest accretion of \$190,988 has been recorded during the year ended December 31, 2023.

### **Equity**

During the year ended December 31, 2023, the share capital balance increased from the following activities:

- On April 27, 2023, the Company closed the April 2023 Offering to raise a total of \$575,003 consisting of 2,738,104 April 2023 Units issued at \$0.21 per unit. Each April 2023 Unit consists of one Share and one half of one April 2023 Warrant. Each April 2023 Warrant entitles the holder to purchase an additional Share for a period of 24 months after closing at a price of \$0.35 per Share. The April 2023 Warrants expire on April 27, 2025.
- On August 22, 2023, the Company issued 25,000 Shares of the 100,000 Shares issuable under the terms of loan agreements.
- On September 28, 2023, the Company announced a non-brokered private placement to raise \$13,500,001 consisting of 78,431,287 Common Shares issued at \$0.1721252 per Common Share. As of December 31, 2023 \$6,033,313 was received and 35,051,885 Common Shares issued.
- On October 28, 2023, the Company issued 25,000 Shares of the 100,000 Shares issuable under the terms of loan agreements.
- The Company issued 5,193,139 Shares upon the exercise of 5,193,139 RSUs, which had a fair value of \$1,929,971.

During the year ended December 31, 2023, Reserves decreased by \$1,040,356, which is related to share-based payments expenses and RSUs being exercised during the period.

During the year ended December 31, 2023, the deficit increased in the amount of \$11,495,335.

## **SHARE CAPITAL**

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

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## **Common voting shares**

A Common Share carries one vote per Common 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, 2023

Common voting shares - issued and outstanding	83,010,843
Variable voting shares - issued and outstanding	31,190,430
Voting Shares issuable on vesting of restricted share units	1,790,553
Voting Shares issuable on exercise of stock options	313,367
Voting Shares issuable on exercise of warrants	10,583,016
Voting Shares - fully diluted	126,888,209

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### **Share Issuances**

Private Placement

During the year ended December 31, 2023,

- The Company issued 5,193,139 shares upon the exercise of 5,193,139 RSUs, which had a fair value of \$1.943,471 (net value after adjustments).
- On September 28, 2023, the Company announced a non-brokered private placement to raise \$13,500,001 consisting of 78,431,287 Common Shares issued at \$0.1721252 per Common Share. As of December 31, 2023 \$6,033,313 was received and 35,051,885 Common Shares issued.
- On August 22, 2023, the Company issued 25,000 Shares of the 100,000 Shares issuable under the terms of loan agreements.
- On April 27, 2023, the Company closed the April 2023 Offering to raise a total of \$575,003 consisting of 2,738,104 April 2023 Units issued at \$0.21 per unit. Each April 2023 Unit consists of one Share and one half of one April 2023 Warrant. Each April 2023 Warrant entitles the holder to purchase an additional Share for a period of 24 months after closing at a price of \$0.35 per Share. The April 2023 Warrants expire on April 27, 2025.
- On October 28, 2023, the Company issued 25,000 Shares of the 100,000 Shares issuable under the terms of loan agreements.

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

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

## **Stock options**

The company granted 389,562 stock options during the year ended December 31, 2023.

During the year ended December 31, 2023, the Company recognized a share-based payment expense with respect to stock options in the amount of \$15,241 (2022: \$28,642).

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### **Restricted share units**

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

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

During the year ended December 31, 2023, the Company granted 370,500 RSUs (2022 – 1,910,000) to various officers, directors, employees and consultants of the Company, whereby 50% of the RSUs vest at the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date.

During the year ended December 31, 2023, the Company granted 514,303 RSUs (2022 – 151,923) to various officers, directors, employees and consultants of the Company, whereby 100% of the RSUs vest within one year of the grant date.

During the year ended December 31, 2023, the Company granted 17,000 RSUs (2022 – 349,000) to various employees of the Company, whereby 100% of the RSUs vest within two years of the grant date.

During the year ended December 31, 2023, the Company granted 230,043 RSUs (2022 – 127,920) to various officers, directors, and consultants of the Company, whereby 100% of the RSUs vested prior to December 31, 2023

During the year ended December 31, 2023, the Company cancelled 2,598,000 RSUs (2022 – 655,500) related to individuals who left the Company during the year or consultants whose agreements were terminated.

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#### 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, former Chief Commercial Officer, Chief Operating Officer and Vice Presidents.

Remuneration attributed to key management personnel for the year ended December 31, 2023, and 2022 is summarized as follows:

	December 31, 2023	3 December 31, 2022
Consulting fees	102,282	546,187
Director fees	283,500	186,000
Salaries	1,091,813	60,000
Share-based payments	299,953	889,855
	\$ 1,777,548	\$ 1,682,042

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.

## Accounts payable and accrued liabilities.

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

As at December 31, 2023 and 2022, amounts owing to related parties of \$143,870 (2022 – \$143,696) were included in accounts payable and accrued liabilities.

The nature of these accounts payable and accrued liabilities relates to consulting fees, director fees and salaries payable as at December 31, 2023 and 2022. Transactions with related parties were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. 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.

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

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

Roosheila and Squarefic are each related parties owned by Regenold Christian, a Director of the Company. Interest paid on the loans to related party for year ended December 31, 2023 was \$190,988 (2022 - \$33,527).

### **GOING CONCERN**

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The continuing operations of the Company are dependent upon the Company's ability to raise adequate financing and to commence 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, 2023, the Company had a negative working capital of \$ 12,817,644 and accumulated deficit of \$ 31,948,684. During the year ended December 31, 2023, the Company generated a net loss of \$11,495,335 (2022 - \$13,438,121). The Company will need additional financing to fund general and administrative expenses and working capital requirements for the next twelve months. In addition, the Company requires additional financing to continue to grow the airline's operations and to secure additional aircraft. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. Changes in future conditions or anticipated future conditions could require material write-downs to the carrying values of the Company's assets. These adjustments could be material. There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

As at December 31, 2023, the Company completed private placements of \$6,608,316, (2022: \$5,538,941) to support the ongoing growth of the airline operations. Without additional financing, the Company will be unable to fund general and administrative expenses and working capital requirements for the next

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twelve months. In addition, the Company requires additional financing to complete the growth of the airline's operations and to secure additional aircraft. On October 3, 2023 the Company has secured additional equity financing of \$13.5 million, of which \$6,033,313 was received as of December 31, 2023. The balance amount of \$7,466,688 was received on January 24, 2024.

### CRITICAL ACCOUNTING ESTIMATES

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

## **Critical Judgments**

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

## Going Concern

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

### **Key Sources of Estimation Uncertainty**

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

## Valuation of restricted share units

The value of the RSUs was based on the fair value of the Company's shares on the date of grant. For any RSUs granted prior to October 13, 2021 (the date the Company's shares became publicly traded) 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 RSUs 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

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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, 2023 and 2022.

### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

### Credit risk

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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, 2023	<b>December 31,2022</b>
Cash	354,677	690,058
Amounts receivable	133,178	440,273
Total financial assets	487,855	1,130,331
Accounts payable and accrued liabilities	(2,613,375)	(530,422)
Lease liabilities	(28,295,060)	(17,555,017)
Net statement of financial position exposure	(30,420,580)	(16,955,108)

Based on the net US dollar and liability exposure as at December 31, 2023 a 10% fluctuation in the CAD/US exchange rates would impact the Company's earnings by approximately \$3,042,058 (2022 - \$1,695,511).

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## 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, provided that the Company will remain under majority Canadian control per the terms of its Articles and regulatory requirements. 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

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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. 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 began operating as an airline in Q3, 2022. The primary current implications of COVID-19 was the potential to reduce demand for travel and the potential to disrupt the Company's ability to obtain additional financing to fund ongoing operations. As the Company has negative cash flows from operations, it is reliant on additional financing to fund ongoing operations. Future disruptions from COVID-19 will impact the Company's financial position, results of operations and cash flows in future periods.

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

## **Accuracy of Business Model**

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

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

Should one or more of these inputs and assumptions not be correct or fail to occur as anticipated then

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there is a risk that the Company's business model may not be implemented as anticipated and the Company may suffer a material adverse effect.

## **Lack of Operational History**

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

## **Regulatory Approvals**

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

In addition, in order to fulfill its objective to fly to destinations in the United States, Mexico, the Caribbean and elsewhere, the Company will require approval from regulatory authorities in those jurisdictions and once received, will be required to comply with the terms of such regulatory approval. To date, the Company has received international regulatory approval to operate into the United States, Mexico, Jamaica and certain Caribbean destinations.

## **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 six aircraft 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

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materially affect the Company's projected operating results and growth strategy. A fuel supply shortage or significantly higher fuel prices could result in a curtailment of the Company's planned scheduled service. There can be no assurance that increases in the price of fuel can be off-set by fuel surcharges.

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

## The Company may be subject to cyber security risks

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

In recent years 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

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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

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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, 2023, the termination fee of the contract would be \$211,205.

### **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.

## **CONTRACTUAL OBLIGATIONS**

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

## **Payments Due By Period**

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<b>Contractual Obligations</b>	Total		Less than 1 year		1	to 5 years	More than 5 years	
Accounts payable and accrued liabilities	\$	10,699,079	\$	10,699,079	\$	-	\$	-
Lease liabilities		50,619,554		6,498,398		28,047,746		16,073,410
Long-term loan payable		2,981,452		944,104		2,037,348		
Total Contractual Obligations	\$	64,300,085	\$	18,141,581	\$	30,085,094	\$	16,073,410

### OFF BALANCE SHEET ARRANGEMENTS

The company has a line of credit from CIBC guaranteed by Export Development Corporation in the amount of C\$1,800,000. This line is being used to issue letters of credit to vendors.

### 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, 2023.

## **Internal Control Over Financial Reporting**

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In conducting the assessment, a significant deficiency was identified related to the analysis of lease agreements and the accounting analysis for supplemental rent payments. The impact of this deficiency was not material to the results in the Company's financial statements and no material weakness was identified. The Company has made adjustments to its internal accounting procedures to ensure this deficiency does not occur in future periods. As a result, despite the deficiency identified, based on its assessment, management believes that, as of December 31, 2023, the Company's internal control over financial reporting is effective.

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

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#### **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.