



CANADA JETLINES LTD.

(FORMERLY “JET METAL CORP.”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2017

(Unaudited)

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED 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 condensed interim consolidated financial statements of Canada Jetlines Ltd. (formerly “Jet Metal Corp.”) (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 condensed 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 LTD.
(FORMERLY “JET METAL CORP.”)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited)
(Expressed in Canadian Dollars)

	JUNE 30, 2017	DECEMBER 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,108,804	\$ 91,397
Receivables	101,795	32,374
Prepaid expenses	177,547	7,412
	<u>5,388,146</u>	<u>131,183</u>
Available-for-sale investment (Note 5)	200,000	-
Deposits (Note 6)	164,885	67,135
Equipment (Note 7)	2,046	1,178
Reclamation bond (Note 8)	<u>10,771</u>	<u>-</u>
	<u>\$ 5,765,848</u>	<u>\$ 199,496</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 798,134	\$ 592,146
Due to related parties (Note 11)	314,236	-
Short-term loan (Note 9)	-	213,536
	<u>1,112,370</u>	<u>805,682</u>
Future reclamation provision (Note 8)	<u>20,807</u>	<u>-</u>
	<u>1,133,177</u>	<u>805,682</u>
Shareholders' equity (deficiency)		
Share capital (Note 10)	14,708,832	2,879,895
Reserves	1,021,688	600,763
Deficit	(11,097,849)	(4,086,844)
	<u>4,632,671</u>	<u>(606,186)</u>
	<u>\$ 5,765,848</u>	<u>\$ 199,496</u>

Nature of operations and going concern (Note 1)

Commitments (Note 16)

Subsequent event (Note 17)

Approved on August 28, 2017 on behalf of the Board of Directors:

“Mark Lotz” Director
Mark Lotz

“John Sutherland” Director
John Sutherland

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

CANADA JETLINES LTD.**(FORMERLY “JET METAL CORP.”)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

	THREE MONTH PERIODS		SIX MONTH PERIODS	
	ENDED JUNE 30,		ENDED JUNE 30,	
	2017	2016	2017	2016
OPERATING ITEMS				
Consulting	\$ -	\$ 6,500	\$ 4,560	\$ 7,716
Depreciation (Note 7)	512	889	904	1,778
Finance income	(14,225)	-	(17,458)	-
Foreign exchange loss	154	57	716	7,944
Interest expense (Note 9)	-	3,654	3,674	3,788
Licensing and route network	239,720	-	340,478	-
Listing expense (Note 4)	-	-	4,990,119	-
Marketing and investor relations	261,371	490	297,031	490
Office and administration	54,260	28,283	80,329	76,156
Professional fees	294,267	35,411	390,959	42,311
Regulatory costs	57,302	-	74,649	-
Salaries and benefits (Note 11)	374,340	57,397	491,775	131,476
Share-based payments (Note 10)	190,322	65,247	303,947	182,781
Travel	18,385	15,280	38,637	23,589
Loss from continuing operations	(1,476,408)	(213,208)	(7,000,320)	(478,029)
Loss from discontinued operations (Note 8)	(8,065)	-	(10,685)	-
Net loss and comprehensive loss for the period	\$ (1,484,473)	\$ (213,208)	\$ (7,011,005)	\$ (478,029)
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.12)	\$ (0.03)
Weighted average number of shares outstanding	57,636,409	14,080,871	57,636,409	13,987,182

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

CANADA JETLINES LTD.
(FORMERLY “JET METAL CORP.”)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30,
(Unaudited)
(Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (7,011,005)	\$ (478,029)
Items not affecting cash:		
Accrued interest on short-term loan	3,674	3,453
Depreciation	904	1,778
Listing expense	4,936,879	-
Share-based payments	303,947	182,781
Foreign exchange loss	2,077	9,230
Non-cash working capital item changes:		
Receivables	(48,799)	(5,457)
Prepaid expenses	(70,034)	(6,695)
Accounts payable and accrued liabilities	(133,025)	50,629
Due to related parties	314,236	-
Net cash used in operating activities	<u>(1,701,146)</u>	<u>(242,310)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Canada Jetlines Operations Ltd.	225,991	-
Purchase of equipment	<u>(1,772)</u>	<u>-</u>
Net cash provided by investing activities	<u>224,219</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of shares	6,833,610	88,175
Share issue costs	<u>(389,276)</u>	<u>(8,328)</u>
Short-term loan advances	50,000	200,000
Net cash provided by financing activities	<u>6,494,334</u>	<u>279,847</u>
Net change in cash and cash equivalents during the period	5,017,407	37,537
Cash and cash equivalents, beginning of the period	91,397	14,428
Cash and cash equivalents, end of the period	\$ 5,108,804	\$ 51,965
Cash and cash equivalents		
Cash	\$ 5,085,804	\$ 51,965
Liquid short term investments	<u>23,000</u>	<u>-</u>
	<u>\$ 5,108,804</u>	<u>\$ 51,965</u>
Cash (paid) received for		
Interest	\$ 16,219	\$ (335)
Taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosures with respect to cash flows (Note 12)

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

CANADA JETLINES LTD.
(FORMERLY “JET METAL CORP.”)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Unaudited)

(Expressed in Canadian Dollars)

	Share Capital		Reserves	Deficit	Total
	Number of Shares	Amount			
Balance – December 31, 2015	13,802,967	\$ 2,526,757	\$ 314,947	\$ (3,163,097)	\$ (321,393)
Issuance of shares (Note 10)	443,583	88,175	-	-	88,175
Share issue costs (Note 10)	-	(8,328)	-	-	(8,328)
Share-based payments – warrants (Note 10)	-	-	52,222	-	52,222
Share-based payments – stock options (Note 10)	-	-	30,930	-	30,930
Share-based payments – performance shares (Note 10)	-	-	99,629	-	99,629
Stock options forfeited (Note 12)	-	-	(19,178)	19,178	-
Loss for the period	-	-	-	(478,029)	(478,029)
Balance – June 30, 2016	14,246,550	2,606,604	478,550	(3,621,948)	(536,794)
Issuance of shares	1,022,088	306,626	-	-	306,626
Share issue costs	-	(24,622)	-	-	(24,622)
Revaluation of warrants	-	(8,713)	8,713	-	-
Share-based payments - stock options	-	-	9,877	-	9,877
Share-based payments – performance shares	-	-	103,623	-	103,623
Loss for the period	-	-	-	(464,896)	(464,896)
Balance – December 31, 2016	15,268,638	2,879,895	600,763	(4,086,844)	(606,186)
Issuance of shares on reverse takeover (Note 4)	19,145,527	5,743,658	-	-	5,743,658
Issuance of shares (Note 10)	22,778,700	6,833,610	-	-	6,833,610
Share issue costs (Note 10)	-	(764,416)	-	-	(764,416)
Shares issued for finders' fees (Note 10)	443,544	133,063	-	-	133,063
Agents warrants issued (Note 10)	-	(116,978)	116,978	-	-
Share-based payments – stock options (Note 10)	-	-	184,980	-	184,980
Share-based payments – performance shares (Note 10)	-	-	101,931	-	101,931
Share-based payments – warrants (Note 10)	-	-	17,036	-	17,036
Loss for the period	-	-	-	(7,011,005)	(7,011,005)
Balance – June 30, 2017	57,636,409	\$ 14,708,832	\$ 1,021,688	\$ (11,097,849)	\$ 4,632,671

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Jetlines Ltd. (formerly “Jet Metal Corp.”) (the “Company” or “Jetlines”) 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 (Note 4). The Company’s principal business activity is the start-up of an ultra-low cost carrier (“ULCC”) scheduled airline service and its shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol “JET”. The address of the Company’s registered office is #1240 – 1140 West Pender Street, Vancouver, British Columbia, Canada V6E 4G1.

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. 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 June 30, 2017, the Company had working capital of \$4,275,776 and a deficit of \$11,097,849. During the six month period ended June 30, 2017, the Company completed a financing for gross proceeds of \$6,833,610 (Note 10). The proceeds will be used to further the business objectives of the Company in launching a ULCC in Canada; 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. 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 for the next 12 months.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Boards (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements do not include all the information required for full annual financial statements.

These condensed interim consolidated financial statements 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.

Basis of presentation

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries, and have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, and available-for-sale, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information.

2. BASIS OF PRESENTATION *(continued)*

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Jetlines Operations, Target Exploration and Mining Corp. (“Target”), Crosshair Energy USA, Inc. (“Crosshair USA”), Gemini Metals Corp. (“Gemini”) as well as The Bootheel Project LLC (“BHP LLC”) in which the Company has a 81% interest. A wholly owned subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated on consolidation.

Details of the Company’s subsidiaries are as follows:

Name	Place of incorporation	Interest %	Principal activity
Canada Jetlines Operations Ltd.	Canada	100% ownership by the Company	Start-up of a ULCC scheduled airline service
Target Exploration and Mining Corp.	British Columbia, Canada	100% ownership by the Company	Exploration and evaluation of mineral properties
Crosshair Energy USA, Inc.	Nevada, United States	100% ownership by Target	Exploration and evaluation of mineral properties
Bootheel Project LLC	Colorado, United States	81% ownership by Crosshair USA	Exploration and evaluation of mineral properties
Gemini Metals Corp.	British Columbia, Canada	100% ownership by the Company	Inactive subsidiary, dissolved as of June 16, 2017

Significant accounting judgments and estimates

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

Critical accounting estimates

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

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.

2. BASIS OF PRESENTATION *(continued)*

Significant accounting judgments and estimates *(continued)*

Critical accounting estimates *(continued)*

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. 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.

Critical accounting judgments

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

Going concern

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

The functional currency of the Company is determined based on the currency of the primary economic environment in which the Company operates.

Transactions and balances

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.

Equipment

Equipment is comprised of computers and is carried at cost, less accumulated depreciation. 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:

Assets	Rate
Computer equipment	3 years, straight-line method

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 in the statement of loss and comprehensive loss.

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

The residual values, useful lives, and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Regular purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period of maturity. The effective interest rate is the rate that exactly discounts estimated future cash payments to the carrying value through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit and loss. The Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the associated obligation is discharged, cancelled or expired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Classification and measurement

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

Financial instruments measured at fair value are classified into one of three levels in a fair value hierarchy that prioritizes the input 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).

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to profit or loss. Management reviews the fair value of its marketable securities at the end of each reporting period. When the securities are trading below their cost for a prolonged period of time or the decline in value is significant, it is considered impaired. Reversals of impairment in respect of equity instruments classified as available-for-sale are recognized in other comprehensive income (loss) and are not recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

Current income tax

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.

Deferred tax

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 liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 (tax loss).
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes *(continued)*

Deferred tax *(continued)*

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Such deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

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, options and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, options, or warrants 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 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 at their fair value, as determined by the closing price on the announcement date. The balance, if any, is allocated to the attached warrants.

In situations where share capital is 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 (as defined) 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 Exchange on the date of the agreement to issue shares as determined by the Board of Directors.

Loss per share

Basic 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options 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 options or equity instruments that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options 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 options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss 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 equity instruments issued. Expenses are recorded in the statement of loss 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 behavioural 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 options 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Exploration and evaluation assets and expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed. Costs to acquire exploration and evaluation assets are capitalized as incurred. Costs related to the exploration and evaluation and maintenance of exploration and evaluation assets are expensed as incurred. The Company considers mineral rights to be assets and accordingly, the Company capitalizes certain costs related to the acquisition of mineral rights. The Company considers each exploration and evaluation asset to be a separate cash generating unit.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation asset or shown as an expense recovery depending on the nature of the activity generating the refund. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Future reclamation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of reclamation of mineral interests (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

New accounting pronouncements

The following accounting pronouncements have been made, but are not yet effective for the Company as at June 30, 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 15 is effective for annual periods beginning on or after January 1, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

New accounting pronouncements (*continued*)

- 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.

4. REVERSE TAKEOVER (“RTO”)

On February 28, 2017, the Company acquired all of the issued and outstanding shares of Jetlines Operations 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 or could be exchanged 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 these condensed interim consolidated financial statements are those of Jetlines Operations only.

4. REVERSE TAKEOVER (“RTO”) (continued)

The Transaction was recorded as follows:

Consideration:	
Value of equity instruments	\$ 5,743,658
Transaction costs	186,303
	<u>5,929,961</u>
Value of net assets:	
Cash and cash equivalents	225,991
Loan receivable (Note 9)	267,210
Other receivables	20,622
Deferred transaction costs (Notes 10 and 12)	375,140
Prepaid expenses and deposits (Note 6)	200,101
Available-for-sale investment (Note 5)	200,000
Reclamation bond (Note 8)	10,598
Accounts payable and accrued liabilities	(339,013)
Future reclamation provision (Note 8)	(20,807)
	<u>939,842</u>
Listing expense	\$ 4,990,119

The value of equity instruments in the amount of \$5,743,658 represents 19,145,527 outstanding shares of the Company valued at \$0.30 per share which was the price per share for the concurrent prospectus offering completed (Note 10).

Transaction costs in the amount of \$186,303 include finders’ fees and other professional fees in the amounts of \$177,417 and \$8,886, respectively. The Company paid cash finders’ fees in the amount of \$44,354 and issued 443,544 shares valued at \$133,063 or \$0.30 per share which was the price per share for the concurrent prospectus offering completed (Note 10).

5. AVAILABLE-FOR-SALE INVESTMENT

As of June 30, 2017, the balance of available-for-sale investment consists of 1,000,000 common shares of Voleo, Inc. (“Voleo”) with a carrying value of \$200,000 (December 31, 2016 - \$Nil). Voleo is a privately held mobile-focused fintech company and has developed mobile applications and software platforms to meet the investment expectations of millennial investors, including smartphone stock trading applications for investment clubs.

The available-for-sale investment was included in the net assets acquired pursuant to the Transaction (Note 4).

The Executive Chairman of the Company is also a director and the Executive Chairman of Voleo.

6. DEPOSITS

	As at June 30, 2017	As at December 31, 2016
Aircraft purchase agreement deposit (Note 16)	\$ 64,885	\$ 67,135
Related party security deposit (Note 11)	100,000	-
	<u>\$ 164,885</u>	<u>\$ 67,135</u>

The related party security deposit in the amount of \$100,000 was included in the net assets acquired pursuant to the Transaction (Note 4).

7. EQUIPMENT

	Computer Equipment
<u>Cost</u>	
Balance - December 31, 2015 and 2016	\$ 10,668
Additions	1,772
Balance - June 30, 2017	<u>12,440</u>
<u>Accumulated Depreciation</u>	
Balance - December 31, 2015	6,595
Depreciation	2,895
Balance - December 31, 2016	9,490
Depreciation	904
Balance - June 30, 2017	<u>10,394</u>
<u>Net Book Value</u>	
Aa at December 31, 2016	\$ 1,178
As at June 30, 2017	<u>\$ 2,046</u>

8. DISCONTINUED OPERATIONS

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”) – Silver Spruce (Labrador, Canada)

The Company has a 100% interest in the CMB Silver Spruce property subject to a 2% net smelter 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.

Bootheel (Wyoming, USA)

The Bootheel property is currently owned by the Bootheel Project LLC of which the Company currently controls an 81% interest, subject to certain royalties. The remaining 19% ownership of The Bootheel Project, LLC is held by UR-Energy USA Inc. (“URE”).

Maintenance costs

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 six month period ended June 30, 2017, the Company incurred maintenance costs in the amount of \$10,685 (2016 - \$Nil) which have been presented as discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss.

8. DISCONTINUED OPERATIONS *(continued)*

Reclamation bond

As at June 30, 2017, the Company holds a reclamation bond in the amount of US\$8,300 (December 31, 2016 – US\$Nil) related to the Bootheel property and registered with the Wyoming Department of Environmental Quality and State Office of Lands and Investment.

The reclamation bond in the amount of US\$8,300 was included in the net assets acquired pursuant to the Transaction (Note 4).

Future reclamation provision

As at June 30, 2017, the balance of the future reclamation provision is \$20,807 (December 31, 2016 - \$Nil) and relates to a property which was abandoned in a prior year. Although the Company no longer has title to the underlying property, it may be required to incur cleanup costs in the future. 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 (Note 4).

9. SHORT-TERM LOAN

On February 24, 2016, the Company entered into a loan agreement with Jetlines Operations (the “Loan Agreement”) to lend the principal amount of up to \$150,000 which was amended to the principal amount of up to \$350,000 on November 18, 2016 (the “Bridge Loan”). The Bridge Loan is secured by a general security agreement.

The Bridge Loan accrued interest on the principal amount outstanding at the rate of ten percent (10%) per annum from the date of each advance until the closing of the Transaction on February 28, 2017. Subsequent to February 28, 2017, the Bridge Loan is non-interest bearing and due on demand.

During the period from January 1, 2017 to February 28, 2017, Bridge Loan advances and accrued interest totaled \$50,000 and \$3,674, respectively.

As at June 30, 2017, the Bridge Loan and accrued interest are eliminated on consolidation.

As at December 31, 2016, the balance of the short-term loan consists of the principal amount of \$200,000 and accrued interest in the amount of \$13,536.

10. SHARE CAPITAL AND RESERVES

Authorized

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

As at June 30, 2017, the Company had 49,062,029 common voting shares and 8,574,380 variable voting shares outstanding.

Common voting shares

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

10. SHARE CAPITAL AND RESERVES (continued)

Authorized (continued)

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.

Share issuances

The Company issued the following shares during the six month period ended June 30, 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 (Notes 4 and 12).
- 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 (Note 4).

The Company issued the following shares during the six month period ended June 30, 2016:

- On February 11, 2016, the Company issued 150,000 shares to management for gross proceeds of \$100. The fair value of these shares is \$50,000 based on the share price of previous private placements completed at \$0.33. The difference between the market price of these shares and the consideration received by the Company is \$49,900, which will be expensed as share-based payment expense over the estimated vesting period of 24 months.
- On March 17, 2016, the Company issued through a private placement 63,333 units for gross proceeds of \$19,000 with each unit consisting of one share plus one warrant. The holder of each warrant is entitled to purchase one share at an exercise price of \$0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to \$1,520 in cash.
- On April 7, 2016, the Company issued through a private placement 16,500 units for gross proceeds of \$4,950 with each unit consisting of one share plus one warrant. The holder of each warrant is entitled to purchase one share at an exercise price of \$0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to \$396 in cash.
- On June 9, 2016, the Company issued through a private placement 213,750 units for gross proceeds of \$64,125 with each unit consisting of one share plus one warrant. The holder of each warrant is entitled to purchase one share at an exercise price of \$0.38 for a period of 2 years from the date of issue. Share issuance costs for the private placement amounted to \$6,412 in cash.

10. SHARE CAPITAL AND RESERVES *(continued)*

Performance shares

Performance shares are shares held in escrow on issuance and are to be released to the holder on the later of (a) the date on which the Company has received the necessary funds to launch airline operations and (b) a period of 24 months has elapsed since the issuance of the performance shares. The performance shares are forfeited by the holder upon resignation from the Company or termination for cause. Any differences between the fair value at issuance date and consideration received will be expensed as share-based payment expense over the estimated vesting period of 24 months.

During the six month period ended June 30, 2017, the Company amended the conditions of 112,500 performance shares previously granted by waiving the forfeiture clause for holders that resigned.

During the six month period ended June 30, 2017, the Company recorded share-based payments related to performance shares in the amount of \$101,931 (2016 - \$99,629).

Share purchase warrants

The following is a summary of share purchase warrants activities during the six month period ended June 30, 2017 and the year ended December 31, 2016:

	Number of Share Purchase Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2015	4,302,763	\$0.42
Issued	1,615,668	\$0.37
Outstanding, December 31, 2016	5,918,431	\$0.40
RTO (Note 4)	13,333,315	\$0.38
Issued	13,397,751	\$0.47
Expired	(72,000)	\$1.00
Outstanding, June 30, 2017	32,577,497	\$0.42

The Company issued the following share purchase warrants during the six month period ended June 30, 2017:

- On February 28, 2017, the Company issued 11,389,350 share purchase warrants with an exercise price of \$0.50 and expiry of February 28, 2019 in connection with a prospectus offering.
- On February 28, 2017, the Company issued 1,708,401 share purchase warrants with an exercise price of \$0.30 and expiry of February 28, 2019 to agents in connection with a prospectus offering. Each share purchase warrant is exercisable into one share and one half of an additional share purchase warrant. The fair value of \$116,978 was estimated at the issue date using the Black-Scholes Option Pricing Model and recorded as share issue costs in the condensed interim consolidated statements of changes in shareholders' equity (deficiency).
- On March 17, 2017, the Company issued 300,000 share purchase warrants with an exercise price of \$0.30 and expiry of March 10, 2019 to the former Chief Financial Officer of Jetlines Operations upon his resignation from the position. The fair value of \$17,036 was estimated at the issue date using the Black-Scholes Option Pricing Model and recorded as share-based payments in the condensed interim consolidated statements of loss and comprehensive loss.

10. SHARE CAPITAL AND RESERVES (continued)

Share purchase warrants (continued)

The following weighted average assumptions were used to estimate the fair value of share purchase warrants issued to agents and upon employee resignation:

	For the six month period ended June 30, 2017	For the six month period ended June 30, 2016
Risk-free interest rate	0.73%	0.36%
Expected life (years)	2.0	2.0
Annualized volatility	40%	100%
Dividend yield	0%	0%

As at June 30, 2017, the Company had the following share purchase warrants outstanding and exercisable:

Number of share purchase warrants	Exercise price	Remaining life (years)	Expiry date
45,000	\$0.50	0.02	July 9, 2017
7,200	\$1.00	0.02	July 9, 2017
1,496,823	\$0.34	0.08	July 30, 2017
123,611	\$0.34	0.08	July 30, 2017
9,000	\$0.50	0.13	August 18, 2017
3,750	\$0.50	0.16	August 27, 2017
568,899	\$0.34	0.16	August 29, 2017
22,399	\$0.34	0.16	August 29, 2017
300,000	\$0.34	0.25	September 30, 2017
25,500	\$0.50	0.32	October 26, 2017
4,080	\$1.00	0.32	October 26, 2017
957,000	\$0.50	0.55	January 16, 2018
300,000	\$0.34	0.62	February 11, 2018
63,333	\$0.38	0.71	March 17, 2018
427,500	\$0.50	0.73	March 23, 2018
16,500	\$0.38	0.77	April 7, 2018
240,000	\$0.50	0.89	May 22, 2018
213,750	\$0.38	0.94	June 9, 2018
150,000	\$0.38	1.29	October 13, 2018
334,500	\$0.38	1.32	October 26, 2018
537,586	\$0.38	1.40	November 22, 2018
1,708,401 ⁽¹⁾	\$0.30	1.67	February 28, 2019
11,389,350	\$0.50	1.67	February 28, 2019
300,000	\$0.30	1.69	March 10, 2019
13,333,315	\$0.38	2.21	September 16, 2019
32,577,497			

⁽¹⁾ Each share purchase warrant is exercisable into one share and one half of an additional share purchase warrant.

10. SHARE CAPITAL AND RESERVES *(continued)*

Stock options

The Company’s Stock Option Plan is a 10% rolling plan that allows a maximum 10% of the issued shares to be reserved for issuance under the plan. Options granted under the plan may not have a term exceeding 10 years and vesting provisions are at the discretion of the Board of Directors. 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.

The following is a summary of stock option activities during the six month period ended June 30, 2017 and year ended December 31, 2016:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2015	1,125,000	\$0.31
Forfeited	(450,000)	\$0.27
Outstanding, December 31, 2016	675,000	\$0.34
Granted	5,750,000	\$0.28
Outstanding, June 30, 2017	6,425,000	\$0.29

As at June 30, 2017, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
675,000	675,000	\$0.34	3.06	July 22, 2020
4,475,000	-	\$0.30	4.67	February 28, 2022
150,000	-	\$0.30	4.78	April 10, 2022
225,000	-	\$0.22	4.84	May 1, 2022
225,000	-	\$0.21	4.86	May 9, 2022
675,000	-	\$0.20	4.93	June 1, 2022
6,425,000	675,000			

Share-based payments

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 six month period ended June 30, 2017, the Company recognized share-based payment expense with respect to stock options in the amount of \$184,980 (2016 - \$30,930).

10. SHARE CAPITAL AND RESERVES *(continued)*

Share-based payments *(continued)*

The following weighted average assumptions were used to estimate the weighted average grant date fair value of stock options granted during the six month periods ended June 30, 2017 and 2016:

	For the six month period ended June 30, 2017	For the six month period ended June 30, 2016
Risk-free interest rate	1.07%	-
Expected life (years)	5.00	-
Annualized volatility	40%	-
Dividend yield	0%	-

11. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the condensed interim consolidated financial statements not disclosed elsewhere in these 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 six month periods ended June 30, 2017 and 2016 is summarized as follows:

	For the six month period ended June 30, 2017	For the six month period ended June 30, 2016
Short-term benefits ⁽¹⁾	\$ 560,587	\$ 102,881
Share-based payments	185,026	109,440
	<u>\$ 745,613</u>	<u>\$ 212,321</u>

⁽¹⁾ Short-term benefits include base salaries and directors’ fees, pursuant to contractual employment or consultancy arrangements, management and consulting fees

11. RELATED PARTY TRANSACTIONS *(continued)*

Other related party transactions and balances

King & Bay West Management Corp. (“King & Bay West”): King & Bay West is an entity owned by Mark Morabito, Executive Chairman and former President and Chief Executive Officer of the Company, and provides administrative, management, finance, legal, regulatory, business development and corporate communications services to the Company.

Transactions entered into with related parties other than key management personnel during the six month periods ended June 30, 2017 and 2016 include the following:

	For the six month period ended June 30, 2017	For the six month period ended June 30, 2016
King & Bay West	\$ 242,181	\$ -

As at June 30, 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) (Notes 4 and 6). 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.

As at June 30, 2017, amounts due to related parties include the following:

- MJM Consulting Corp., an entity owned by Mark Morabito, Executive Chairman of the Company - \$3,539 (December 31, 2016 - \$Nil) in relation to expenses incurred on behalf of the Company.
- King & Bay West - \$64,030 (December 31, 2016 - \$Nil) in relation to the services described above.
- Stanley Gadek, Chief Executive Officer of the Company - \$21,667 (December 31, 2016 - \$Nil) in relation to accrued compensation and expenses incurred on behalf of the Company.
- Jim Scott, former Chief Executive Officer of the Company - \$225,000 (December 31, 2016 - \$Nil) in relation to accrued compensation upon his departure from the Company.

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

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Non-cash transactions affecting cash flows from investing or financing activities during the six month period ended June 30, 2017 are summarized below:

- The Company applied deferred transactions costs in the amount of \$375,140 which were acquired in the Transaction to share issue costs (Notes 4 and 10).
- The Company issued 1,708,401 share purchase warrants to agents in connection with a prospectus offering. The fair value of \$116,978 was recorded as share issue costs (Note 10).
- The Company recognized a listing expense in the amount of \$4,990,119 pursuant to the Transaction (Note 4). The listing expense constitutes a non-cash transaction with the exception of cash payments relating to finders’ fees and other professional fees in the amounts of \$44,354 and \$8,886, respectively.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS *(continued)*

Non-cash transactions affecting cash flows from investing or financing activities during the six month period ended June 30, 2016 are summarized below:

- The Company reversed share-based payments in the amount of \$19,178 for forfeited stock options.
- Share subscriptions received in the amount of \$80,000 were reclassified to accounts payable and accrued liabilities.

13. SEGMENTED INFORMATION

The Company operates in one segment, which is the development of a ULCC and its operations and head office are in Canada.

The Company's discontinued operations related to exploration and evaluation of mineral properties within North America (Note 8).

14. 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 equity.

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 six month period ended June 30, 2017.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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.

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.

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

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 as outlined in Note 14. As at June 30, 2017, the Company had working capital of \$4,275,776 and a deficit of \$11,097,849. As a result of financing completed during the six month period ended June 30, 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 to support ongoing operating expenditures and meet its liabilities as they fall due.

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 (Note 16). 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 June 30, 2017, a 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of approximately \$9,000.

16. COMMITMENTS

The following table shows the Company's contractual commitments as at June 30, 2017. In addition, the Company has commitments for aircraft deposits as described below.

	2017	2018	2019	2020	2021	Total
	\$	\$	\$	\$	\$	\$
Office premise lease	14,696	29,392	29,392	29,392	-	102,872
Consulting ⁽¹⁾	9,900	-	-	-	-	9,900
Total	24,596	29,392	29,392	29,392	-	112,772

⁽¹⁾ Represents agreement for technology systems and support

16. COMMITMENTS *(continued)*

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 ⁽¹⁾	US\$150,000
August 1, 2018	US\$1,755,700
February 1, 2019	US\$1,755,700
August 1, 2019	1% less previous payments

⁽¹⁾ The Company is in the process of renegotiating the deposit in the amount of US\$150,000 due on August 1, 2017.

- 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)

- The following shows the Company’s calendar year contractual commitments with respect to the Initial Payments and Pre-Delivery Payments as at June 30, 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

16. COMMITMENTS *(continued)*

- 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.
- 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\$1.2977, a 10% increase or decrease in the exchange rate will increase or decrease the aggregate base purchase price by approximately CAD\$54.9 million and increase or decrease the aggregate escalated purchase price by CAD\$70.9 million.

17. SUBSEQUENT EVENT

The following event occurred subsequent to the six month period ended June 30, 2017:

- On July 1, 2017, the Company granted 225,000 stock options with an exercise price of \$0.21 and term of five years.