

Canada Jetlines Ltd.
(formerly “Jet Metal Corp.”)
Management Discussion & Analysis
For the Three Month Period Ended March 31, 2017
Date Prepared: May 29, 2017

GENERAL

This Management Discussion & Analysis (“MD&A”) is intended to supplement and complement the condensed interim consolidated financial statements and accompanying notes of Canada Jetlines Ltd. (formerly “Jet Metal Corp.”) (the “Company” or “Jetlines”) for the three month period ended March 31, 2017. The information provided herein should be read in conjunction with the audited financial statements of Canada Jetlines Operations Ltd. (formerly “Canada Jetlines Ltd.”) (“Jetlines Operations”) for the year ended December 31, 2016 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 Accounting Standards (“IAS”) 34, *Interim Financial Reporting*.

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

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

FORWARD LOOKING STATEMENTS

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

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

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and market valuations; uncertainty in global financial markets; the successful negotiation of the sale and leaseback of aircrafts; the completion of the financing necessary to commence airline operations; and the other factors described under the heading “Risk Factors” in this MD&A.

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

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

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of British Columbia and continued as a Federal corporation pursuant to the *Canada Business Corporations Act* effective February 28, 2017 in connection with the completion of a reverse takeover transaction, as detailed below. The Company’s principal business activity is the start-up of an ultra-low cost carrier (“ULCC”) scheduled airline service and its common and variable voting shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol “JET”.

The Company is currently in the pre-operating stage. Jetlines plans to launch an airline in Canada that applies ULCC operating principles with a focus on stimulating passenger demand through low cost airfares, and generating revenue from the sale of ancillary products and services onboard its aircraft. Where possible, Jetlines intends to select routes that avoid direct competition with major Canadian domestic airlines (“MCDAs”), and focus on cost discipline in order to keep operating costs low. Jetlines plans to operate scheduled point-to-point all jet air service nationally.

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

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

The ULCC model provides the capability for specifically designed airlines to reduce their costs in a manner that provides scheduled airline service at base airfares averaging 40% below their nearest competitor thus creating new passenger demand by market stimulation. The worldwide use of other ULCC airlines such as Allegiant Air and Spirit Airlines in the United States, Air Asia in Asia, and Ryanair and EasyJet in Europe demonstrates the power of these ULCC airlines to attract and significantly stimulate passenger traffic and lead the markets they operate in, while generating strong returns for shareholders.

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On May 16, 2016, Jetlines submitted to the Honourable Marc Garneau, Minister of Transport, a request for the issuance of an exemption order pursuant to subsection 62(1) of the *Canada Transportation Act* (“CTA”). The request was for Jetlines to be exempt from the current 25% foreign voting interest limit in the CTA and be permitted to have up to an aggregate of 49% foreign voting interests. Under law, the Minister may grant an exemption, if the government believes it is in the “public interest” to do so. On November 3, 2016 Minister Garneau announced that he has approved the Jetlines request for an exemption from current foreign ownership rules and on December 2, 2016 the formal exemption order (the “**Exemption Order**”) was issued to the Company.

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

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

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

REVERSE TAKEOVER (“RTO”)

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

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

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

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OUTLOOK

On February 28, 2017, the Company and Jetlines Operations closed the Transaction and concurrent financing for gross proceeds of \$6,833,610. The proceeds of the Public Offering will be used to further the business objectives of the Company in launching an ultra-low cost carrier airline in Canada through its pre-operating stage, including advancing the domestic licensing process, augmenting the leadership team with operations and commercial personnel, branding and marketing activities, as well as advancing internet, digital media and information technology systems initiatives. Management believes that it has sufficient funds to carry out most or all of the aforementioned pre-operating activities, however further funding, in the form of debt, equity or other facilities, will be required to meet domestic licensing financial capability requirements and to complete the build-out of the airline with aircraft, personnel, inventory, training, paying necessary up-front deposits, finalizing sales and administrative systems and other launch activities. Current estimates are that the Company will require an additional \$43 million in combined debt, equity or other facilities to enter into operations with two aircraft.

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

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

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

Management is currently finalizing licensing terms with the Agency. Management has retained a team of experienced subject matter experts to complete the Transport Canada Air Operator Certificate targeting a mutually agreed date in the first half of 2018. Pending funding to the approval of the Agency, the completion of the Transport Canada Air Operator Certificate and being properly insured, the Company will receive its airline licence to operate as an ULCC airline in Canada. The Company can make a request to the Agency to sell airline tickets prior to the licensing process being completed. The pre-selling of airline tickets combined with full operational funding could allow first operational flight to occur forthwith the completion of the licensing process.

Upon receipt of its licence to operate in Canada and once otherwise eligible, Jetlines intends to apply for a foreign air carrier permit or an exemption therefrom from the U.S. Department of Transportation (the “U.S. Department”) in order to allow Jetlines to fly into destinations in the United States. Jetlines also intends to concurrently apply for similar approvals from the regulatory authorities in Mexico and certain Caribbean countries. Provided such licences, permits or exemptions are received, Jetlines expects to grow its business significantly by increasing its route network throughout Canada and to selected locations in the United States, Mexico and the Caribbean. Jetlines believes a total new opportunity of 60 Boeing 737 is available in Canada before growth will be linked to a percentage increase of the annual GDP.

Jetlines expects its initial fleet to be based on the Boeing 737 family. Jetlines plans to lease and/or acquire further aircraft at an average incremental rate of approximately five per year. In furtherance of this objective, Jetlines has entered into a purchase agreement with The Boeing Company (the “Boeing Agreement”). Subject to the terms of the Boeing Agreement, Jetlines has agreed to purchase five Boeing 737-7MAX aircraft for delivery in 2021. In addition, Boeing has granted Jetlines the option to purchase up to an additional 16 Boeing 737MAX aircraft.

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EXPLORATION AND EVALUATION ASSETS

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

The Company holds the following uranium exploration and evaluation assets:

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

Central Mineral Belt (“CMB”) Project

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

Bootheel Uranium Project

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

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

During the three month period ended March 31, 2017, the Company incurred maintenance costs in the amount of \$2,620 (2016 - \$Nil) which have been presented as discontinued operations in the accompanying condensed interim consolidated financial statements.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Loss from Continuing Operations

For the three month period ended March 31, 2017, the Company reported a loss from continuing operations of \$5,523,912 or \$0.10 per share, compared to a loss from continuing operations of \$264,821 or \$0.02 per share for the same period of the prior year. The increase in loss from continuing operations of \$5,259,091 is directly attributable to the closing of the Transaction and resulting listing expense in the amount of \$4,990,119. The listing expense includes the costs of closing the Transaction which is essentially comprised of the difference between the non-cash fair value of the equity instruments retained by the shareholders of the Company and the non-cash fair value of the net assets of the Company acquired by Jetlines Operations.

Increases to investor relations (\$35,660), professional fees (\$89,792), regulatory costs (\$17,347) and salaries and benefits (\$43,356) are explained by the closing of the Transaction and the transition from a private to a public entity during the three month period ended March 31, 2017.

During the three month period ended March 31, 2017, the Company incurred licensing expenses of \$100,758 (2016 - \$Nil) in connection with the CTA licensing process and route planning.

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The Company recorded share-based payments expense for the three month period ended March 31, 2017 in the amount of \$113,625 (2016 - \$117,534) which reflects stock options, warrants and performance shares issued to employees and consultants of the Company.

Travel expenses increased to \$20,252 for the three month period ended March 31, 2017 compared to \$8,309 for the three month period ended March 31, 2016. The increase in travel expenses of \$11,943 was due to board and management meetings held subsequent to closing the Transaction.

During the three month period ended March 31, 2017, the Company incurred office and administration expenses in the amount of \$26,069 (2016 - \$47,873). The decrease in office and administration expenses in the amount of \$21,804 is explained by certain airline related samples and materials which were ordered during the three month period ended March 31, 2016.

Loss from Discontinued Operations

Loss from discontinued operation for the three month period ended March 31, 2017 in the amount of \$2,620 (2016 - \$Nil) relates to maintenance costs for the Company’s historical exploration and evaluation assets. Refer to “Exploration and Evaluation Assets”.

SUMMARY OF QUARTERLY RESULTS

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

Description	Q1 March 31, 2017 (\$)	Q4 December 31, 2016 (\$)	Q3 September 30, 2016 (\$)	Q2 June 30, 2016 (\$)
Loss from continuing operations	(5,523,912)	(313,493)	(151,402)	(213,209)
Loss and comprehensive loss	(5,526,532)	(313,493)	(151,402)	(213,209)
Loss per share	(0.10)	(0.02)	(0.01)	(0.01)

Description	Q1 March 31, 2016 (\$)	Q4 December 31, 2015 (\$)	Q3 September 30, 2015 (\$)	Q2 June 30, 2015 (\$)
Loss from continuing operations	(264,821)	(628,660)	(297,948)	(345,328)
Loss and comprehensive loss	(264,821)	(628,660)	(297,948)	(345,328)
Loss per share	(0.02)	(0.07)	(0.04)	(0.06)

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

Loss from continuing operations for the quarter ended March 31, 2017 reflects the closing of the Transaction, specifically the listing expenses recorded, as detailed in “Review of Consolidated Financial Results – Loss from Continuing Operations”.

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For the quarters ended in fiscal 2015, loss from continuing operations reflect the progress and activities undertaken to advance the Company’s objective of launching an airline. Quarterly fluctuations were due to the timing of legal fees, consulting fees and share-based payments.

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

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2017, the Company had cash and cash equivalents of \$6,224,290 (December 31, 2016 - \$91,397) and working capital of \$5,569,173 (December 31, 2016 – working capital deficit of \$674,499). The increase in working capital of \$6,243,672 is explained by the closing of the Transaction and concurrent financing for gross proceeds of \$6,833,610 during the three month period ended March 31, 2017. Refer to “Statement of Financial Position Information” for further details with respect to account balance changes for the three month period ended March 31, 2017.

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

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

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

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

Cash Flows

The Company’s cash flows for the three month periods ended March 31, 2017 and 2016 are summarized as follows:

	March 31, 2017	March 31, 2016
Cash used in operating activities	\$ (587,432)	\$ (86,038)
Cash provided by investing activity	225,991	-
Cash provided by financing activities	6,494,334	83,980
Change in cash and cash equivalents during the period	6,132,893	(2,058)
Cash and cash equivalents, beginning of the period	91,397	14,428
Cash and cash equivalents, end of the period	\$ 6,224,290	\$ 12,370

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Operating Activities

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

Investing Activities

Pursuant to the Transaction, the Company acquired cash in the amount of \$225,991 during the three month period ended March 31, 2017 which is presented as an investing activity.

There were no investing activities during the three month period ended March 31, 2016.

Financing Activities

During the three month period ended March 31, 2017, financing activities consisted of shares issued for gross proceeds of \$6,833,910, net of share issue costs paid of \$389,276, and a loan advance in the amount of \$50,000 received prior to closing the Transaction. In addition, deferred transaction costs in the amount of \$375,140 were included in the net assets acquired pursuant to the Transaction and applied to the share issue costs of the prospectus offering for cumulative cash share issue costs in the amount of \$764,416.

During the three month period ended March 31, 2016, financing activities consisted of shares issued for gross proceeds of \$19,100, net of share issue costs paid of \$1,520, and a loan advance in the amount of \$66,400.

STATEMENT OF FINANCIAL POSITION INFORMATION

	As at March 31, 2017	As at December 31, 2016
Cash and cash equivalents	\$ 6,224,290	\$ 91,397
Receivables	65,039	32,374
Available-for-sale investment	200,000	-
Prepaid expenses	115,222	7,412
Deposits	166,613	67,135
Equipment	786	1,178
Reclamation bond	11,057	-
Total Assets	\$ 6,783,007	\$ 199,496
Accounts payable and accrued liabilities	\$ 752,546	\$ 592,146
Due to related parties	82,832	-
Short-term loan	-	213,536
Future reclamation provisions	20,807	-
Capital stock	14,708,832	2,879,895
Reserves	831,366	600,763
Deficit	(9,613,376)	(4,086,844)
Total Liabilities and Equity	\$ 6,783,007	\$ 199,496

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Assets

Cash and cash equivalents increased by \$6,132,893 during the three month period ended March 31, 2017 as a result of closing the Transaction and concurrent financing for gross proceeds of \$6,833,910, net of operating activities. Cash flows are detailed in “Liquidity and Capital Resources”. Operating activities are detailed in “Review of Consolidated Financial Results”.

Receivables increased by \$32,665 during the three month period ended March 31, 2017 due to increased input tax credits paid and accrued with respect to the Transaction.

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

As at March 31, 2017, prepaid expenses increased by \$107,810 compared to the balance as at December 31, 2016 due to additional directors’ and officers’ insurance obtained in connection with the Transaction and a retainer paid for media services.

The balance of the non-current deposits as at March 31, 2017 consists of an aircraft purchase agreement deposit in the amount of \$66,613 (December 31, 2016 - \$67,135) and a related party security deposit of \$100,000 (December 31, 2016 - \$Nil). The decrease in the aircraft purchase agreement deposit is explained by foreign exchange as the deposit is denominated in US Dollars. The related party security deposit in the amount of \$100,000 was included in the net assets acquired pursuant to the Transaction in accordance with a management services agreement which is detailed in “Related Party Transactions”.

As at March 31, 2017, the Company’s computer equipment had a net book value of \$786 (December 31, 2016 - \$1,178). The decrease of \$392 related to depreciation for the three month period ended March 31, 2017.

During the three month period ended March 31, 2017, the balance of the reclamation bond increased to \$11,057, relates to the Bootheel Uranium Project and is registered with the Wyoming Department of Environmental Quality. The reclamation bond was included in the net assets acquired pursuant to the Transaction.

Liabilities

During the three month period ended March 31, 2017, accounts payable and accrued liabilities increased by \$160,400 which is attributable to closing of the Transaction and post-closing transitional matters requiring additional professional and other services to be provided to the Company which were accrued at period end.

As of March 31, 2017, the balance of amounts due to related parties in the amount of \$82,832 (December 31, 2016 - \$Nil) relates to services rendered to the Company during the month ended March 31, 2017 which were unpaid at period end. For further details with respect to related party balances and transactions, refer to “Related Party Transactions”.

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

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

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Equity

Share capital increased by \$11,828,937 during the three month period ended March 31, 2017 and is explained by the exchange of shares pursuant to the Transaction (\$5,743,658), the issuance of 22,778,700 shares for gross proceeds of \$6,833,610, cash share issue costs paid (\$764,416), the issuance of 443,544 shares for finders’ fees (\$133,063) and the fair value of warrants issued to agents as share issue costs (\$116,978). Equity transactions are further detailed in “Share Capital”.

Reserves increased by \$230,603 during the three month period ended March 31, 2017 and is explained by the fair value of warrants issued to agents as share issue costs (\$116,978) and share-based payments related to stock options, performance shares and warrants (\$113,625).

Deficit increased by the loss for the three month period ended March 31, 2017 in the amount of \$5,526,532.

SHARE CAPITAL

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

Common voting shares

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

Variable voting shares

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

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

The Company has securities outstanding as follows:

Security Description	As at March 31, 2017
Common voting shares – issued and outstanding	49,941,715
Variable voting shares – issued and outstanding	7,694,694
Stock options – outstanding	5,150,000
Voting Shares issuable on exercise of warrants	33,455,698
Voting Shares – fully diluted	96,242,107

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Share and issuances

The Company issued the following shares during the three month period ended March 31, 2017:

- On February 28, 2017, the Company closed a prospectus offering in connection with the Transaction and issued 22,778,700 units for gross proceeds of \$6,833,610. Each unit consists of one share and one-half of one share purchase warrant. 11,389,350 share purchase warrants were issued with an exercise price of \$0.50 and expiry of February 28, 2019. In connection with the prospectus offering, the Company paid share issue costs in the amount of \$764,416. The Company also issued 1,708,401 agent warrants valued at \$116,978 to third parties for finders' fees. Deferred transaction costs in the amount of \$375,140 were included in the net assets acquired pursuant to the Transaction and applied to the share issue costs of the prospectus offering.
- On February 28, 2017, the Company issued 443,544 shares valued at \$133,063 to a third party in connection with closing the Transaction which were included in the consideration of the purchase price calculation.

RELATED PARTY TRANSACTIONS

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

Key management personnel

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

Remuneration attributed to key management personnel for the three month periods ended March 31, 2017 and 2016 is summarized as follows:

	For the three month period ended March 31, 2017		For the three month period ended March 31, 2016	
Short-term benefits	\$	165,268	\$	50,053
Share-based payments		69,057		54,752
	\$	234,325	\$	104,805

Other related party transactions and balances

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

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Transactions entered into with related parties other than key management personnel during the three month periods ended March 31, 2017 and 2016 include the following:

	For the three month period ended March 31, 2017	For the three month period ended March 31, 2016
King & Bay West	\$ 62,182	\$ -

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

Amounts due to related parties include the following:

	As at March 31, 2017	As at December 31, 2016
John Sutherland, director	\$ 4,187	\$ -
King & Bay West	78,645	-
	<u>\$ 82,832</u>	<u>\$ -</u>

The amounts due to related parties are unsecured, non-interest bearing and have no stated terms of repayment.

GOING CONCERN

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

As at March 31, 2017, the Company had working capital of \$5,569,173 and a deficit of \$9,613,376. As a result of financing completed during the three month period ended March 31, 2017 and the ability to defer certain discretionary expenditures and reduce operating costs should there be delays in obtaining the necessary funds required to commence commercial operations, management has assessed that working capital is sufficient for the Company to maintain its operations and activities for the next 12 months, as detailed in “Outlook” and “Liquidity and Capital Resources”.

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USE OF PROCEEDS

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

Activity	Initial Estimated Use of Proceeds	Actual Use of Proceeds
Aircraft launch activities, including leasing of initial aircraft	\$ 2,315,420	\$ 74,813
General and administrative expenses	1,021,108	334,965
Marketing	612,650	78,750
Reservation system procurement and development	501,385	-
Website for merchandising and destination content	350,000	-
Recruitment and training of air and cabin crew	362,650	-
Operations system procurement and development	250,000	-
Human resource management system and advisory	200,000	-
Canadian Transportation Agency licensing process	100,000	-
Transaction costs	787,521	808,770
Unallocated working capital	332,876	-
	<u>\$ 6,833,610</u>	<u>\$ 1,297,298</u>

The actual use of proceeds summarized above reflect only one month of activities subsequent to the completion of the Transaction. As such, many of the activities had still not been launched as at March 31, 2017. Certain aircraft launch activities as well as marketing and branding activities were initiated during the month of March. General and administrative expenses include approximately \$196,000 in accounts payable and accruals that were assumed to be funded with cash on hand prior to the completion of the Transaction and hence were excluded from the initial estimated use of proceeds.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the periods reported. Actual results could differ from those estimates.

Critical Judgements

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 condensed interim consolidated financial statements requires management to make judgements regarding the going concern of the Company, as discussed in Note 1 of the condensed interim consolidated financial statements.

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Functional currency

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

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the condensed interim consolidated financial statements include:

Share-based payments

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

Deferred tax assets and liabilities

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

Future reclamation provision

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

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ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the financial statements for the year ended December 31, 2016.

New Accounting Pronouncement

The following accounting pronouncement has been made, but is not yet effective for the Company as at March 31, 2017. The Company is currently evaluating the impact of the amended standards on its consolidated financial statements.

- IFRS 9, *Financial Instruments* - In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15, *Revenue Recognition - Revenue from Contracts with Customers* establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- IFRS 16, *Leases* - On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning on or after December 15, 2019 (i.e. calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted.

FINANCIAL INSTRUMENTS

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

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

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

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

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Credit risk

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

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

Liquidity risk

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

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

Market Risk

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

(a) Interest rate risk

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

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

(b) Currency risk

The Company’s expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. The Company has US dollar commitments with respect to the purchase of aircraft. At this time, the Company does not have any currency hedges in place for fluctuations in the exchange rate between the Canadian dollar and the US dollar. As at March 31, 2017, a 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately \$3,000.

RISK FACTORS

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

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Uncertainties associated with the Transaction

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

Entry into New Business Activities

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

Ability to Obtain Additional Capital

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

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

Commitment of Jetlines Operations under the Boeing Agreement

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

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In addition to the initial deposits under the Boeing Agreement, Jetlines Operations will be required to make advance payments on account of the purchase price of the five Boeing 737 MAX aircraft commencing in 2021 and eventual aircraft delivery payments in 2023. The Boeing Agreement also provides Jetlines Operations with the option to acquire a further 16 Boeing 737-7 MAX or 737-8 MAX aircraft on payment terms set forth in the Boeing Agreement. To date, beyond the amounts of the initial deposits under the Boeing Agreement, Jetlines Operations has not made arrangements for financing for the payments of the purchase price of the aircraft required to be purchased by it under the Boeing Agreement or subject to option under the Boeing Agreement. There is no guarantee that financing for the payments on account of the purchase price under the Boeing Agreement will be available on reasonable commercial terms or at all. In the event that Jetlines Operations is unable to obtain aircraft acquisition financing on reasonable commercial terms, the operations of Jetlines Operations may be adversely affected and Jetlines Operations would be subject to material financial liabilities for which it would not be able to satisfy, each of which would have a material adverse effect.

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

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

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

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

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

The Company's securities are subject to price volatility

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

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COMMITMENTS

The following table shows the Company’s contractual commitments as at March 31, 2017. In addition, the Company has commitments for aircraft deposits as described below.

	2017	2018	2019	2020	2021	Total
	\$	\$	\$	\$	\$	\$
Office premise lease	22,044	29,392	29,392	29,392	-	110,220
Consulting ⁽¹⁾	19,800	-	-	-	-	19,800
Total	41,844	29,392	29,392	29,392	-	130,020

⁽¹⁾ Represents agreement for technology systems and support

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

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

Due Date	Amount
January 30, 2015	US\$50,000 (paid)
August 1, 2017	US\$150,000
August 1, 2018	US\$1,755,700
February 1, 2019	US\$1,755,700
August 1, 2019	1% less previous payments

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

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

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

Calendar Year	Amount (USD)
2017	\$ 150,000
2018	1,755,700
2019	3,511,340
2020	-
2021	76,538,560
2022	27,335,200
Total	\$109,290,800

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

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

- The Company is required to pay interest on the Deferred Advance Payments from the day on which each advance payment would have been due in accordance with Boeing's regular payment schedule until the date of actual delivery of the applicable aircraft. Interest on Deferred Advance Payments is payable from the calendar day on which each advance payment would have been due in accordance with the table above until delivery of the applicable Aircraft. The rate used to calculate such interest will be the 3-month LIBOR as set forth in The Wall Street Journal, US edition, plus nine-hundred (900) basis points. The effective rate will be the rate in effect on the first business day of the calendar quarter in which the advance payment was initially deferred, and will be reset every calendar quarter. Interest on unpaid amounts will be calculated using a 360 day year, compounded quarterly. Accrued interest on the Deferred Advance Payments for each Aircraft will be due and payable on the date of each Aircraft delivery.
- The Company will have the right to purchase up to 16 additional Boeing 737-7 MAX aircraft. This purchase right is exercisable by the Company by notice not less than 24 months before the desired date of delivery. The additional aircraft are offered subject to available position for delivery prior to December 31, 2024. The price of the aircraft subject to the purchase right will be determined based on the provisions of the Boeing Agreement using the then current prices for such aircraft at the time of exercise of the purchase right subject to the escalation factors in the Boeing Agreement.
- The Company will have the right to substitute any Boeing 737-7 MAX ordered with a Boeing 737-8 MAX with a scheduled month of delivery 24 months after delivery of the first Boeing 737-8MAX aircraft to a Boeing customer. The Company may exercise this right of substitution by providing notice to Boeing not less than the first day of the month that is: (i) 12 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted if the Company has previously received a substituted aircraft; or (ii) 15 months prior to the scheduled month of delivery of the Boeing 737-7 MAX for which it will be substituted, if the Company has not previously received a substituted aircraft. The acquisition of any substituted aircraft will be subject to the execution of a definitive purchase agreement and product capabilities of the Boeing 737-8 MAX. Pricing will be based on the pricing for the Boeing 737-8 MAX aircraft as set out in the Boeing Agreement, subject to adjustments for configuration specifications by Boeing which arise between the date of the Boeing Agreement and the date of execution of the definitive agreement for the substitution Boeing 737-8 MAX.

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- The Company may not terminate the Boeing Agreement unless there is a non-excusable delivery delay in which case either party may terminate the agreement with respect to an aircraft if there is a non-excusable delay for that aircraft which in the aggregate exceeds 180 days. Boeing has agreed to pay the Company a pre-determined liquidated damages amount in the event of a non-excusable delay associated with the delivery of aircraft.
- Boeing has agreed to provide a service life policy and product assurance in respect of certain components of the aircraft.
- Boeing has agreed to provide promotional support to the Company in respect of the entry of the Boeing 737-7 MAX into the Company's operations.

The Company has not hedged its exposure to exchange rate fluctuations between the US and Canadian dollar with respect to the Boeing Agreement. The purchase price of the five aircraft is denominated in US dollars and therefore, the Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Assuming an exchange rate where US\$1 equals CAD\$1.3322, a 10% increase or decrease in the exchange rate will increase or decrease the aggregate base purchase price by approximately C\$56.4 million and increase or decrease the aggregate escalated purchase price by C\$72.8 million.

OFF BALANCE SHEET ARRANGEMENTS

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the three month period ended March 31, 2017:

- On April 10, 2017, the Company issued 150,000 stock options with an exercise price of \$0.30 and term of 5 years.
- On May 1, 2017, the Company issued 225,000 stock options with an exercise price of \$0.22 and term of 5 years.
- On May 9, 2017, the Company issued 225,000 stock options with an exercise price of \$0.21 and term of 5 years.
- On May 9, 2017, the Board of Directors approved an amendment to the Company's Stock Option Plan to increase the maximum number of shares that may be issued pursuant thereto to 11,525,000. The amendment is subject to the Exchange's acceptance and shareholder approval. The Company will require specific shareholder approval for any new stock option grants that are part of the increased maximum.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Report on Form 20-F, is on SEDAR at www.sedar.com.

APPROVAL

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