CANADA JETLINES OPERATIONS LTD.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2024

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim consolidated financial statements of Canada Jetlines Operations Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Canada Jetlines Operations Ltd.
Consolidated Interim Statements of Financial Position
As at March 31
(Unaudited)
(in Canadian Dollars)

	Note	March 31, 2024	December 31, 2023
ASSETS			
Cash and cash equivalents		$ 3,693,882	$ 5,367,877
Receivables	4	1,111,752	1,064,583
Inventory		63,419	55,177
Prepaid expenses	5	434,275	202,392
Current Assets		**5,303,328**	**6,690,029**
Deposits	5	8,251,683	6,023,215
Property and equipment	6	3,313,059	2,883,343
Right-of-use assets	7	33,476,556	34,621,462
Total Assets		**$ 50,344,626**	**$ 50,218,049**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
LIABILITIES			
Accounts payable and accrued liabilities	8, 9	$ 10,164,342	$ 10,699,079
Deferred revenue and customer deposits		5,235,609	4,349,441
Current portion of lease liabilities	7	4,183,437	3,673,322
Current portion of loans payable	10	664,961	785,831
Current Liabilities		**20,248,349**	**19,507,673**
Lease liabilities	7	32,498,613	34,055,543
Loans payable	10	1,548,909	1,775,644
Maintenance provision	7	595,746	586,255
Total Liabilities		**54,891,617**	**55,925,115**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	11	31,553,184	24,060,950
Obligation to issue shares	11	46,400	26,250
Reserves	11	2,157,257	2,154,417
Deficit		(38,303,832)	(31,948,683)
Total Shareholders Equity (Deficiency)		**(4,546,991)**	**(5,707,066)**
Total Liabilities and Shareholders' Equity (Deficiency)		**$ 50,344,626**	**$ 50,218,049**

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

Approved on May 10, 2024 on behalf of the Board of Directors by:

Brigitte Goersch	*Shawn Klerer*
Chair	Director and Chair, Audit & Risk Committee

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

Canada Jetlines Operations Ltd.
Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
For the three months period ended March 31
(Unaudited)
(in Canadian Dollars)

	Note		2024		2023
OPERATING REVENUES		**$**	**11,498,074**	**$**	**5,097,249**
Aircraft fuel			3,755,224		1,505,370
Wages, salaries and benefits	9, 11		3,342,929		1,922,862
Airport and navigation fees			2,293,439		577,262
Aircraft maintenance			2,024,222		1,105,112
Depreciation	6, 7		1,404,618		816,225
Sales and marketing			1,002,771		451,874
Professional fees	9		659,982		388,675
Office expenses			612,009		481,625
Employee training and development			601,293		148,273
Communications and information technology			356,389		200,040
Aircraft insurance			262,769		105,955
Ground package costs			221,331		-
Catering and onboard services			163,458		103,909
Employee travel			43,978		45,083
Other overhead			367,732		301,900
TOTAL OPERATING EXPENSES			**17,112,144**		**8,154,165**
OPERATING INCOME (EXPENSE)			**(5,614,070)**		**(3,056,916)**
NON-OPERATING INCOME (EXPENSE)					
Foreign exchange gain (loss)			(24,393)		(18,931)
Interest income			39,912		-
Interest expense	10		(45,695)		(31,388)
Interest accretion	7		(755,866)		(457,174)
Gain (Loss) on assets disposal			44,962		-
Loan Closing Fees			-		(54,407)
TOTAL NON-OPERATING INCOME (EXPENSE)			**(741,079)**		**(561,900)**
NET INCOME (EXPENSE)		**$**	**(6,355,149)**	**$**	**(3,618,816)**
Basic and diluted loss per share		**$**	**(0.04)**	**$**	**(0.05)**
Weighted average number of shares outstanding - basic and diluted			**141,501,121**		**71,215,079**

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

Canada Jetlines Operations Ltd.
Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
For the three months period ended March 31
(Unaudited)
(in Canadian Dollars)

Balance – December 31, 2022	**71,168,145**	**$ 15,566,381**	**$ 3,194,773**	**$ 33,596**	**$ (20,453,348)**	**$ (1,658,598)**
Private placements	37,789,989	6,608,316		-	-	6,608,316
Finance warrants		(34,250)	34,250			-
Exercise of restricted share units	5,193,139	1,929,971	(1,936,125)	6,154	-	-
Shares issued	50,000	13,500	-	(13,500)	-	-
Shares issue costs	-	(22,969)	-	-	-	(22,969)
Share-based payments	-	-	805,056	-	-	805,056
Restricted share units issued to vendors			56,464			56,464
Loss for the year	-	-	-	-	(11,495,335)	(11,495,335)
Balance – December 31, 2023	**114,201,273**	**24,060,950**	**2,154,417**	**26,250**	**(31,948,683)**	**(5,707,066)**
Private placements	43,379,402	7,466,688		-	-	7,466,688
Options			-			-
Exercise of restricted share units	173,851	40,546	(60,696)	20,150	-	-
Shares issue costs	-	(15,000)	-	-	-	(15,000)
Share-based payments	-	-	48,536	-	-	48,536
Restricted share units issued to vendors			15,000			15,000
Loss for the year	-	-	-	-	(6,355,149)	(6,355,149)
Balance – March 31, 2024	**157,754,526**	**31,553,184**	**2,157,257**	**46,400**	**(38,303,832)**	**(4,546,991)**

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

Canada Jetlines Operations Ltd.
Consolidated Interim Statement of Cash Flows
For the three months period ended March 31
(Unaudited)
(in Canadian Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the Period	$ (6,355,148)	$ (3,618,816)
Items not affecting cash:		
Depreciation and amortization	1,404,618	816,225
Interest accretion on lease liabilities	720,760	457,174
Interest accretion on maintenance reserves provision	35,106	30,594
Interest accretion on loans payable	45,695	-
Stock-based compensation - RSU	48,536	266,652
Working capital item changes:		
Receivables	(47,169)	355,766
Inventory	(8,242)	(23,381)
Prepaid expenses and deposits	(2,460,351)	(83,731)
Accounts payable and accrued liabilities	(534,737)	1,098,073
Deferred revenue	886,167	2,367,614
Net cash (used in) / generated by operating activities	**(6,264,764)**	**1,666,170**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(586,638)	(48,536)
Net cash (used in) / generated by investing activities	**(586,638)**	**(48,536)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	7,466,688	-
Share issuance costs	(15,000)	-
Shares issued to vendors	15,000	25,321
Proceeds from loan payable	-	1,500,000
Repayments of loan	(393,299)	(206,158)
Lease payments	(1,886,074)	(843,933)
Other	(9,907)	-
Net cash (used in) / generated by financing activities	**5,177,408**	**475,231**
Net change in cash	(1,673,995)	2,092,864
Cash, beginning of the period	5,367,877	1,784,574
Cash, end of the period	**$ 3,693,882**	**$ 3,877,438**

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

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated interim financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The continuing operations of the Company are dependent upon the Company's ability to raise adequate financing and to 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 March 31, 2024, the Company had a negative working capital of $ (14,945,021) and accumulated deficit of $38,303,832. 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 the airline's operations and to execute on its growth strategy which includes securing additional aircraft. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

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

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated interim financial statements do not include all the information required for full annual financial statements.

These consolidated interim financial statements for the period ended March 31, 2024, were authorized by the Board of Directors for issuance on May 10, 2024.

Basis of measurement

The consolidated interim financial statements are prepared on a going concern basis, under the historical cost convention except for the revaluation of certain financial assets and liabilities to fair value. All financial information is presented in Canadian dollars, or as otherwise noted. The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

Basis of consolidation

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

2. BASIS OF PRESENTATION (continued)

Operating segments

The Company operates as one operating segment which is reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for the allocation of resources and assessing the performance of the operating segment and have been identified as the CEO and CFO of the Company.

Basis of presentation

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

3. MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash includes cash on hand and deposits held with banks and amounts held in short-term investments that mature within 90 days.

Inventory

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

Revenue

The Company recognized revenue in accordance with IFRS 15 Revenue from Contracts with Customers.

Passenger revenue
Passenger revenue includes revenue associated with providing flights and ancillary goods and services to guests such as fees associated with guest itinerary changes or cancellations, Premium upgrades, baggage fees, buy-on-board sales and pre-reserved seating fees. Passenger revenue is recognized when air transportation is provided or at flight date when tickets are no longer valid. Tickets sold but not yet used are reported in the consolidated statement of financial position as deferred revenue.

Charter and Aircraft, crew, maintenance and insurance ("ACMI") revenue
Operating revenue also includes Charter and ACMI revenue where the company provides services to other airlines or customers. Revenues, including certain fees and surcharges from passenger-related services such as seat selection and excess baggage, are recognized when transportation is provided.

3. MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

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

Foreign currency translation

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

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

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

Earnings (loss) per share

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments

Classification

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

The Company classifies its financial instruments as follows:

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

Measurement

Financial assets at FVTOCI

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

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Impairment of financial assets at amortized cost

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets

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

Financial liabilities

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

Impairment of non-financial assets

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

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

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

Share capital

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

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

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

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

When the value of goods or services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations. All equity-settled share-based compensation are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

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

Maintenance

Provisions

Provisions are made when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation in respect of a past event and where the amount of the obligation can be reliably estimated. The Company's aircraft lease agreements require leased aircraft to be returned to the lessor in a specified operating condition. This obligation requires the Company to record a maintenance provision liability for certain return conditions specified in the lease agreements. Certain obligations are based on aircraft usage and the passage of time, while others are fixed amounts. Expected future costs are estimated based on contractual commitments and the Company's knowledge. Each period, the Company recognizes additional maintenance expense based on increased aircraft usage, the passage of time and any changes to judgments or estimates, including discount rates and expected timing and cost of maintenance activities. The unwinding of the discounted present value is recorded as a finance cost on the consolidated statement of loss and comprehensive loss. The discount rate used by the Company is the current pre-tax risk-free rate approximated by the corresponding term of a Canadian government bond to the remaining term until cash outflow. Any difference between the provision recorded and the actual amount incurred at the time the maintenance activity is performed is recorded to maintenance expense.

Reserves

The Company's aircraft leases also requires the Company to pay supplemental rent or a maintenance reserve to the lessor.

3. MATERIAL ACCOUNTING POLICIES (continued)

Payments

Some of these payments are fixed on a monthly basis while others are based on aircraft usage. The purpose of these deposits is to provide the lessor with collateral should an aircraft be returned in an operating condition that does not meet the requirements stipulated in the lease agreement. Maintenance reserves are refunded to the Company when qualifying maintenance is performed, or if not refunded, act to reduce the end of lease obligation payments arising from the requirement to return leased aircraft in a specified operating condition. Where the amount of maintenance reserves paid exceeds the estimated amount recoverable from the lessor, the non-recoverable amount is recorded as maintenance expense in the period it is incurred. Non-recoverable amounts previously recorded as maintenance expense may be recovered and capitalized based on changes to expected overhaul costs and recoverable amounts over the term of the lease.

Restricted share units

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

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.

Income taxes

<u>Current income tax</u>

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

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

<u>Deferred tax</u>

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

Leases

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

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

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

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

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

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

Significant accounting judgments and estimation certainties

The preparation of consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated interim financial statements and notes to the consolidated interim financial statements. These estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the Company to make estimates include goodwill impairment testing and recoverability of assets, business combinations, income taxes, estimated useful life of long-lived assets, the fair value of share-based payments, and allowance for doubtful accounts.

3. MATERIAL ACCOUNTING POLICIES (continued)

These estimates and judgments are further discussed below:

Share-based payments

The fair value of all share-based payments granted are determined using the Black-Scholes option pricing model which incorporates assumptions regarding risk-free interest rates, dividend yield, expected volatility, estimated forfeitures, and the expected life of the options. The Company has a significant number of options outstanding and expects to continue to make grants.

Estimated useful lives of long-lived assets

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.

Incremental borrowing rates

The Company's incremental borrowing rate is used to estimate the initial value of the lease liability and associated right of use asset. The Company's incremental borrowing rate is determined with reference to the borrowing rate for a similar asset within a country for a similar lease term.

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.

Recoverability and timing of maintenance payments

The Company has a legal obligation to adhere to certain maintenance conditions set out in its aircraft operating lease agreements relating to the condition of the aircraft at lease return. To fulfill these obligations, a provision is made during the lease term. Estimates related to the maintenance provision include the likely utilization of the aircraft, the expected future cost of the maintenance, the point in time at which maintenance is expected to occur, the discount rate used to present value the future cash flows, the lifespan of life-limited parts and assumptions of lease extension terms. These estimates are based on data and information obtained from various sources including the lessor, current maintenance schedules and fleet plans, contracted costs with maintenance service providers, other vendors and company-specific history.

Going Concern

The determination of whether the Company has the ability to continue as a going concern is dependent on its ability to achieve profitable operations. There is an assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Certain judgments are made by management when determining if and when the Company will return to profitable operations.

Accounting standards issued but not yet applied

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

(in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

The following amendments are effective for the period beginning January 1, 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning January 1, 2025:

- Lack of exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates);

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Company.

4. RECEIVABLES

	Note	March 31, 2024	December 31, 2023
Trade receivables		$ 665,679	$ 489,919
Sales and other tax credits		432,678	548,933
Interest income receivable	9	-	14,602
Other		13,394	11,130
		$ 1,111,752	**$ 1,064,583**

5. PREPAID EXPENSES AND DEPOSITS

	March 31, 2024	December 31, 2023
PREPAID EXPENSES		
Travel trade	$ 108,199	$ 43,463
Professional fees	11,199	44,795
Insurance	121,471	24,966
Software	142,101	28,603
Subscriptions and memberships	40,032	51,333
Other	11,272	9,232
	$ 434,275	**$ 202,392**
DEPOSITS		
Aircraft lease *	$ 3,498,932	$ 2,247,062
Aircraft maintenance	3,555,940	2,681,976
Merchant holdback	617,713	617,713
Travel trade	500,627	411,186
Professional fees	15,000	15,000
Software	13,173	13,173
Office rent	50,298	37,105
	$ 8,251,683	**$ 6,023,215**

* As part of the lease agreement for one of the Company's leased aircrafts, the Company has provided a letter of guarantee for two months of aircraft lease deposits in the amount of $284,000.

(in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Computer Equipment	Computer Software	Office Furniture and Equipment	Leasehold Improvements	Automotive	Ground Equipment	Aircraft interior and improvements	Total
Cost								
Balance, December 31, 2022	$ 261,485	$ 74,175	$ 9,492	$ 33,155	$ 36,398	$ 10,450	$ 1,719,248	$2,144,403
Additions	59,582	286,590	32,418			12,000	962,340	1,352,930
Balance, December 31, 2023	321,067	360,765	41,910	33,155	36,398	22,450	2,681,588	3,497,333
Additions	6,900	24,425		9,782		141,666	403,865	586,638
Balance, March 31, 2024	$ 327,967	$ 385,190	$ 41,910	$ 42,937	$ 36,398	$ 164,116	$ 3,085,453	$4,083,971
Accumulated Depreciation								
Balance, December 31, 2022	$ 61,131	$ 6,181	$ 1,004	$ 6,821	$ 1,213	$ 1,219	$ 110,754	$ 188,323
Additions	93,643	52,069	2,867	6,631	7,280	3,690	259,487	425,667
Balance, December 31, 2023	154,774	58,250	3,871	13,452	8,493	4,909	370,241	613,990
Depreciation	27,031	31,389	2,096	1,532	1,820	3,484	89,571	156,922
Balance, March 31, 2024	$ 181,805	$ 89,639	$ 5,967	$ 14,984	$ 10,313	$ 8,393	$ 459,812	$ 770,912
Net Book Value								
As at December 31, 2022	$ 200,354	$ 67,994	$ 8,488	$ 26,333	$ 35,185	$ 9,231	$ 1,608,494	$1,956,080
As at December 31, 2023	$ 166,293	$ 302,515	$ 38,039	$ 19,703	$ 27,905	$ 17,541	$ 2,311,347	$2,883,343
As at March 31, 2024	$ 146,162	$ 295,551	$ 35,943	$ 27,953	$ 26,085	$ 155,723	$ 2,625,641	$3,313,059

(in Canadian Dollars)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Aircraft Lease

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

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

On July 6, 2023, the Company entered into a definitive aircraft lease agreement with a third party for one Airbus A320 aircraft which was delivered on July 28, 2023. The lease payments began September 1, 2023.

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. However, the lease payments did not begin until after the end of the current quarter.

A continuity of the carrying amount of the right-of-use assets for the three month period ended March 31, 2024, and the year ended December 31, 2023 is as follows:

Balance – December 31, 2022	$	20,638,442
Additions		15,208,731
Depreciation		(3,538,082)
Balance – December 31, 2023		32,309,091
Additions		-
Depreciation		(1,147,536)
Balance – March 31, 2024	$	31,161,555

A continuity of the carrying amount of the lease liabilities for the three month period ended March 31, 2024, and the year ended December 31, 2023 is as follows:

Balance – December 31, 2022	$	23,100,660
Additions		15,208,731
Lease payments		(4,844,287)
Interest accretion		2,227,840
Balance – December 31, 2023		35,692,944
Additions		-
Lease payments		(1,778,753)
Interest accretion		705,319
Balance – March 31, 2024	$	34,619,510
Less: current portion		3,902,659
Non-current portion	$	30,716,850

Future minimum lease payments are as follows:

		March 31, 2024
Less than 1 year	$	6,564,894
1 to 5 years		27,148,193
More than 5 years		13,329,989
Total	$	47,043,076

(in Canadian Dollars)

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

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

Maintenance Reserves

Maintenance reserve payments that are fixed in nature are recognized as right-of-use with corresponding lease liabilities. A continuity of the carrying amount of the right-of-use assets for the three month period ended March 31, 2024, and the year ended December 31, 2023 is as follows:

Balance – December 31, 2022	$ -
Additions	1,959,153
Depreciation	(274,426)
Balance – December 31, 2023	1,684,727
Depreciation	(60,253)
Balance – March 31, 2024	$ 1,624,474

A continuity of the carrying amount of the maintenance reserves liabilities for the three month period ended March 31, 2024, and the year ended December 31, 2023 is as follows:

Balance – December 31, 2022	$ -
Additions	1,959,153
Maintenance reserves payments	(300,522)
Interest accretion	159,187
Balance – December 31, 2023	1,817,818
Maintenance reserves payments	(77,359)
Interest accretion	35,106
Balance – March 31, 2024	$ 1,775,565
Less: current portion	179,897
Non-current portion	$ 1,595,668

Future minimum maintenance reserves payments are as follows:

	March 31, 2024
Less than 1 year	$ 308,903
1 to 5 years	1,343,916
More than 5 years	847,492
Total	$ 2,500,311

Maintenance Return Provision

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

(in Canadian Dollars)

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

Maintenance Return Provision (continued)

A continuity of the carrying amount of the right-of-use assets for the three month period ended March 31, 2024, and the year ended December 31, 2023 is as follows:

Balance – December 31, 2022	$	364,166
Additions		150,880
Depreciation		(56,167)
Balance – December 31, 2023		458,879
Depreciation		(16,581)
Balance – March 31, 2024	$	442,298

A continuity of the carrying amount of the maintenance provision liability for the three month period ended March 31, 2024, and the year ended December 31, 2023 is as follows:

Balance – December 31, 2022	$	406,508
Additions		150,880
Interest accretion		28,867
Balance – December 31, 2023		586,255
Interest accretion		9,491
Balance – March 31, 2024	$	595,746
Less: current portion		-
Non-current portion	$	595,746

Future minimum maintenance reserves payments are as follows:

		March 31, 2024
Less than 1 year	$	-
1 to 5 years		-
More than 5 years		595,746
Total	$	595,746

Office Lease

The Company has entered into two lease agreements with Airway Centre Inc., with respect to its office premises in Mississauga, Ontario. The leases commenced on December 1, 2021 (amended on January 1, 2024), and June 1, 2022 with total monthly lease payments of $9,987 until November 30, 2026.

A continuity of the carrying amount of the right-of-use assets for the three month period ended March 31, 2024, and the year ended December 31, 2023 is as follows:

Balance – December 31, 2022	$	226,828
Additions		-
Depreciation		(58,063)
Balance – December 31, 2023		168,765
Additions		228,961
Disposals		(126,170)
Depreciation		(23,326)
Balance – March 31, 2024	$	248,229

(in Canadian Dollars)

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

Office Lease (continued)

A reconciliation of the carrying amount of the lease liabilities for the three month period ended March 31, 2024, and the year ended December 31, 2023 is as follows:

Balance – December 31, 2022	$	283,403
Additions		-
Lease payments		(83,110)
Interest accretion		17,810
Balance – December 31, 2023	$	218,103
Additions		264,017
Disposals		(171,132)
Lease payments		(29,962)
Interest accretion		5,950
Balance – March 31, 2024	$	286,976
Less: current portion		100,880
Non-current portion	$	186,095

Future minimum lease payments are as follows:

		March 31, 2024
Less than 1 year	$	119,850
1 to 5 years		199,749
More than 5 years		-
Total	$	319,599

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

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2024		December 31, 2023
Trade payables	$	3,663,244	$	5,413,153
Salaries payable		1,203,758		1,052,024
Accrued liabilities		5,297,340		4,233,902
	$	10,164,342	$	10,699,079

9. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management personnel

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

(in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Remuneration attributed to key management personnel for the three month period ended March 31, 2024, and the year ended December 31, 2023 is summarized as follows:

	March 31, 2024	March 31, 2023
Consulting fees	98,395	-
Director fees	81,000	64,000
Salaries	204,400	270,800
Share-based payments	4,896	119,978
	$ 388,691	$ 454,778

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 March 31, 2024 and 2023, amounts owing to related parties of $112,250 (2023 – $43,870) 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 March 31, 2024 and 2023. Except for the loans disclosed below, the amounts due to related parties are unsecured, non-interest bearing and have no stated terms of repayment. `

Loans payable

For the three month period ended March 31, 2024, the Company received $Nil (2023 - $1,500,000) in loans from a company controlled by a Director (Note 10).

10. LOANS PAYABLE

On May 28, 2020, the Company received an interest-free Canada Emergency Business Account ("CEBA") loan in the amount of $40,000 to help cover the Company's operating expenses, payroll and other non-deferrable expenses which are critical to sustain business continuity. The program has been implemented by the Government of Canada as part of the COVID-19 relief initiatives. 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.

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

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

(in Canadian Dollars)

10. LOANS PAYABLE (continued)

On February 9, 2023, the Company entered into a loan agreement for a $1,500,000 loan (the “Third Loan”) from Roosheila, which was subsequently assigned to Square Financial Investment Corporation (“Squarefic”). Squarefic is also wholly owned subsidiary of Regenold Christian, a Director of the Company. The principal balance of the Third Loan and interest accrued is repayable monthly in accordance with an agreed upon payment schedule between Squarefic and the Company. The Third Loan has a maturity date of 60 months from the closing date and bears interest at the rate of 7.95% per annum. The Third loan is secured with a subordinate security interest against the Company’s credit card processor holdback funds. The proceeds of the Third Loan were advanced on March 10, 2023.

A reconciliation of the carrying amount of the loans payable for the three month period ended March 31, 2024, and the year ended December 31, 2023

Balance – December 31, 2022	$	1,819,542
Additions		1,500,000
Closing cost amortization		27,000
Loan repayments		(976,055)
Interest accretion		190,988
Balance – December 31, 2023	$	2,561,475
Loan repayments		(393,299)
Interest accretion		45,695
Balance – March 31, 2024	$	2,213,871
Less: current portion		664,961
Non-current portion	$	1,548,909

Future minimum loan repayments are as follows:

		March 31, 2024
Less than 1 year		809,785
1 to 5 years		1,778,368
More than 5 years		-
Total	$	2,588,153

11. SHARE CAPITAL AND RESERVES

Authorized

The Company has authorized an unlimited number of Common Shares and Variable Voting Shares without par value (the "Shares"). 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.

As at March 31, 2024, the Company had 127,470,847 (December 31, 2023 – 83,010,743) Common Shares and 30,283,679 (December 31, 2023 – 31,190,430) Variable Voting Shares outstanding.

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.

Share issuances

During the three month period ended March 31, 2024, the Company issued 173,851 Shares upon the exercise of 173,581 restricted share units ("RSUs"), which had a fair value of $40,546.

During the year ended December 31, 2023, the Company issued 5,193,139 Shares upon the exercise of 5,193,139 restricted share units ("RSUs"), which had a fair value of $1,929,971.

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. As of March 31, 2024 the balance amount of $7,466,688 was received and 37,789,989 Common Shares issued.

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. (Note 10).

On April 27, 2023, the Company closed a non-brokered private placement to raise a total of $575,003 consisting of 2,738,104 units issued at $0.21 per unit (each an "April 2023 Unit"). Each April 2023 Unit consists of one Share and one half of one warrant (each whole warrant an "April 2023 Warrant"). Each April 2023 Warrant entitles the holder 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. The Company recognized the fair value of the warrants issued using the Black-Scholes Option Pricing Model with the following assumptions; stock price - $0.18, exercise price $0.35, risk free interest rate 3.56%, expected life of 2 years, volatility of 55%. The Company recognized $540, 753 of share capital and recognized $34,250 as reserves in the consolidated statement of changes in shareholder's equity.

(in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

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 that chance to participate in the September 2022 Offering with a bonus incentive. Employees that participated in the September 2022 Offering received one additional September 2022 Unit (each a "Bonus Unit") for every six September 2022 Units subscribed for in the September 2022 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.

On September 30, 2022, the Company issued 92,191 Shares upon the exercise of 92,191 RSUs, which had a fair value of $26,274.

On August 31, 2022, the Company issued 24,691 Shares upon the exercise of 24,691 RSUs, which had a fair value of $6,667.

On June 28, 2022, the Company issued 2,225,000 Shares upon the exercise of 2,225,000 RSUs, which had a fair value of $734,250.

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 April 2022 Warrants expire on April 26, 2026.

Obligation to issue shares

As at March 31, 2024, the Company had an obligation to issue 189,567 common shares valued at $46,400 (December 31, 2023 - $26,500). Out of the 189,567 common shares to be issued, 50,000 shares are issuable under the loan agreements and the remainder are to be issued to employees and vendors.

Reserves

Warrants

The following is a summary of warrant activities during the three month period ended March 31, 2024, and the years ended December 31, 2023 and 2022:

	Number of warrants		Weighted Average Exercise Price
Outstanding, December 31, 2022	**18,588,123**	**$**	**0.58**
Issued	1,369,052		0.35
Expired	(9,374,159)		0.70
Outstanding, December 31, 2023	**10,583,016**	**$**	**0.44**
Issued	-		-
Expired	-		-
Outstanding, March 31, 2024	**10,583,016**	**$**	**0.44**

(in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

As at March 31, 2024, the following warrants were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
4,134,141	4,134,141	$0.40	0.5	September 30, 2024
294,118	294,118	$0.40	0.49	September 26, 2024
4,785,705	4,785,705	$0.50	2.07	April 26, 2026
1,369,052	1,369,052	0.35	1.07	April 27, 2025
10,583,016	**10,583,016**			

Stock options

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

The following is a summary of stock option activities during the three month period ended March 31, 2024 and the years ended December 31, 2023, and 2022 to 2021:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2023, 2022 and 2021	**250,000**	**$ 0.40**
Issued	389,562	0.16
Expired	(326,195)	0.34
Outstanding, March 31, 2024	**313,367**	**0.16**

As at March 31, 2024, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
313,367	-	$0.16	4.13	May 18, 2028

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

During the three month period ended March 31, 2024, the Company recognized a share-based payment expense which is included wages, salaries and benefits with respect to stock options in the amount of $Nil (2023 – $Nil).

(in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

The following weighted average assumptions were used to estimate the weighted average grant date fair value of stock options granted during the three month period ended March 31, 2024.

	For the year ended March 31, 2024
Stock price	$0.18
Risk-free interest rate	3.46%
Expected life (years)	5.01
Annualized volatility	66.24%
Dividend yield	0%

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.

During the three month period ended March 31, 2024, the Company granted 10,000 RSUs (2023 – 56,500) to various officers, directors, employees and consultants of the Company, whereby 50% of the RSUs vest at the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date.

During the three month period ended March 31, 2024, the Company granted Nil RSUs (2023 – 75,000) to various officers, directors, employees and consultants of the Company, whereby 100% of the RSUs vest at the first anniversary of the grant date.

During the three month period ended March 31, 2024, the Company granted Nil RSUs (2023 – 17,000) to various employees of the Company, whereby 100% of the RSUs vest at the second anniversary of the grant date.

During the three month period ended March 31, 2024, the Company granted Nil RSUs (2023 – 114,442) to various officers, directors, and consultants of the Company, whereby 100% of the RSUs vest March 31, 2023

During the three month period ended March 31, 2024, the Company cancelled 132,500 RSUs (2023 – 142,000) related to individuals who left the Company during the year.

(in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (continued)

The following is a summary of RSU activities during the three month period ended March 31, 2024 and the year ended December 31, 2023:

	Number of RSUs	Weighted average grant date fair value per RSU
Outstanding, December 31, 2022	**8,449,846**	$0.37
Issued	1,131,846	0.15
Exercised	(5,193,139)	0.37
Forfeited	(2,598,000)	0.37
Outstanding, December 31, 2023	**1,790,553**	**0.23**
Issued	10,000	0.11
Exercised	(173,851)	0.26
Forfeited	(132,500)	0.23
Outstanding, March 31, 2024	**1,494,202**	**$0.22**

As

At December 31, 2023, the following RSUs were outstanding and exercisable:

Outstanding	Grant Date Fair Value	Exercisable	Final Vesting Date
62,500	$0.34	62,500	March 30, 2024
27,500	$0.36	-	April 1, 2024
268,750	$0.34	-	May 31, 2024
5,000	$0.27	-	June 30, 2024
51,500	$0.31	-	July 29, 2024
300,000	$0.32	-	September 2, 2024
10,000	$0.29	-	September 30, 2024
17,500	$0.27	-	October 31, 2024
118,000	$0.22	-	December 31, 2024
7,500	$0.21	-	January 31, 2025
8,250	$0.25	-	February 28, 2025
15,000	$0.22	-	March 31, 2025
15,000	$0.18	-	April 30, 2025
20,000	$0.17	-	May 31, 2025
62,500	$0.14	-	June 28, 2024
231,202	$0.13	-	July 31, 2024
28,000	$0.14	-	August 31, 2025
131,000	$0.13	-	October 31, 2025
90,000	$0.12	-	November 30, 2025
15,000	$0.14	-	December 31, 2025
10,000	$0.11	-	March 31, 2026
1,494,202		**62,500**	

11. SHARE CAPITAL AND RESERVES (continued)

The value of the RSUs granted was based on the fair value of the Company's common shares on the date of grant. Accordingly, during the year ended December 31, 2023 RSUs were granted at a fair value between $0.12 and $0.25 each for a total value of $106,904 (2022 - $280,825) which is recognized within share-based payments expense as the RSUs vest.

During the three month period ended March 31, 2024, the Company recorded share-based payments expense which is included in wages, salaries and benefits with respect to RSUs of $48,536 (2023 - $266,652). The Company settled $15,000 of accounts payable by issuing RSUs to vendors.

Performance share units

The Company may grant Performance Share Units ("PSUs") to directors, officers, employees and consultants as compensation for services, pursuant to its Performance Share Unit Plan ("PSU Plan"). The number of PSUs awarded and underlying performance-based vesting conditions are determined by the Board of Directors in its discretion. PSUs are required to be settled by December 31 in the third year following the year of grant. The maximum number of common shares issuable pursuant to the exercise of outstanding PSUs together with all other security based compensation arrangements is 12,000,000.

No PSUs shall be issuable to individuals or companies providing investor relations activities. At the election of the Board of Directors, upon each vesting date, participants receive (a) Shares equal to the number of PSUs that vested; (b) a cash payment equal to the number of vested PSUs multiplied by the fair market value of a Share; or (c) a combination of (a) and (b).

There were no PSUs granted during the three month period ended March 31, 2024 and 2023.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the three month period ended March 31, 2024, the Company has not recorded any non-cash investing and financing activities not disclosed elsewhere.

During the year ended three month period ended March 31, 2023, the Company has not recorded any non-cash investing and financing activities not disclosed elsewhere.

13. CAPITAL MANAGEMENT

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

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

The Company currently is not subject to externally imposed capital requirements. There were no material changes in the Company's approach to capital management during the three month period ended March 31, 2024.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

(in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As at March 31, 2024, 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 approximate 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.

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.

Credit risk

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

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

The following is the breakdown of the aging of trade receivables:

		March 31, 2024	December 31, 2023
Trade receivables aging:			
0-30 days		$ 665,679	$ 489,919
31-60 days		-	-
61-90 days		-	-
Greater than 90 days		-	-
	-	665,679	489,919
Provision for doubtful accounts		-	-
Net trade receivable		**$ 665,680**	**$ 489,920**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity and debt financing.

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

As at March 31, 2024, the Company had a negative working capital of $14,945,021 and accumulated deficit of $38,303,832. On October 3, 2023 the Company 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.

Contractual Obligations	**Total**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Accounts payable and accrued liabilities	$ 10,164,342	$ 10,164,342	$ -	$ -
Lease liabilities	50,458,732	6,993,646	28,691,859	14,773,226
Loan payable	2,588,153	809,785	1,778,368	-
Total Contractual Obligations	$ 63,211,227	$ 17,967,774	$ 30,470,227	$ 14,773,226

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign exchange rate risk

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

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

	March 31, 2024	December 31,2023
Cash	1,074,191	354,677
Amounts receivable	662,515	133,178
Total financial assets	1,736,706	487,856
Accounts payable and accrued liabilities	(3,426,856)	(2,613,375)
Lease liabilities	(26,809,433)	(28,295,060)
Net statement of financial position exposure	(28,499,583)	(30,420,580)

Based on the net US dollar and liability exposure as at March 31, 2024 a 10% fluctuation in the CAD/US exchange rates would impact the Company's earnings by approximately $2,849,958 (2023 - $3,042,058).

Fuel price

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

15. SEGMENTED INFORMATION

The Company operates in one reportable segment, which is the development of a Canadian leisure and charter airline and its operations and head office are in Canada. As at March 31, 2024 and December 31, 2023, the Company's non-current assets and revenue is located in and earned in Canada.

The breakdown of operating revenue for the period ended March 31, 2024 and year ended December 31, 2023 is as follows:

	March 31, 2024	December 31, 2023
Passenger revenues	5,995,224	9,784,002
Charter revenues	4,786,569	26,734,329
Other revenues	716,281	663,065
Total operating revenues	**$ 11,498,074**	**$ 37,181,396**

16. COMMITMENTS

Flight Booking System

On November 12, 2021, the Company entered into a five-year license agreement with a vendor to license a flight booking system software which expires on November 11, 2026. The Company may terminate the agreement for convenience by providing ninety days written notice and paying a termination fee calculated as the number of months remaining on the contract by the minimum monthly fee. As at March 31, 2024, the termination fee of the contract would be $197,539.

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 A320 aircraft fleet. Under the terms of the agreement, if at any time the Company operates an aircraft with wheels and brakes other than the Seller's or the Company uses assemblies or subassemblies or parts not manufactured by the vendor for one or more of its aircrafts the Company agrees to pay the vendor US$200,000 for each aircraft.

Merchant Agreement

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

17. SUBSEQUENT EVENTS

Loan Agreement

On May 10, 2024 the Company has closed a non-convertible term Loan Agreement for a $2,000,000 loan (the "**May 2024 Loan**"). The terms of the May 2024 Loan include:

- the May 2024 Loan was advanced in a single tranche of $2,000,000 on May 10, 2024;
- the May 2024 Loan bears interest at the rate of 1.00% per annum and has a maturity date of June 21, 2024;
- principal and interest amounts are payable in four equal weekly installments commencing May 31, 2024;
- no shares are issuable in connection with the May 2024 Loan;
- the Borrower shall pay the document closing costs of the lender; and
- the May 2024 Loan is unsecured.

The lender (Square Financial Investment Corporation) ("**Lender**") is a wholly owned holding company for Reg Christian, a director of the Company. The Company intends to use the net proceeds of the May 2024 Loan for general corporate and working capital purposes. The Lender is an affiliate of a director of the Company (Reg Christian). In connection with the May 2024 Loan, Reg Christian has been appointed Executive Vice President of the Company.