This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The Common Shares offered hereby have not been and will not be registered under the United States Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States of America.

Initial Public Offering June 28, 1999

WESTJET AIRLINES LTD.

$25,000,000
2,500,000 Common Shares

This prospectus qualifies the distribution (the "Offering") of 2,500,000 common shares (the "Common Shares") of WestJet Airlines Ltd. ("WestJet" or the "Corporation").

The Offering price for the Common Shares was established by negotiation between WestJet and the Underwriters.

The Offering price of each Common Share offered hereunder exceeds the unaudited consolidated net tangible book value per Common Share as at April 30, 1999, by $7.10, resulting in dilution of 71%. See "Dilution".

There is currently no market through which the Common Shares may be sold. Investment in the Common Shares should be considered to be speculative and subject to a number of risks that should be considered by investors. See "Risk Factors". In the opinion of counsel, the Common Shares will, at the date of closing, be eligible for investment under certain statutes as set out under "Eligibility for Investment".

The Toronto Stock Exchange has conditionally approved the listing of the Common Shares. Listing is subject to the Corporation fulfilling all of the requirements of such exchange, including the distribution of Common Shares to a minimum number of holders, on or before September 23, 1999.

Price: $10.00 per Common Share

	Price	Underwriters' Fee	Net Proceeds to Corporation(1)
Per Common Share	$ 10.00	$ 0.60	$ 9.40
Total(2)	$ 25,000,000	$ 1,500,000	$ 23,500,000

Notes:

(1) Before deducting the expenses of the Offering, estimated at $600,000, which together with the Underwriters' fee, will be paid by the Corporation out of its general funds.

(2) The Corporation has granted to the Underwriters an option (the "Over-Allotment Option") to acquire up to an aggregate of 250,000 Common Shares at the Offering price to cover over-allotments, if any, and for market stabilization. The Over-Allotment Option expires 30 days after the closing of this Offering. If the Over-Allotment Option is exercised in full, the total price to the public will be $27,500,000, the Underwriters' fee will be $1,650,000 and the net proceeds to the Corporation will be $25,850,000. This prospectus qualifies the distribution of the Common Shares issuable upon exercise of the Over-Allotment Option. See "Plan of Distribution".

CIBC World Markets Inc., HSBC Securities (Canada) Inc., RBC Dominion Securities Inc. and Yorkton Securities Inc.(the "Underwriters"), as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued and sold by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Burnet, Duckworth & Palmer, Calgary, Alberta and on behalf of the Underwriters by Blake, Cassels & Graydon, Calgary, Alberta. Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that certificates representing the Common Shares will be available for delivery at closing which is expected to occur on or about July 13, 1999 (the "Closing"), or such later date as the Corporation and the Underwriters may agree, but in any event not later than August 9, 1999.

[INSERT PICTURE AND MAP]

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PRESENTATION OF INFORMATION

Except where the context otherwise requires, all references in this prospectus to "WestJet" or the "Corporation" are to WestJet Airlines Ltd.

In this prospectus, references to "$" are to Canadian dollars unless otherwise indicated. On June 25, 1999 the noon buying rate in the City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York was Canadian $1.4642 = U.S. $1.00.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer and Blake, Cassels & Graydon, and subject to the provisions of any particular plan, the Common Shares, if, as and when listed on a prescribed stock exchange in Canada, will be qualified investments for trusts governed by RRSPs, RRIFs, and DPSPs under the *Income Tax Act* (Canada) as in effect of the date hereof and, under proposals to amend the *Income Tax Act* (Canada), for trusts governed by RESPs, and will not constitute foreign property for such plans.

In the opinion of Burnet, Duckworth & Palmer and Blake, Cassels & Graydon, based on the legislation in effect on the date hereof, the provisions of:

Insurance Companies Act (Canada);
Trust and Loan Companies Act (Canada);
Cooperative Credit Associations Act (Canada);
Pension Benefits Standards Act, 1985 (Canada);
Loan and Trust Corporations Act (Alberta);
Pension Benefits Standards Act (British Columbia);
Employment Pension Plans Act (Alberta);
Insurance Act (Alberta);
The Pension Benefits Act, 1992 (Saskatchewan);
The Insurance Act (Manitoba);
The Trustee Act (Manitoba);
The Pension Benefits Act (Manitoba);
Loan and Trust Corporations Act (Ontario);
Pension Benefits Act (Ontario);
An act respecting insurance (Québec) (in respect of insurers other than guarantee fund corporations)
An act respecting trust companies and savings companies (Québec) (for a trust company investing its own funds and deposits it receives and a savings company (as defined therein) investing its funds);
Supplemental Pension Plans Act (Québec); and
Financial Institutions Act (British Columbia).

would not preclude, subject to compliance with prudent investment standards or criteria, or, if applicable, investment policies, procedures or goals which have been filed, where required, with the appropriate regulatory authorities and the general investment provisions of such statutes, an investment in the Common Shares by companies, corporations, pension plans or persons registered thereunder or governed thereby.

SUMMARY

***The following is a summary only and is qualified in its entirety by the more detailed information and financial and operating data appearing elsewhere in this prospectus.* For an explanation of certain terms and abbreviations used in this prospectus, reference is made to "Glossary of Terms".**

Company Overview: WestJet is a profitable low fare airline based in Calgary, Alberta which provides scheduled short haul passenger jet airline service in western Canada. WestJet is built on the Southwest Airlines model, offering low fares and high quality service with a low cost structure. Since its first revenue flight on February 29, 1996, WestJet has offered travellers in western Canada a low fare transportation alternative which the Corporation believes is cost-competitive against conventional airlines, bus, rail or car transportation. WestJet currently operates 13 Boeing 737-200 jet aircraft and offers approximately 511 scheduled short haul flights per week servicing 11 destinations in western Canada. During the fiscal year ended December 31, 1998 WestJet carried more than 1.6 million passengers.

WestJet's route and flight scheduling is aimed at capturing both leisure and business travellers during peak travel times. WestJet emphasizes simplified everyday low fares, convenient schedules and a 100% ticketless reservation system. Within the markets in which WestJet operates, its low fares, and the competitive response to those fares from other carriers, has stimulated air travel amongst consumers who would have otherwise used ground transportation or would not have travelled at all. On the basis of Statistics Canada information, each route WestJet has entered since 1996 has recorded significant traffic growth in the period following WestJet's commencement of service, with WestJet capturing the largest portion of such growth on each such route. Although this increase in air traffic can be attributed to any number of factors including the relative strength of the Canadian economy since 1996, WestJet believes that its low fare service has been a major stimulus for air travel within the markets in which it serves. WestJet has maintained a significantly lower cost structure than its competitors thereby supporting its low fare strategy and has established itself as one of the lowest cost operators in the airline industry. To this end WestJet has minimized the use of debt and owns 11 of the 13 jet aircraft in its fleet.

Business and Growth Strategy: WestJet's primary goal is to establish itself as western Canada's leading low fare, scheduled passenger airline through continued improvements and expanded offerings of its low fare, highly efficient service. WestJet's primary business premise is that the delivery of low fare jet airline service will stimulate the use of air travel within those markets. WestJet therefore aims to maintain one of the lowest cost structures within the airline industry. This low cost structure will allow WestJet to continue to offer low fares that generate increased passenger traffic.

WestJet produces a low unit cost by flying a single type of jet aircraft, the Boeing 737-200, which creates cost efficiencies in employee training, maintenance and purchasing. WestJet also seeks to lower unit costs by focusing on its people, which ensures a cost efficient and productive workforce. WestJet attempts to minimize ground handling charges by sub-contracting these services. In addition, WestJet attempts to focus on using airports with competitive cost terms and no de-stimulative airport improvement fees.

WestJet focuses its services on short haul point-to-point service within western Canada. These short haul flights allow WestJet to offer frequent service, while eliminating many of the amenities usually provided on longer flights. Whenever possible, WestJet’s strategy has been to target niche routes where it is the only carrier to offer non-stop jet service as well as markets where the use of turbo-prop aircraft by the MCDAs is prevalent.

WestJet offers a single class of service, does not interline baggage with other airlines, nor offer meal service, city ticket offices, frequent flyer programs, airport lounges or business class. The cost savings are passed onto customers in the form of everyday low fares with few restrictions.

Since its inception, WestJet has consistently reported annual profits and has demonstrated its ability to prudently grow capacity while at the same time improve Yields. WestJet believes opportunities for continued growth exist and will come from, among other things, increasing the frequency of service on existing routes, adding new routes which are consistent with WestJet’s business strategy and developing charter opportunities, which enhance fleet utilization.

THE OFFERING

Offering:	2,500,000 Common Shares of the Corporation.
Amount:	$25,000,000.
Price:	$10.00 per Common Share.
Use of Proceeds:	The estimated net proceeds to the Corporation from this Offering after deducting expenses of the Offering estimated at $600,000 and the Underwriter's fee of $1,500,000, will be $22,900,000, assuming no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, net proceeds to the Corporation of the Offering will be $25,250,000 (after deducting expenses of the Offering estimated at $600,000 and the Underwriter's fee of $1,650,000). The net proceeds of this Offering will be used by the Corporation to fund the purchase of additional aircraft, the possible construction of a maintenance facility in Calgary and for other general corporate purposes. The Corporation anticipates the use of proceeds to be allocated as to approximately $22,000,000 for the acquisition of aircraft, approximately $900,000 for the possible construction of the maintenance facility and any remainder for general corporate purposes. Pending such application, the Corporation may invest all or a portion of the net proceeds in short-term investments. See "Use of Proceeds".
Common Shares:	Before the completion of this Offering, the Corporation had 23,955,426 Common Shares outstanding. After the completion of the Offering, assuming no exercise of the Over-Allotment Option, there will be 26,455,426 Common Shares outstanding.
Canadian Ownership Restrictions:	The provisions of the CTA require that WestJet be controlled in fact by Canadians and that at least 75% of its voting interest be owned and controlled by "Canadians" as that term is defined in the Act. The constraints on ownership rights contained in WestJet's Articles require WestJet to refuse to recognize all ownership rights which would otherwise be attached to any voting shares held contrary to such constrained share provisions, by deeming all such shares to be struck from the register of securities. Before giving effect to the Offering, approximately 95% of the Common Shares were owned and controlled by Canadians. See "Restrictions on Voting Securities".
Risk Factors:	The Common Shares should be considered a speculative investment due to the nature of the Corporation's business and its stage of development. The Corporation currently has a limited business history. Purchasers of Common Shares must be prepared to rely solely upon the ability, expertise, judgement, discretion, integrity and good faith of the management of the Corporation. Any major safety incident involving the aircraft of the Corporation could materially and adversely affect the Corporation’s service, reputation and profitability. The unexpected loss or departure of any of the Corporation's key officers or employees could be detrimental to the future operations of the Corporation. The Corporation competes with national and regional scheduled airlines which are significantly larger and more established and have significantly greater resources than the Corporation. In addition, the airline industry is highly competitive and is subject to many other risk factors. The offering price of the Common Shares exceeds the unaudited consolidated net tangible book value per Common Share as at April 30, 1999 by $7.10, resulting in dilution of 71%. See "Dilution". For these and other reasons, an investment in Common Shares is suitable only to those knowledgeable and sophisticated investors who are willing to risk a loss of their investment. See "Risk Factors".
Dividend Policy:	The Corporation’s dividend policy is based on its results of operations, its financial position, its financing requirements for future growth and other factors that the Corporation’s board of directors may deem relevant in the circumstances. No dividend payment after the Closing of this Offering is currently being contemplated. See "Dividend Record and Policy".
Eligibility for Investment:	In the opinion of counsel to the Corporation and the Underwriters, the Common Shares will be eligible for investment under certain statutes as set forth under "Eligibility for Investment".

SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA OF WESTJET

The summary of selected financial data of WestJet presented below should be read in conjunction with, and is qualified in its entirety by reference to, the Corporation's financial statements, including notes thereto, appearing elsewhere in this prospectus. See "Management's Discussion and Analysis of Financial Condition and Results of Operation".

	As at and for the Period Ended				
	Four Months ended April 30, 1999	**Four Months ended April 30, 1998**	**Year Ended December 31, 1998**	**Year ended December 31, 1997**	**Ten months ended December 31, 1996**
	(unaudited)		(audited)	(audited)	(audited)
Financial Data					
in 000's except per share data					
Revenues	$51,677	$30,628	$125,890	$77,340	$37,285
Expenses	$45,095	$28,237	$111,757	$66,793	$36,232
EBITDAR[1]	$9,420	$4,418	$20,103	$12,154	$2,146
Operating Earnings[2]	$6,582	$2,391	$14,133	$10,548	$1,053
Operating Margin	*12.7%*	*7.8%*	*11.2%*	*13.6%*	*2.8%*
Employee Profit Share[3]	$835	-	$1,702	$1,521	$146
Net Earnings	$3,088	$1,240	$6,517	$6,162	$871
Net Margin	*6.0%*	*4.0%*	*5.2%*	*8.0%*	*2.3%*
Net Earnings per Share, basic	$0.13	$0.05	$0.28	$0.28	$0.04
Net Earnings per Share, fully diluted	$0.12	$0.05	$0.28	$0.27	$0.04
Total Assets	$122,786	$75,750	$108,242	$65,206	$35,892
Total Debt[4]	$30,779	$14,938	$26,311	$8,049	$1,989
Shareholders' Equity	$53,471	$42,621	$49,362	$40,736	$24,491
Operating Data					
Revenue Passengers Carried	632,654	454,791	1,683,806	1,173,206	601,516
Revenue Passenger Miles (RPM)	239,822,108	162,710,938	639,157,206	406,376,456	219,386,593
Available Seat Miles (ASM)	338,519,873	232,808,852	893,008,646	575,746,918	332,294,032
Passenger Load Factor	70.8%	69.9%	71.6%	70.6%	66.0%
Average Passenger Fare	$81.78	$65.38	$74.75	$65.85	$60.97
Operating Revenue Yield per RPM	$0.21	$0.19	$0.20	$0.19	$0.17
Operating Revenue Yield per ASM	$0.15	$0.13	$0.14	$0.13	$0.11
Operating Expenses per ASM	$0.13	$0.12	$0.12	$0.12	$0.11
Average Stage Length (miles)	374	348	378	349	364
Number of Employees at end of period (FTEs)	714	475	629	415	318
Number of Aircraft at End of Period	12	8	11	6	4

Notes:

1. Earnings before interest, tax, depreciation, amortization and aircraft rental charges.
2. Before employee profit share and income taxes.
3. Employee profit share provision would have amounted to approximately $200,000 for the first four months of 1998. The amount of profit share was determined by the board of directors at the end of fiscal 1998.
4. Long-term debt and obligations under capital lease.

GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

"**Act**" means the *Canada Transportation Act*, S.C. 1996, c. 10, as amended;

"**ASM**" or "**Available Seat Miles**" means available seat miles, calculated by multiplying the total number of seats available for sale by the total distance flown (in miles);

"**ASL**" or "**Average Stage Length**" means the weighted average of Stage Lengths flown, calculated by dividing the total annual Available Seat Miles by the average number of seats per departure divided by the total number of departures;

"**Cabotage**" means the ability of foreign domiciled airlines to carry new passengers between domestic points in the country of concern;

"**CASM**" means Cost per Available Seat Mile;

"**Check**" means a scheduled maintenance check, and may be any one of the following:

> "Service" Check, which is an external inspection, servicing of fluids, and internal inspection of cabin and flight deck, accomplished at a line maintenance facility every 24 flight hours;
>
> "A" Check, which is an operational check of cabin systems, inspection of landing gear, wheel wells and wings in addition to a "Service" Check, accomplished at a line maintenance facility every 125 flight hours;
>
> "B1" Check, which is an inspection of the auxiliary power unit compartment, servicing of engine and hydraulic system filters, landing gear and wing lubrication, "A" Check and "Service" Check included, accomplished at a line maintenance facility every 750 flight hours;
>
> "B2" Check, which is an additional inspection to wheel wells and engines, "B1" Check, "A" Check and "Service" Check included, accomplished at a line maintenance facility every 1,500 flight hours;
>
> "C" Check, which is an in-depth inspection of all aircraft systems, "B2" Check, "B1" Check, "A" Check and "Service" Check included, accomplished at a heavy maintenance facility every 3,000 flight hours; and
>
> "Structural Inspection"or "D" Check, which is an in-depth inspection of all significant structural elements including corrosion prevention, "C" Check,"B2" Check, "B1" Check, "A" Check and "Service" Check included, accomplished at a heavy maintenance facility every 21,000 flight hours.

"**CTA**" means the Canadian Transportation Agency;

"**Hushkit**" means a modification kit that comprises all the parts needed to make an engine run quieter in accordance with noise emission requirements;

"**Load Factor**" means a measure of total capacity utilization, calculated as a number of RPMs divided by ASMs;

"**MCDAs**" means the two major Canadian domestic airlines, Air Canada and Canadian Airlines Corporation and their regional affiliates;

"**Open Skies Agreement**" means the bilateral air transport agreement dated February 24, 1995 between Canada and the United States of America;

"**RPM**" or "**Revenue Passenger Miles**" means a measure of passenger traffic, calculated as the number of revenue passengers multiplied by the total distance flown (in miles);

"**Shareholders Agreement**" means the corporate and shareholders agreement dated as of January 26, 1996 among WestJet, Ontario Teachers Pension Plan Board, Wilmot L. Matthews, Tortuga Investment Corp., AGF Growth Equity Fund and Hanover Investments Corporation Ltd.;

"**Stage III**" means Stage III noise abatement legislation, which limits the amount of noise an aircraft emits;

"Stage Length" means the distance between the point of departure and the point of arrival; and

"**Yield**" means average revenue per Revenue Passenger Mile.

THE CORPORATION

WestJet is a profitable low fare airline based in Calgary, Alberta. WestJet launched its scheduled airline services connecting five cities in western Canada on February 29, 1996 utilizing two Boeing 737-200 jet aircraft.

The Corporation currently provides scheduled service between 11 western Canadian cities (Victoria, Vancouver, Abbotsford, Prince George, Kelowna, Calgary, Edmonton, Regina, Saskatoon, Winnipeg and Thunder Bay) with its 13 Boeing 737-200 jet aircraft totalling 511 flights per week, expanding to 555 flights per week in the summer of 1999. The Corporation also operates charter service to western United States ("U.S.") destinations on behalf of major Canadian tour operators as well as *ad hoc* charter flights and a small scale air cargo service on its regular scheduled flights.

WestJet was incorporated under the provisions of the ABCA on June 27, 1994 as 616373 Alberta Ltd. The Corporation's name was changed to WestJet Airlines Ltd. by Articles of Amendment dated May 30, 1995. On June 21, 1995, the Corporation's Articles were further amended to alter its share capital, to delete the "private company" provisions and to effect certain other amendments to permit and facilitate the Corporation's offering of Common Shares for sale to the public.

WestJet was initially capitalized by its founders in 1995 and 1996. Since the commencement of its operations, WestJet has raised additional capital pursuant to a rights offering to shareholders and sales of Common Shares to employees pursuant to the Employee Stock Purchase Plan (See "Stock Plans - Employee Stock Purchase Plan"). In the aggregate, 23,955,426 Common Shares have been issued for proceeds of $41,662,212.

The principal business address of the Corporation is 35 McTavish Place N.E., Calgary, Alberta, T2E 7J7 and its registered office is Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

REGULATORY OVERVIEW

The Canadian Regulatory Environment

In Canada, civil air transportation, including the establishment of aviation policy, the establishment of maintenance and operations standards, safety and the provision of ground and airways infrastructure, is wholly within federal government jurisdiction and is the responsibility of the Minister of Transport (the "Minister"). The *Aeronautics Act* (Canada) gives the Minister the authority to, among other things, certify air carriers as being adequately equipped and capable of conducting a safe operation. Pursuant to the *Aeronautics Act* (Canada) WestJet obtained its air operator certificate which allows it to operate a commercial air service with Boeing 737 jet aircraft.

In 1988 the Canadian government significantly reduced the regulation of the air transportation industry in Canada. The *Canada Transportation Act* (the "Act") is the current governing statute pursuant to which the Canadian Transportation Agency ("CTA") regulates the transportation industries in Canada, including the air transport industry.

The CTA issues air carrier licences for both domestic and international services and regulates international air fares and conditions of carriage. To operate an air transportation service in Canada, an airline must apply for and receive a licence from the CTA pursuant to the Act. WestJet received its original domestic licence on January 25, 1996 and its original non-scheduled and scheduled international licences on January 31 and February 5, 1997, respectively. WestJet completed its filings with the U.S. Department of Transportation and Federal Aviation Administration and received its U.S. operations permits on June 23, 1997.

In addition to the requirements stated above, the applicable provisions of the Act require that holders of licences be "Canadian", and that holders be controlled in fact by Canadians and that at least 75% of their voting interests be owned and controlled by Canadians, as that term is defined in the Act. The constraints on ownership rights contained in WestJet's Articles require WestJet to refuse to recognize all ownership rights which would otherwise be attached to any voting shares held contrary to such constrained share provisions, by deeming all such shares to be struck from the register of securities. Before giving effect to the Offering, approximately 95% of the Common Shares were owned and controlled by Canadians. See "Restrictions on Voting Securities".

Domestic Service

Commencing in January, 1988, the deregulation of the airline industry in Canada has allowed carriers to establish air fares and conditions of carriage without government regulation, making it easier for new airlines to start-up and for existing ones to expand. The principle of free market entry under the Act is limited only by the requirement that the carrier be "Canadian", as defined in the Act, that it hold an operating certificate and that it is suitably insured. Notwithstanding the above, on non-competitive routes, the

CTA may determine that a carrier has imposed an unreasonable basic fare or increase in a basic fare in respect of a service, and has the power to disallow, reduce, or refund the basic fare or increase, in such amounts and for such periods as the CTA considers reasonable. These powers, however, do not apply in respect of fares, rates, charges or terms and conditions of carriage which are the subject of a contract between the carrier and another person, whereby the parties agree to keep the contract provisions confidential. Market exit is substantially unregulated; however, on non-competitive routes, advance notice must be provided in accordance with the Act and applicable regulations.

International Service

International scheduled air services are regulated by the governments involved. International route rights are obtained through bilateral negotiations between Canada and foreign countries. Bilateral agreements provide for the rights which may be exercised over an agreed routing and the conditions under which the airlines may operate, including, among others, the number of airlines which may operate, the capacity and/or flight frequencies that may be provided and the controls over tariffs to be charged. Many bilateral agreements to which Canada is a party provide for the designation of more than one Canadian airline, while some provide for the designation of only one Canadian airline. The Minister has the authority to designate which carriers have the right to serve scheduled international routes except routes to the United States, which are governed by the Open Skies Agreement.

Under the Open Skies Agreement, the Canadian government may designate as many carriers as it wishes to service U.S. destinations. Prior to commencing service, a designated airline must make application to U.S. government authorities and the appropriate authorizations and permissions are required to be granted by such authorities with minimal procedural delay, provided Canadian ownership requirements, qualifications under laws normally applicable to international air transportation and safety and aviation security requirements under the Open Skies Agreement are met by the designated airline. No restrictions as to capacity, frequency or aircraft size are imposed under the Open Skies Agreement. Designated airlines may, at their option, combine two or more points in the U.S. in a through service. However, Cabotage is still prohibited in Canada and the United States.

Charter Service

The provision of domestic and international charter service is governed by the Act and is administered by the CTA. WestJet’s CTA licences, together with WestJet’s Canadian and U.S. operating certificates, allow WestJet to provide both domestic and transborder charter service. However, certain charter flights require an additional permit from the CTA and WestJet must also obtain landing permits and other authorizations from each charter destination. WestJet currently provides Canadian domestic charter service on an *ad hoc* basis and transborder charter service, on both a scheduled and *ad hoc* basis.

INDUSTRY OVERVIEW

The North American Airline Market

As in many other industries in North America, the airline industry witnessed substantial consolidation in the 1980's, following airline deregulation in 1978. The first decade of deregulation in the U.S. resulted in a proliferation of new entrants, most of which failed in relatively short order. The decade also saw larger, more financially stable carriers acquiring the assets of weaker companies in order to consolidate market share and expand route networks. During this period, mainstream air carriers enjoyed success, but expansion of the large carriers by internal growth and/or acquisition resulted in a considerable increase in their cost structure.

Major carriers tended to move in the direction of multiple aircraft-type fleets as a consequence of growth by acquisition of other carriers, with the largest ten U.S. air carriers in 1998 averaging 8 aircraft types in their fleet with an average aircraft age of approximately 12.7 years. This is contrasted with Southwest Airlines Co. ("Southwest Airlines"), a low-fare airline established in 1971 which at December 31, 1998 had a single aircraft-type fleet of 280 Boeing 737s with an average age of 8.5 years. Furthermore, consolidation of the industry often burdened airlines with route networks that did not integrate well with one another and substantial cash flow problems related to debt incurred in conjunction with their acquisitions.

The Canadian experience paralleled the U.S. situation, a decade later, due to deregulation in 1988. By the late 1980's, the airline landscape in Canada was, for all intents and purposes, controlled by Air Canada and Canadian Airlines Corporation (the "MCDAs"), both of which had spent much of the decade either acquiring or developing extensive and complex feed arrangements with a number of smaller airlines in the country, resulting in an escalation of their cost structures. The MCDAs, together with their respective regional affiliates, each maintained fleets of many different aircraft models manufactured by numerous companies and operated with significant financial leverage.

Events in the Persian Gulf in 1990, adverse economic conditions, price wars and recessions in the early 1990's caused the North American industry as a whole to suffer substantial losses. Demand for air travel significantly declined and in order to keep load factors and market-share relatively healthy, carriers began to sharply discount fares. Between 1990 and 1993, the U.S. industry incurred a collective loss of U.S. $12 billion dollars. In this environment, a number of weaker carriers suffered financially which resulted in bankruptcy protection and subsequent reorganization, with most other major carriers incurring heavy losses, with the notable exception of Southwest Airlines. Again, the Canadian experience paralleled that of the United States with the MCDA's experiencing heavy losses in the period 1990 through 1993 amounting to $2.1 billion.

The turmoil in the traditional airline industry in the early 1990's created the opportunity for a proliferation of new generation low cost carrier start-ups. Entrepreneurs quickly took advantage of the hundreds of surplus aircraft parked in storage in the desert, thousands of recently unemployed, but highly experienced, aviation professionals and airports with unused airport capacity.

Although often similarly categorized, it is management's belief that the operating strategies implemented by these low cost airlines varied considerably. In the U.S. Reno Air and Midway, replicated the major airlines service, distribution, pricing and customer base strategies in underserved markets such as Reno and Raleigh/Durham respectively. Tower Air and American Trans Air, in the U.S. and Canada 3000, Royal, Air Transat and Greyhound, in Canada, targeted large markets with low frequency, long haul routes and pricing below the competition in the market. It was common for these Canadian carriers to have very close connections with tour operators. Other U.S. carriers such as Frontier, ValuJet/Air Tran, Vanguard, and Morris Air (which was acquired by Southwest Airlines in late 1993) focused on efficiency and low prices intended to stimulate substantial new demand for the service.

The new U.S. entrants, especially Morris Air, ValuJet/Air Tran, and Reno Air, together with long established Southwest Airlines, whilst expanding the market by the use of highly stimulative fares, exerted a tremendous downwards influence on passenger yields in their markets, further contributing to the losses incurred by the established carriers. In response to these losses, major airlines chose widely different strategies in an attempt to profitably compete in the new market environment. These strategies included wage and productivity concessions from employees, sale-leaseback transactions, employee buyouts, route rationalization and divestitures of unprofitable non-core assets. Executives were increasingly recruited from outside the industry in an attempt to bring new business acumen to the sector.

In 1993, in response to the proliferation and expansion of low cost carriers, Continental Airlines Inc., while in Chapter 11 bankruptcy protection in the United States, launched Continental Lite, the first "airline within an airline", a low fare answer to the new competition. It is management's belief that the venture was plagued by a poor route network, over capacity, high costs and a corporate culture that lacked low cost experience and understanding. One of the results was brand confusion amongst passengers and the Continental Lite experiment was abandoned in April 1995 after sustaining significant losses.

By early 1995, the U.S. industry had turned the corner. Route profitability, as opposed to market share, appeared to become the key focus of astute airline executives. Beginning in 1995, new aircraft acquisition programs generally focussed on fleet renewal rather than increasing capacity in order to capture market share. This rationalization, combined with a strong economy and favourable fuel pricing resulted in three straight years of strong profitability for the U.S. industry, beginning in 1996. The MCDAs experienced improvements to their operating results in 1997 but for various reasons slipped back to losses in 1998.

In the mid 1990's, the airline industry began to focus on a wide range of cost reductions beyond labour costs. The current focus of cost cutting by airlines is in the area of distribution costs. Commencing in 1995, most airlines reduced commissions payable to agents on ticket sales and introduced versions of electronic ticketing, ticketless travel and on-line Internet sales, in order to reduce distribution expenses. Some airlines have also made efforts to increase their proportion of direct ticket sales.

In the late 1990's, United Airlines Corporation, Delta Airlines Inc. and U.S. Airways launched their own versions of "airlines within airlines", namely United Shuttle, Delta Express and MetroJet, respectively. All three ventures were launched at the peak of the cycle by profitable cash-rich airlines. In order to implement these strategies, these airlines obtained wage concessions and productivity improvements from their employees. United Shuttle's initial point to point route structure was quickly dismantled and replaced by a feed network into San Francisco and Los Angeles after head to head confrontation with Southwest Airlines. Fully allocated profit and loss statements for the "airlines within airlines" have never been reported and, as such, this business model has yet to be proven. In addition, management is not aware of any independent reports or financial analysis that suggest that, on a fully allocated basis, these ventures are profitable.

The tragic ValuJet accident in May 1996 and the resulting media attention caused a dramatic reduction in bookings for U.S. low cost carriers and this, in combination with under capitalization and, in some cases, management issues, caused a number of new entrants in Canada and the U.S. to fail and most others to incur losses. The only significant scheduled North American low fare airlines to earn a profit in 1998 were Southwest Airlines, Frontier Airlines Inc., Spirit Airlines and WestJet.

Nav Canada is a "not for profit" corporation that assumed control of Canada's air navigation services, including air traffic control, from the Government of Canada in January 1998. Nav Canada charges air carriers directly for services which had previously been financed by the Government imposed air transportation tax on individual passenger's tickets. These new direct charges were a significant new cost to airlines in 1998. The air transportation tax was first reduced and then completely eliminated in November 1998. In March 1999, the Nav Canada charges increased as higher rate charges were phased in. In 1999 the MCDAs and WestJet announced a surcharge on fares to recover a portion of the Nav Canada charges.

BUSINESS OF WESTJET

Company Overview

WestJet is a profitable low fare airline based in Calgary, Alberta which provides scheduled short haul passenger jet airline service in western Canada. WestJet is built on the Southwest Airlines model, offering low fares and high quality service with a low cost structure. Since its first revenue flight on February 29, 1996 WestJet has offered travellers in western Canada a low fare transportation alternative which the Corporation believes is cost-competitive against conventional airlines, bus rail or car transportation. WestJet currently operates 13 Boeing 737-200 jet aircraft and offers approximately 511 scheduled short haul flights per week servicing 11 destinations in western Canada. During the fiscal year ended December 31, 1998 WestJet carried more than 1.6 million passengers.

WestJet's route and flight scheduling is aimed at capturing both leisure and business travellers during peak travel times. WestJet emphasizes simplified everyday low fares, convenient schedules and a 100% ticketless reservation system. Within the markets in which WestJet operates, its low fares, and the competitive response to those fares from other carriers, has stimulated air travel amongst consumers who would have otherwise used ground transportation or would not have travelled at all. On the basis of Statistics Canada information, each route WestJet has entered since 1996 has recorded significant traffic growth in the period following WestJet's commencement of service, with WestJet capturing the largest portion of such growth on each such route. Although this increase in air traffic can be attributed to any number of factors including the relative strength of the Canadian economy since 1996, WestJet believes that its low fare service has been a major stimulus for air travel within the markets in which it serves. WestJet has maintained a significantly lower cost structure than its competitors thereby supporting its low fare strategy and has established itself as one of the lowest cost operators in the airline industry. To this end WestJet has minimized the use of debt and owns 11 of the 13 aircraft in its fleet.

Business Strategy

WestJet's primary goal is to establish itself as western Canada's leading low fare, scheduled passenger jet airline through continued improvements and expanded offerings of its low fare, highly efficient jet service. WestJet's primary business premise is that the delivery of low fare airline service will stimulate the use of air travel within those markets. WestJet therefore aims to maintain one of the lowest cost structures within the airline industry. This low cost structure will allow WestJet to continue to offer low fares that generate increased passenger traffic. The key elements of WestJet's business strategy are as follows:

Be the Lowest Cost Operator in the Market WestJet has consistently managed to keep its costs below the industry average in Canada. To meaningfully analyze cost structures, airlines must be compared on a Stage Length adjusted basis. Typically airline operating costs per mile decrease as flight length increases. Longer flights use less fuel, due to fewer take-offs and landings, fly faster and incur less maintenance expense than shorter flights. As well, to the extent costs related to the boarding of passengers, including airport personnel and fees, aircraft handling, reservation, security and commissary costs, can be spread over a longer flight length, unit costs decline. During the first three months of 1999, WestJet's Cost per Available Seat Mile ("CASM") was 13.3¢ over an average Stage Length of 375 miles, with Air Canada's CASM being 16.6¢ over an average Stage Length of 970 miles and Canadian Airlines' CASM being 12.1¢ over an average Stage Length of 1,403 miles. However, were WestJet to operate with an Average Stage Length of 1,113 miles (Calgary-Thunder Bay) it’s CASM would be approximately 8.2¢ per mile.

WestJet produces the lowest unit cost of any scheduled air carrier in Canada by strict adherence to the following principles:

! ***Specialize in a single type of aircraft – the Boeing 737-200***. Management selected this aircraft based upon an analysis of capacity, range, operating costs, reliability and availability with a view to achieving the lowest possible CASM. By maintaining a single type aircraft fleet, WestJet seeks to minimize the costs associated with employee training programs and maintenance programs while realizing bulk purchasing efficiencies. The Boeing 737 is the best selling jetliner in the world. As a result management believes there should be ample aircraft and parts available well into the foreseeable future.

- ***Recruit, train, motivate and reward service-oriented personnel through productivity and profit-based performance incentives***. WestJet endeavors to control its labor costs by continually improving the productivity of its highly efficient work force. While many sectors of the airline industry are unionized, WestJet is not. WestJet's compensation policy is designed to combine income security with the opportunity for employees to align personal successes with those of WestJet. Compensation for all employees includes the opportunity for profit sharing, which, on average, in 1998 amounted to $2,895 per full time equivalent employee. WestJet also believes that employee ownership is fundamental to its success and growth, and therefore provides all of its employees with an opportunity to develop significant ownership in WestJet. This commitment has resulted in an overall average of 70% voluntary participation of eligible employees in the share purchase plan.

- ***Minimize ground handling and airport service costs.*** At each airport where it operates, WestJet has sub-contracted to third parties much of its ground handling services such as baggage handling, aircraft handling, flight provisioning and aircraft interior grooming. This policy provides WestJet with greater cost flexibility since the costs for these services are incurred on a per flight, variable basis. WestJet attempts to control airport access and service charges by preferential focus on airports that offer competitive cost terms and do not charge airport improvement fees.

- ***Operate on a ticketless basis.*** WestJet controls its cost of bookings by using an integrated ticketless software system. This ticketless environment is fundamental to the success of WestJet as all seats are sold and paid for at the time of booking. As a result, revenue accounting is real-time and very streamlined. WestJet believes that the use of this ticketless system allows it to control costs associated with the distribution of its product.

- ***Maximize aircraft utilization.*** WestJet maximizes aircraft utilization through fast turn times at airports between flights, with respect to the loading and unloading of passengers and baggage and in all ground services in preparing the aircraft for the next flight.

Create Demand by Delivering the Product at the Lowest Possible Price WestJet's low fares are designed to stimulate demand, particularly from cost-conscious leisure and business travelers who might otherwise have used alternative forms of transportation or would not have traveled at all. WestJet's fares are generally 50% lower than the comparable fares charged by the MCDA's or their affiliates prior to WestJet entering the market. During the first four months of 1999, WestJet's average one-way fare was $81.68. Within the markets in which WestJet operates, its low fares, and the competitive response to those fares from other carriers, has stimulated air travel. On the basis of Statistics Canada information, each route WestJet has entered since 1996 has recorded significant traffic growth in the period following WestJet's commencement of service, with WestJet capturing the largest portion of such growth on each such route. Although this increase in air traffic can be attributed to any number of factors including the relative strength of the Canadian economy since 1996, WestJet believes that its low fare service has been a major stimulus for air travel within the markets in which it serves. WestJet has maintained a significantly lower cost structure than its competitors thereby supporting its low fare strategy. This strategy is based on the Southwest Airlines business model.

Specialize in Short Haul, Point-to-Point, Non-Stop Service. WestJet focuses on short haul, point-to-point service within western Canada on non-stop routes that are between 162 and 1,113 miles long. During 1998, WestJet flew an average of 54 round-trips per day with an average Stage Length of approximately 378 miles and an average flight time of approximately one hour and five minutes. Short haul flights allow WestJet to offer frequent service, while eliminating the amenities usually provided on longer flights. WestJet has also targeted niche routes where it is the only airline to offer non-stop service, often by overflying traditional hubs.

Specialize in a Simple, Single Class of Low Fare Service. The term "product design" refers to WestJet's philosophy of operations. When WestJet first commences services to a new market, it generally offers a limited number of flights per day, adding frequency as demand warrants. WestJet provides reservations, baggage service and in-flight beverage service. WestJet does not offer interline baggage checking arrangements with other airlines, meal service, city ticket offices, frequent flyer programs, airport lounges, first class or business class or other amenities offered by many of its competitors. These cost savings are passed through to the customer in the form of everyday low fares with few restrictions.

After three and one-quarter years of scheduled service transporting over 4.1 million passengers and operating with profit margins well in excess of North American industry averages, WestJet management believes that it has validated the low fare strategy in western Canada. On the routes it serves, WestJet strives to offer the lowest available fares, while maintaining a friendly environment and service exceeding customer expectations and while avoiding complex fares, schedules, booking requirements and ticketing procedures common in the industry. Most importantly, WestJet offers everyday low fares, in comparison to the restrictive, time-limited "seat sales" offered by the traditional carriers. The prototype for WestJet's business strategy has been Southwest

Airlines, the pioneer over the past 28 years of the low fare, high-efficiency airline model, which has been the most consistently profitable airline in the world.

Operates an all Jet Fleet. WestJet exclusively operates full size Boeing 737 jet equipment on all its routes in western Canada. Management believes that full size jets, with their familiarity, ergonomics, comfort, and speed are preferred by most customers over smaller, slower and often more cramped turbo-prop and regional jet equipment. Where possible, WestJet takes advantage of consumer preference of large jet equipment, often targeting markets and routings predominantly served by high unit cost turbo-props and regional jet equipment.

In the second quarter of 1997, one of the MCDAs introduced the 50-seat CL65 Canadiar Regional Jet (CRJ), into the western Canadian marketplace. These aircraft were withdrawn from western Canada the following year, in management's opinion, due to the unattractive economics of this type of equipment in a low fare environment.

As the MCDAs continue to turn regional air service over to their regional affiliates, who may be limited by labour agreements as to the size of aircraft that can be operated in this regard, management believes the pattern of down sizing from full size jets to turbo-props and regional jets will continue well in to the foreseeable future.

Promote WestJet's Fun, Friendly Image. From the start, the WestJet philosophy was embraced and embodied by its employees, with a culture that is youthful, upbeat, entrepreneurial, cost conscious and customer focussed. Within its marketing message, WestJet emphasizes its western Canadian roots, its sense of humor and most importantly its fun, friendly image. WestJet believes that its progressive, friendly corporate culture differentiates it from the other Canadian carriers. As a result, WestJet's advertising and promotional material, phone messages, point-of-sale displays, employee-training and casual dress code emphasize an easy-going and friendly western Canadian attitude.

Enhance Operating Results by Maintaining Stringent Financial Controls and Conservative Financial Management. WestJet has established itself as one of the lowest cost operators in the airline industry. As well, WestJet is an equity and cash-flow financed airline which has minimized the use of debt to finance its growth. WestJet currently owns 11 of 13 aircraft in its fleet and primarily owns rather than leases parts and inventory.

Growth Strategy

Since its inception in February 1996, WestJet has consistently demonstrated its ability to prudently grow capacity while at the same time improve Yields. WestJet believes opportunities for continued growth will come from the following initiatives:

Increasing the frequency of service on existing and recently-announced routes. In 1998, WestJet added five aircraft to its fleet, increasing system capacity, as measured by ASMs, by approximately 55%. During this period, the airline added only one new market, Winnipeg. The remaining capacity was placed into existing markets by increasing frequency. As well, WestJet has used this additional capacity to continue the process of knitting together its network, such as offering new non-stop service between existing markets.

Adding new routes. WestJet's route strategy is to achieve dominance in new markets that have traditionally been secondary markets for the MCDAs. WestJet will not challenge the major airlines in the market segments that are of strategic importance to them. In particular, WestJet does not currently anticipate operating in eastern Canada or in adding cross-Canada non-stop routes, even though an increasing proportion of WestJet’s 737-200 fleet has the range capability of doing so. WestJet has recently added two new permanent western Canadian communities to its network and is considering the addition of a third community in the latter half of 1999. WestJet has identified a number of western Canadian communities that management believes can be profitably added to its route structure and such expansion is under ongoing consideration.

Continuing to develop charter opportunities. Management believes that further charter opportunities will develop allowing WestJet to utilize aircraft during off peak hours. WestJet's fleet of Boeing 737-200's can fly non-stop from virtually anywhere in western Canada, to the western U.S. and to many of the popular Mexican resort destinations. Although charter service will continue to supplement WestJet's revenue, management anticipates that charter revenues will remain approximately 2% to 3% of total revenues.

Initiating scheduled service to and from the U.S. WestJet has examined opportunities for scheduled service from western Canada into the U.S., including service to Seattle, Oakland, Salt Lake City, Las Vegas, Phoenix, Denver and Chicago-Midway. Given current market conditions, the relative value of the U.S. dollar and the opportunities that remain available within the western Canada market, management does not intend to offer scheduled transborder service in the foreseeable future.

Route Network

At May 31, 1999, WestJet's route system included scheduled service between 11 Western Canadian destinations. WestJet’s summer 1999 schedule commences on July 16, 1999 and will offer a total of 555 weekly flights in western Canada, excluding charter flights.

The following table sets forth certain information with respect to WestJet's route system based upon the flight schedule for summer 1999:

Airports	Date Service Commenced	Departures Per Week In Summer 1999
Calgary	February, 1996	156
Vancouver	February, 1996	94
Kelowna	February, 1996	61
Edmonton	February, 1996	88
Victoria	March, 1996	27
Regina	June, 1996	21
Saskatoon	August, 1996	28
Abbotsford Fraser Valley	June, 1997	20
Winnipeg	March, 1998	27
Prince George	March, 1999	26
Thunder Bay	March, 1999	7

In February 1998 WestJet introduced "Limited Addition" service between Grande Prairie and Vancouver, as well as Grande Prairie and Calgary. The "Limited Addition" product is designed to be a seasonal, domestic program in western Canada providing low-fare air transportation to smaller destinations. In the period January-April 1999, WestJet successfully operated the "Limited Addition" service to Grande Prairie and Brandon.

Niche Markets

WestJet's objective is to differentiate itself wherever possible from the MCDAs, not only in price, but also in route design and all jet service. WestJet has, therefore, targeted routes where it is the first and only carrier to offer non-stop service. The following chart sets out the routes on which WestJet offers the only scheduled non-stop service and is based upon the flight schedule for summer 1999.

Route Served	Dates Service Commenced	Round Trips Per Week
Kelowna - Edmonton	February, 1996	16
Victoria - Edmonton	March, 1996	9
Kelowna - Victoria	August, 1996	8
Edmonton - Regina	June, 1996	7
Calgary - Abbotsford Fraser Valley	June, 1997	16
Edmonton - Abbotsford Fraser Valley	June, 1997	4
Calgary - Thunder Bay	March, 1999	7
Prince George - Victoria	March, 1999	6

Low Fare Carriers - Market Expansion

WestJet's primary business premise is that the delivery of low fare airline service will increase the number of people utilizing air travel as a means to reach their desired destination. Consistent with the experience of low fare airlines in the United States, the introduction of everyday low fares by WestJet has stimulated a substantial increase in air travel. The western Canadian markets’ acceptance of low fare service is reflected in WestJet’s ability to generate significant growth in passenger volumes on the new routes it has entered. This same kind of market growth has been produced in the U.S. by Southwest Airlines and others.

The following chart illustrates the accelerated expansion of travel in the cities served by WestJet; it sets forth the top 20 air passenger market ranked by the percentage increase in air passenger volumes from 1995 - 1997:

Top 20 Air Passenger Markets with the Largest % Increases in Passenger Volumes from 1995 - 1997

Rank	City-Pair	1997	1995	% Change from 1995-1997	Low Fare Service in 1997 - Carrier
1	Edmonton - Kelowna	85,928	14,530	491.4%	Yes - WestJet
2	Regina - Kelowna	14,464	3,470	316.8%	Yes - WestJet
3	Saskatoon - Kelowna	14,824	4,240	249.6%	Yes - WestJet
4	Kelowna - Victoria	40,871	12,170	235.8%	Yes - WestJet
5	Calgary - Kelowna	78,934	25,800	205.9%	Yes - WestJet
6	Edmonton - Victoria	123,279	43,200	185.4%	Yes - WestJet
7	Calgary - Victoria	161,752	63,320	155.5%	Yes - WestJet
8	Edmonton - Regina	55,356	25,040	121.1%	Yes - WestJet
9	Kelowna - Vancouver	191,851	87,800	118.5%	Yes - WestJet
10	Saskatoon - Victoria	22,272	10,620	109.7%	Yes - WestJet
11	Calgary - Saskatoon	89,801	43,580	106.1%	Yes - WestJet
12	Edmonton - Vancouver	437,933	243,160	80.1%	Yes - WestJet
13	Edmonton - Yellowknife	35,540	20,090	76.9%	No
14	Regina - Victoria	20,145	11,510	75.0%	Yes - WestJet
15	Calgary - Vancouver	674,023	422,230	59.6%	Yes - WestJet
16	Calgary - Regina	103,911	68,860	50.9%	Yes - WestJet
17	Edmonton - Saskatoon	28,826	20,780	38.7%	Yes - WestJet
18	Saskatoon - Vancouver	82,243	59,660	37.9%	Yes - WestJet
19	Calgary - Edmonton	374,644	271,610	37.9%	Yes - WestJet
20	Vancouver - Prince George	146,650	113,480	29.2%	No

Sources: Statistics Canada Catalogue 51-204 1997, WestJet Data
Market growth does not include WestJet service to Abbotsford Fraser Valley
Traffic volumes do not include domestic portions of international journeys.

Operations

Charter Operations

Beginning in October 1997, WestJet began operating charter flights for a major Canadian tour operator. In April 1998, the Corporation entered a one year arrangement to operate a twice-weekly Calgary-Las Vegas service. In April 1999, the Corporation entered into an arrangement to operate twice-weekly Calgary-Las Vegas and Vancouver-Las Vegas service until September 30, 1999. Discussions for a number of other charter routes are also ongoing. WestJet operates these charter flights to improve the utilization of its aircraft, but only where the times do not interfere with scheduled operations, usually on off-peak days or on a "red-eye" basis.

The Corporation has also operated numerous *ad hoc* charters for professional sports teams, entertainers, emergency service providers and other airlines. Charter revenues represent approximately 2-3% of WestJet's total revenue.

Cargo Operations

General air cargo in Canada is dominated by the MCDAs while certain niche markets, particularly overnight courier services, are catered to by specialized air cargo operators.

WestJet's cargo service serves mainly retail freight forwarding and national courier companies. WestJet utilizes a general sales agent who is responsible for all overhead costs of the cargo operation, including cargo facilities costs, personnel costs and accounting costs. WestJet is responsible for moving the cargo from airport to airport in its system and is paid directly by the general sales agent.

WestJet began carrying cargo throughout its system in the fall of 1997 and continues to do so as a non-core source of revenue utilizing available capacity. In March 1999, the Company launched a "counter to counter" small package service. Although revenues from cargo operations have been growing, they currently represent significantly less than 1% of WestJet's total revenues.

Competition

WestJet competes primarily against the MCDA's in all markets except for Abbotsford Fraser Valley. In recent years both MCDAs have offered an undifferentiated product in overlapping markets. Some market rationalization has occurred, with both MCDAs exploring strategies such as capacity reduction, route rationalization and low cost initiatives, in an effort to improve yields.

MCDAs responded strongly to WestJet's introduction of service in February 1996. The MCDAs reacted to WestJet's everyday low fare structure by matching all of WestJet's fare levels. For example, in 1996 the Calgary-Edmonton market one way fares were reduced from $131 to as low as $29, a reduction of 78%.

Although the MCDA's cost structure on competing routes are significantly higher than WestJet, the MCDAs have lowered the price of their product to maintain market share, which has eroded route profitability. In a commodity business, any unilateral price increase by a supplier will likely result in a loss of market share. Matching the pricing of a lower cost producer will result in a significant reduction to Yield. In a low margin business, both of these scenarios can significantly impact earnings of a higher cost producer.

When WestJet enters a new market, it is expected that the MCDAs will match fares immediately, using capacity controls, or "fences", such as limitations on the number of seats available in varying discount ranges, the use of minimum stay-over requirements and other restrictions to limit Yield erosion. The MCDAs have also used their loyalty plans as a competitive tool to limit erosion of their higher Yield market share by offering two and sometimes three times the normal points rewarded for flights on routes with low fare competition. Management believes that the majority of WestJet's passengers are relatively infrequent flyers and extremely price sensitive, preferring WestJet's unrestricted everyday low fare structure rather than pay for points programs. On occasion, the MCDAs have selectively undercut WestJet's fares on certain routes, however, WestJet has remained profitable on those routes throughout this period.

In December 1997, one of the MCDAs launched an intensive competitive action against a number of WestJet's niche routes, using jet aircraft on routes previously not served on a non-stop basis. On August 12, 1998, citing heavy losses in western Canada, the MCDA announced a "realignment" of its western route network and the withdrawal of these aircraft on WestJet's niche routes, effective October 4, 1998. Throughout this period, all WestJet's niche routes remained profitable on a fully allocated basis.

A fundamental strategy employed by WestJet is to educate the market about how economical air travel can be and to, therefore, stimulate demand by providing the service at the lowest possible price. WestJet, with its relatively small advertising budget, does not saturate the marketplace with price point advertising. However, the MCDA's use of price point advertising in response to WestJet's prices has destabilized the economics and value of their premium product, and has greatly assisted the promotion of consumer low fare sensitivity. This is a major factor behind the significant increase in aggregate passenger traffic in western Canada with, in some cases, traffic doubling over levels that existed prior to WestJet commencing operations.

Although charter carriers such as Royal Airlines, Canada 3000, Air Transat and Skyservice operate limited domestic schedules in western Canada, management recognizes the nature of the charter niche and does not consider them to be direct competition. Consequently, WestJet has avoided matching charter carriers fares. Management has noted a significant reduction in charter capacity in western Canada since the introduction of WestJet service in early 1996.

WestJet may also experience competition from other short haul, low cost low fare scheduled airlines although there are no such airlines currently operating and providing service to the Corporation's destinations.

Management views the competitive reaction to WestJet as one of geographic containment. WestJet believes it can profitably operate and grow in this environment, as the MCDAs containment strategy has been hindered by their relatively high cost structures.

Sales Supercentre and Information Technology

WestJet operates an efficient, customer oriented Sales Supercentre. The Sales Supercentre currently answers over 70,000 calls per week and utilizes two Hewlett Packard model HP3000 computer systems. The primary system is located in WestJet's head office facility and provides most of the computing power for general day-to-day operating applications such as reservations, check-in, flight following and airport operations. A secondary system resides at another location and its main function is to back-up the primary system in the event of a system failure.

The Corporation has a non-exclusive licence agreement with U.S.-based Open Skies (a wholly-owned subsidiary of Hewlett Packard), for the use of their integrated ticketless airline software system. This software system has been highly customized to WestJet's specific needs. The Corporation's customized integrated systems provide it with a true ticketless environment. This unique environment is fundamental to the success of WestJet as all seats are sold and paid for at the time of booking. As a result, revenue accounting becomes very streamlined. A computer generated confirmation number is issued to the passenger at the time of booking and an itinerary is faxed or mailed. There are no paper tickets issued. At check-in, the passenger is issued an integrated receipt and boarding pass with a seat assignment.

Most bookings, including bookings made from travel agents, are made through the WestJet Sales Supercentre. This eliminates the costs associated with being a part of global distribution systems through computerized reservation systems such as Sabre, Galileo or Worldspan. The incremental costs to WestJet of these independent services are in excess of $5.00 per one way segment flown, which would be material compared with WestJet's average fare of $81.68 during the first four months of 1999. As WestJet is not visible on these systems, competitors are not able to monitor WestJet's fares, capacity levels and booking patterns, making it more difficult to compete with WestJet on a daily basis.

WestJet has always distributed a portion of its product through the travel agent network. WestJet's sales force works at enhancing the relationship through extensive participation in trade associations, educational forums, familiarization trips, discounted fares to the travel agent community and new distribution technology such as on-line Internet booking. The Corporation has also worked with its partners in the travel industry to create and promote holiday packages that encourage people to vacation in western Canada. Through co-op advertising and cross promotions, WestJet has established highly cost-effective ways to win new customers.

WestJet recently introduced the ability to book flights directly through the WestJet web site (www.westjet.com). The program is called Take Flight and interfaces dynamically to WestJet's main booking engine to provide real-time fares and availability to Internet users. WestJet is currently upgrading the site with many new features to better serve its customers, including travel agents. Internet bookings currently represent approximately 1% of total sales.

Revenue Management

WestJet operates a state of the art integrated revenue management system ("RMS") which management believes has contributed to improved Yields and Load Factors. This system allows WestJet to effectively analyze past booking history and trends and to dynamically price fares to take advantage of differential demand.

The RMS monitors the sales of thousands of seats every day to ensure that WestJet achieves the maximum revenue possible from every seat sold. The RMS also ensures that loads are level throughout the day, week and year by differential and stimulative pricing. From January 1, 1999 to April 30, 1999 WestJet's average sector fare increase, year over year was 25% due to the effectiveness of the RMS, increased average Stage Length, NAV Canada surcharges and the general competitive environment. An improvement of one percent in WestJet's Yield per RPM during the first four months of 1999 would have resulted in a revenue increase of approximately $400,000, of which approximately 80% would flow to the bottom line.

People

Management believes that the differentiating factor between WestJet and any other airline in Canada is the quality of the customer service provided by the people employed by WestJet. Management believes that WestJet's customers fly WestJet first because of the low fares, but return because of the friendly, casual atmosphere and emphasis on customer service. WestJet management places a high priority on its people to ensure that they continue to focus on its customers, who will in turn continue to travel on WestJet.

As at April 30, 1999 WestJet employed approximately 714 full time equivalent personnel, including 51 personnel in senior management, finance and administration, 366 personnel in marketing and customer service (including ticket counter and gate attendants and telephone reservation clerks), 201 personnel in flight operations (including pilots and flight attendants) and 96 personnel in maintenance.

Management believes that it selects, trains and maintains a highly productive workforce of skilled, enthusiastic and energetic employees and rewards them for performance by allowing them to share in the Corporation's successes and to develop professionally. WestJet expects to maintain a motivated work force through its selection process, a casual and friendly working environment and a competitive all-in compensation package.

WestJet's compensation package incorporates salary, benefits, profit sharing and a share purchase and share option plan and is designed to combine income security with the opportunity for employees to align personal successes with those of WestJet. The compensation package is continually monitored to ensure that WestJet is competitive in the markets within which it attracts and retains it employees.

WestJet believes that employee ownership is fundamental to its success and growth. For that reason, WestJet provides employees an opportunity to develop a significant ownership in WestJet. This commitment has resulted in an overall average of 70% voluntary participation of eligible employees in the share purchase plan.

WestJet's concern for the health, safety, and well-being of employees, customers and the public is and will continue to be a major commitment. In this regard, the Corporation has adopted an employee and family assistance program ("EFAP"). EFAP is a confidential counselling and information service designed to help employees and their immediate family members with issues that may affect their family life, work life or general well-being. In conjunction with EFAP, WestJet has developed and implemented a drug and alcohol prevention program. The Corporation recognizes alcohol and drug use as a health, safety and security problem. The expectation of all WestJet employees is to assist in maintaining a work environment that is free of alcohol and drugs. To this end, WestJet is the only major scheduled carrier in Canada with a pro-active random drug testing program.

Both initial and recurrent training is required for all employees. Pilot ground school and mechanics recurrent training is handled in-house by WestJet personnel. Pilot training on Boeing 737-200 aircraft simulators is handled by America West Airlines' facilities in Tempe, Arizona and United Airlines' facilities in Denver, Colorado. Unlike some low cost carriers, to ensure consistent, quality training, WestJet pays for all initial and recurrent training for pilots, flight attendants and ground personnel and pays its employees during training.

Transport Canada regulations require pilots to be licenced as commercial pilots, with specific ratings for aircraft to be flown, and to be medically certified as physically fit. Licences and medical certification are subject to periodic continuation requirements including recurrent training and a minimum number of current flying hours. Mechanics and quality-control inspectors must be licenced and qualified for specific aircraft. Flight attendants must have initial and periodic competency fitness training and certification. Training programs are subject to approval and monitoring by Transport Canada. Management personnel directly involved in the supervision of flight operations, training, maintenance and aircraft inspection must meet experience standards prescribed by Transport Canada regulations.

Management's belief, based on their knowledge of current conditions in the airline industry, is that while market conditions are tightening in certain cities, there is a sufficient pool of qualified, licenced pilots and mechanics to fill WestJet's specialized needs in flight operations, maintenance and quality control areas.

Pro-Active Communication Team

The pro-active communication team ("PACT") is an organization that has been formed by WestJet's employees to represent the interests of all non-management employees by taking a pro-active approach to solving issues and needs of employees as well as fostering the culture and vision of WestJet. The formation of PACT was endorsed by 91.6% of non-management employees in May, 1999. PACT provides the opportunities for all employee groups to participate as a unified group with WestJet management in shaping the Corporation's future. PACT is governed by a constitution and is administered by an elected executive committee, but it is not formally certified by the Canada Industrial Relations Board. All non-management employees of WestJet become members of PACT on their first day of employment at WestJet. Under the constitution of PACT, any one employee group may withdraw their entire membership from PACT, provided 75% of voting members of that group confirm their desire to withdraw via secret ballot.

Aircraft

WestJet operates a fleet of 13 Boeing 737 jet aircraft. Management selected this aircraft based on an analysis of capacity, range, operating costs, reliability and availability with a view to achieving the lowest possible CASM. Management believes that a sufficient number of Boeing 737-200 jet aircraft are available under current conditions and will continue to become available, as needed, for fleet expansion. WestJet owns 11 of its Boeing 737-200's and two are subject to lease arrangements (one of which is described below) with options to purchase. WestJet management continually assesses the market for additional aircraft.

WestJet has entered into two lease agreements for the lease of two Boeing 737-200 jet aircraft. Each lease agreement is for a term of five years commencing on the delivery date with a fair market value purchase option at the end of the term. One of the aircraft was delivered on June 4, 1999. The delivery conditions for the other aircraft were not met on the originally scheduled delivery date. The lessor is attempting to rectify these deficiencies and, if these deficiencies are rectified to WestJet’s satisfaction, it is anticipated that this aircraft will be delivered in October, 1999. WestJet has also entered into a letter agreement for the acquisition of three Boeing 737 aircraft. The delivery dates for these aircraft must be agreed to between WestJet and the seller, but the purchase price has been fixed on a declining basis depending on the actual delivery date. The maximum purchase price for the three aircraft will be in aggregate U.S. $14.3 million with a minimum purchase price of U.S. $12.7 million. It is currently anticipated that the delivery dates for the three aircraft will be in the second half of the year 2000. WestJet has executed a letter of intent to acquire a Boeing 737-200 aircraft for delivery on July 31, 1999 at a price of US$4,550,000.

Prior to acquisition, WestJet undertakes a diligent review of aircraft records to ensure compliance with airworthiness directives and maintenance programs and compatibility with the rest of WestJet's fleet. Inspections are performed to bridge the maintenance program of the acquired aircraft to WestJet's approved maintenance program and any deficiencies found are repaired and restored to Boeing maintenance and engineering standards. WestJet's maintenance program is based on the Boeing Maintenance Planning Document and is approved by Transport Canada Airworthiness Branch. At the time of acquisition, WestJet completes a refurbishment program and installs Hushkits on the aircraft, where necessary, in accordance with Transport Canada regulations. Typically, a "C" or "D" Check is also performed at the time of acquisition as well as any mandatory modifications and inspections that may become due before the next required "C" Check.

Pursuant to the Stage III noise abatement legislation established by the Ministry of Transport (Canada), at least 75% of WestJet's fleet must meet Stage III operation standards by December 31, 1999. To date, WestJet has Hushkitted 8 of its 13 aircraft to meet this requirement. The installed cost of a Hushkit is approximately $2.0 million per aircraft. The noise abatement legislation also requires that by April 1, 2002, all of WestJet's fleet will be required to meet Stage III operation standards. It is anticipated that the purchase of Hushkits would be made out of cash flow, although it is likely that Hushkits could be financed by their manufacturers. If WestJet acquires additional aircraft, further Hushkitting may be required.

The Boeing 737 is the best selling jetliner in the world. Reliable engines, effective utilization of interior space, ease of maintainability and operational performance help make the Boeing 737 one of the most productive airplanes in its class. All of WestJet’s aircraft are configured with between 120 and 125 seats and maintain the traditional seat pitch of approximately 31 inches between the rows of seats. As at December 31, 1998, the average age of WestJet's aircraft was 24 years. All expenses relating to the maintenance and operation of the aircraft are WestJet's responsibility. While the older aircraft result in higher maintenance costs, higher fuel costs and down time costs, WestJet believes that the total costs of operating the Boeing 737-200 jet aircraft are competitive with newer aircraft types because of significantly lower acquisition costs. Lower acquisition costs also result in lower fixed costs which allows greater flexibility to adjust capacity to demand and to maintain the availability of spare aircraft. Management is not aware of any study which concludes that there is a correlation between the age of aircraft, properly maintained, and their safety. WestJet’s aircraft, as with all aircraft operating in Canada, are subject to stringent on-going safety inspections.

By maintaining a single type of aircraft fleet, WestJet realizes many benefits and efficiencies, including:

! A lower employee per aircraft ratio.

! One type of training program for pilots, flight attendants, mechanics, ground personnel and other employees.

! All employees and equipment become largely "interchangeable"; any pilot can fly any aircraft, any mechanic can work on any aircraft, fewer "back-up" aircraft are required for scheduling purposes.

! One maintenance program is required.

! Fewer engineers are required because engineering is the same for every aircraft.

! Employees become more efficient as they specialize on one type of aircraft.

! Fewer employees will result in lower general and administrative expenses, such as reduced need for accounting, administrative and human resources staff and correspondingly less office space.

! Bulk purchase efficiencies may be achieved because purchases may be made for the entire fleet rather than for smaller groups within the fleet.

<u>Parts and Inventory</u>

WestJet has a substantial inventory of both parts and spares, including spare engines and auxiliary power units.

WestJet contracts its component, engine and auxiliary power unit overhauls to several companies located in the United States. As WestJet expands, its volume of business increases and its purchasing power with vendors enables it to realize a decrease in the cost of parts based on these volumes.

Maintenance and Repairs

All of WestJet's aircraft undergo vigorous maintenance programs and pre-service inspections prior to entering scheduled service. These programs and pre-service inspections help ensure that WestJet's aircraft will be safe, reliable and, to the extent possible, minimize ongoing maintenance costs. WestJet has recently signed a five year maintenance and services agreement with a Canadian based third party contractor which provides WestJet with a secure facility and competitive service rates paid for in Canadian dollars. As is standard in the industry, Transport Canada conducts safety and operational audits on WestJet's aircraft. In this regard, Transport Canada has recently completed such an audit on WestJet, with favourable results.

In mid-September of 1996, as a result of a dispute with Transport Canada with respect to the interpretation of its maintenance planning document during a routine audit, WestJet suspended all flight operations. On October 3, 1996, after a 17 day shut down and resolution of the dispute with Transport Canada, WestJet recommenced flight operations. Management of WestJet estimates that expenses incurred and lost profit from the shut down resulted in costs to the Corporation of approximately $5,000,000.

There are two categories of aircraft maintenance and repair: (i) line maintenance, and (ii) heavy maintenance. Line maintenance is primarily handled by WestJet's own employees in Calgary, Edmonton, Winnipeg and Kelowna. Overnight checks are handled by contractors in other stations, when and where required. Heavy maintenance, however, is performed by contractors approved for "C" and "D" Checks by Transport Canada at the contractor's own maintenance base.

WestJet's current scheduled maintenance program, which is consistent with industry standards, consists of a Service Check every day, an "A" Check every 125 flight hours, "B1" or "B2" Check every 750 flight hours, a "C" Check every 3,000 flight hours and a "D" Check every 21,000 flight hours. The current aircraft utilization by WestJet averages 2,300 flight hours.

Fuel

The cost of jet fuel, WestJet's second largest operating expense after salaries, is subject to wide fluctuations driven by oil commodity market forces and changes in supply/demand factors for physical supply and currency exchange rates.

Fuel prices, recently in decline due to concerns of world wide oil over-supply and the affect on the demand for oil of the present Asian political and economic turmoil, are again moving up based on, among other things, OPEC’s recent agreement to reduce production. WestJet has two jet fuel supply contracts dated March 2, 1998 with two major fuel suppliers. The contracts were extended on May 27 and December 4, 1998, respectively. These contracts provide for a fixed price for WestJet's fuel through to June 2000 based on historical and anticipated volumes of fuel usage in various cities and combined represent approximately 90% of the Corporation's anticipated fuel requirements. One supply contract is a fixed price Canadian dollar contract and the other is a fixed price U.S. dollar contract. This strategy is consistent with WestJet's plan to continue to offer low fares without the concern that increases in fuel prices will result in fuel surcharges or higher fare levels.

WestJet participates in fuel storage and handling co-operatives at airports where economic benefits can be achieved. Significant savings have resulted from WestJet's ability to take full advantage of the materially lower Alberta fuel costs by an extensive fuel tankering program that minimizes fuel uplift in other higher cost provinces. The fuel conservation program used by WestJet’s pilots has resulted in the airline using less fuel per hour than many other operators with the same equipment over the same length of flight.

Ground Handling and Airport Services

Ground handling and airport services required for WestJet’s aircraft (baggage handling, aircraft handling, flight provisioning and aircraft interior grooming) are provided by sub-contractors at each airport where WestJet operates. This policy provides WestJet with added flexibility since the costs are incurred on a per flight basis, which allows the Corporation to track such expenses as variable costs.

Insurance

WestJet carries insurance similar to other major North American airlines. Such coverage includes but is not limited to loss or damage to its properties and aircraft and against public liability, including third party property damages, baggage and cargo liability. These coverages are in amounts sufficient to meet or exceed the CTA’s minimum liability requirements and to protect the properties and assets of WestJet.

Over the past three years WestJet’s insurance premiums have decreased due to general trends in the industry, the increased number of aircraft in WestJet’s fleet, WestJet’s operating history and the excellent loss ratio of the Corporation.

Facilities

WestJet currently leases space in six separate facilities in close proximity to the Calgary International Airport. In its main facility, it houses its executive offices as well as its Sales Supercentre. The accounting department is housed in a secondary office facility nearby. The third leased facility is a hangar housing WestJet's maintenance operations, maintenance administration, flight operations, inflight personnel and customer care. The fourth facility is a 10,000 square foot warehouse housing WestJet's parts centre and shipping and receiving. The fifth leased facility is a 10,000 square foot training/business recovery centre and the sixth facility is a warehouse premises for the storage of aircraft parts. With the exception of it's hangar space and the training/business recovery centre, leases on these facilities expire between December, 1999 and June, 2000.

WestJet is currently developing plans for additional hangar space at the Calgary International Airport. Additionally, WestJet is developing plans for the consolidation of all head office/administration and accounting functions in a leased office facility of approximately 35,000 square feet to be ready for occupancy in the summer/fall of 2000. WestJet believes it will be able to obtain the appropriate hangar and office space at or in proximity to the Calgary International Airport.

WestJet maintains check-in and baggage handling facilities at each airport leased from the local airport authority or Transport Canada.

WestJet and Air Canada Discussions

On February 16, 1999, the Corporation announced that it had been in discussions with Air Canada to explore the potential for the two carriers to enter into a limited commercial alliance. Such agreements are commonplace in the airline industry, with carriers continuing to look for cost-effective means of providing added services and benefits to their customers in a highly competitive industry.

Any agreement, if concluded, will not include the exchange of any equity or ownership interest between WestJet and Air Canada, any geographic limitation to WestJet’s future expansion plans or materially change the way WestJet conducts its business or its fundamental business strategy.

Talks are continuing but no agreement has been reached and there is no certainty of an agreement being reached. In the event an agreement is reached, WestJet does not anticipate any regulatory difficulties regarding the finalization of an alliance arrangement.

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

The authorized capital of WestJet consists of an unlimited number of Common Shares, 23,955,426 of which are issued and outstanding as fully paid and non-assessable as at the date hereof before completion of the Offering, 700,000 Performance Shares, of which 418,501 are issued and outstanding at the date hereof, an unlimited number of Non-Voting Shares, issuable in series (the "Non-Voting Shares"), an unlimited number of First Preferred Shares, issuable in series (the "First Preferred Shares"), an unlimited number of Second Preferred Shares, issuable in series (the "Second Preferred Shares") and an unlimited number of Third Preferred Shares, issuable in series (the "Third Preferred Shares") (the First Preferred Shares, Second Preferred Shares and Third Preferred Shares, collectively referred to as the "Preferred Shares"). After completion of the Offering, assuming no exercise of the Over-Allotment Option, there will be 26,455,426 Common Shares outstanding.

To date, no Non-Voting Shares or Preferred Shares have been issued. There are no current plans in place to issue Non-Voting Shares or any class or series of Preferred Shares.

Common Shares

Each Common Share entitles the holder to receive notice of and to attend all meetings of shareholders of the Corporation, other than meetings at which only the holders of another class or series are entitled to vote, and each Common Share entitles the holder to one vote. The holders of the Common Shares, *pari passu* with the holders of the Non-Voting Shares are, in the discretion of the board of directors, entitled to receive out of any monies properly applicable to the payment of dividends, and after the payment of any dividends payable on the Preferred Shares of any series or any other shares ranking prior to the Common Shares as to the payment of dividends, any dividends declared and payable on the Common Shares and Non-Voting Shares. Upon any liquidation, dissolution or winding-up of the Corporation, or other distribution of the Corporation's assets among its shareholders for the purposes of winding-up its affairs, the holders of the Common Shares, *pari passu* with the holders of the Non-Voting Shares, are entitled to share on a share-for-share basis in the distribution, subject to the prior rights of the holders of the Preferred Shares of any series, or any other class ranking prior to the Common Shares.

Performance Shares

The Performance Shares are convertible at the option of the holder, into Common Shares of the Corporation on the basis of one Common Share for each $1.86 of Convertible Amount. The Convertible Amount is calculated as being 5% of the net earnings of the Corporation up to a maximum net earnings of $25,668,000. Net earnings is defined as net income after tax for each fiscal year as per the audited financial statements in accordance with generally accepted accounting principles, less an imputed interest charge on all new equity invested. The interest charge is calculated as the aggregate of 20% multiplied by each amount of the new equity invested, multiplied by the number of days that new equity was available to the Corporation divided by the number of days in the year. At the annual and special meeting of shareholders (the "Shareholders Meeting") held on June 21, 1999, the shareholders approved a six month deferral of this calculation with respect to any new equity funds raised, including the Offering. The holders of the Performance Shares are, on a cumulative basis, entitled to convert a maximum of one-third of the Performance Shares following each of the three fiscal years, beginning with the completion of the 1997 fiscal year. The cumulative convertible amount is to be allocated in proportion to the holders' percentage of outstanding Performance Shares. The right to convert expires 90 days following issuance of audited financial statements on the third fiscal year from the commencement date, termination of employment or the death of the shareholder.

The maximum number of Performance Shares that remain to be converted is 418,501. As at the date hereof, 99,607 Performance Shares are eligible for conversion and have not yet been converted.

The holders of Performance Shares, as such, are not entitled to receive notice of, attend or vote at meetings of the shareholders of the Corporation except where otherwise expressly required by law. The holders of Performance Shares are not entitled to payment of dividends nor to participation in the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

The Performance Shares were created to provide for a possible increase in equity interest of the organizing management of the Corporation as compensation for the their initial efforts, initiative and innovative ideas with respect to WestJet and to provide to those individuals additional equity based on the success of their efforts. The increased ownership accruing to the organizing management from the Performance Shares is tied to proving the WestJet concept through realized profits.

Non-Voting Shares

The Non-Voting Shares may be issued from time to time in one or more series, each series consisting of such number of Non-Voting Shares as determined by the board of directors of the Corporation who may also fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Non-Voting Shares. There are no Non-Voting Shares issued and outstanding.

The Non-Voting Shares and the Common Shares shall rank equally as to dividends on a share for share basis. Upon any liquidation, dissolution or winding-up of the Corporation, or other distribution of the Corporation's assets among its shareholders for the purposes of winding-up its affairs, the holders of Non-Voting Shares, *pari passu* with the holders of Common Shares, shall be entitled to receive the remaining assets of the Corporation and shall be entitled to share equally, share-for-share, in all distributions of such assets. Except as provided in the ABCA, the holders of Non-Voting Shares are not entitled to vote.

<u>Conversion</u>

Except as provided for herein below, the Non-Voting Shares shall not have any conversion rights attached thereto.

In the event that an offer is made to purchase Common Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Common Shares are then listed, be made to all or substantially all the holders of Common Shares in a province of Canada to which the requirement applies, each Non-Voting Share will become convertible at the option of the holder at any time while the offer is in effect into one Common Share and each Common Share will become convertible at the option of the holder into one Non-Voting Share, at any time while the offer is in effect, and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised for the purpose of depositing the resulting Common Shares in response to the offer and the transfer agent of WestJet will deposit the resulting Common Shares on behalf of the shareholder. No share certificates representing Common Shares resulting from the conversion of Non-Voting Shares will be delivered to the shareholder.

If: (i) Common Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the shareholder or are not taken up by the offeror; or (ii) the offer is abandoned or withdrawn by the offeror, Common Shares will be reconverted into Non-Voting Shares and a share certificate representing the Non-Voting Shares will be sent to the shareholder by the transfer agent. Common Shares resulting from the conversion and taken up and paid for by the offeror shall be deemed to be re-converted into Non-Voting Shares at the time the offeror is required under the relevant securities legislation to take up and pay for such shares.

In the event that the offeror takes up and pays for the Common Shares resulting from conversion, the transfer agent of WestJet shall deliver to the holders thereof the consideration paid for such shares by the offeror.

There will be no right to convert the Non-Voting Shares into Common Shares in the following cases:

a. the offer to purchase Common Shares is not required under applicable securities legislation or the rules of a stock exchange on which the Common Shares are then listed to be made to all or substantially all holders of Common Shares who are in a province of Canada to which the legislation applies, that is, the offer is an "exempt take-over bid" within the meaning of the foregoing securities legislation; or

b. an offer to purchase Non-Voting Shares is made concurrently with the offer to purchase Common Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all other material respects. The offer to purchase the Non-Voting Shares must be unconditional, subject to the exception that the offer for the Non-Voting Shares may contain a condition to the effect that the offeror not be required to take up and pay for Non-Voting Shares tendered in response to the offer if no shares are purchased pursuant to the contemporaneous offer for the Common Shares; or

c. holders of Common Shares representing, in the aggregate, more than fifty percent (50%) of the then outstanding Common Shares (excluding shares owned immediately prior to the offer by the offeror and any "joint actor", as defined in the relevant securities legislation) certify to the transfer agent and to the Secretary of WestJet that they will not tender any shares in response to the offer for the Common Shares.

The conversion of Non-Voting Shares to Common Shares as contemplated above is subject to certain procedures and formalities which are fully described in the Articles of WestJet.

Preferred Shares

Issuable in Classes and Series

The Corporation may issue Preferred Shares from time to time in any class and in any series as the board of directors may determine. The board of directors may also fix the designations, right, privileges and conditions attaching to the Preferred Shares of each class and series. The holders of Preferred Shares are not entitled to vote, except as provided for in the ABCA. There are no Preferred Shares issued and outstanding.

Priority

The Preferred Shares of each class and each series shall, with respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution, or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series in its class and shall be entitled to preference over the Common Shares, the Non-Voting Shares and any other shares of any other class ranking junior to such class of Preferred Shares. The First Preferred Shares rank in priority to the Second Preferred Shares and the Third Preferred Shares, and the Second Preferred Shares rank in priority to the Third Preferred Shares.

RESTRICTIONS ON VOTING SECURITIES

Restrictions on Non-Residents

WestJet's Articles provide that WestJet may not accept subscriptions for voting shares, issue voting shares, register or recognize the transfer of the voting shares or purchase or otherwise acquire voting shares of WestJet if, as a result of such subscription, issue, transfer or purchase, WestJet would cease to be a "Canadian" as defined in the Act. The applicable provisions of the Act require that holders of scheduled domestic, scheduled international and non-scheduled international licencees be Canadian, that is, in the case of WestJet, that it be controlled in fact by Canadians and that at least 75% of its voting interest be owned and controlled by Canadians, as this term is defined in such Act.

The definition of the term "Canadian" under Section 55 of the Act may be summarized as follows:

a. an individual who is a Canadian citizen or an individual who has not become a Canadian citizen but who has been granted lawful permission to come into Canada to establish permanent residency and who has not ceased to be a permanent resident;

b. a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75% of the voting interests are owned and controlled by Canadians as defined in paragraph (a) or by corporations or entities that are also Canadian;

c. a government in Canada or an agent thereof;

d. a trust where the trustee and the holders of at least 75% of the beneficial interest in the trust are Canadians as defined in paragraphs (a), (b), (c) or (e); or

e. a partnership of which each partner is Canadian as defined in paragraphs (a), (b), (c) or (d).

The constraints on ownership rights contained in WestJet's Articles require WestJet to refuse to recognize all ownership rights which would otherwise be attached to any voting shares held contrary to such constrained share provisions, by deeming all such shares to be struck from the register of securities.

In addition, the limitation on voting rights and on the sale of constrained shares contained in WestJet's Articles allow WestJet to:

a. restrict on a pro rata basis, the voting rights attached to voting shares held by non-residents at any meeting of the shareholders of WestJet, where more than 25% of the voting shares represented at such meeting are held by non-residents; and

b. sell, as if it were the owner thereof and subject to the procedures for such sale found in WestJet's Articles, any voting shares that are beneficially owned or controlled, directly or indirectly, by non-residents in excess if 25% of all outstanding voting shares.

Exceptions

The constraints described above do not apply to voting shares held by way of security only. Furthermore, they do not apply to voting shares of WestJet held by one or more underwriters solely for the purpose of distributing the shares to the public, or by any person acting as an intermediary in the payment of funds or the delivery of securities in connection with trades in securities and providing centralized facilities for the clearing of trades in securities.

Administration of Constraints

WestJet's Articles grant to the board of directors all powers necessary to give effect to the ownership restrictions, including all powers contemplated by the provisions of the ABCA and regulations thereunder relating to constrained share corporations.

WestJet has adopted and will in future adopt various procedures and processes with respect to the transfer of shares to ensure that the 25% limitation on non-resident ownership of voting shares is respected. In addition, WestJet has adopted such procedures and processes in order to monitor the number of its voting shares owned by Canadians to ensure that the provisions of that statute are complied with.

Declaration of Shareholders

Prior to any subscription for Common Shares being accepted and every registration or transfer of Common Shares effected or recorded in the register of holders of voting securities of WestJet, the subscriber or transferee, as the case may be (the "holder"), is required to submit to WestJet a declaration indicating whether the holder is the beneficial owner of the securities and whether the holder is a Canadian, as defined in the Act. The declaration may require such other information as WestJet considers relevant for the purposes of determining whether the holder is in compliance with the restrictions on issue or transfer of voting securities.

CAPITALIZATION

The following table sets forth the share capital and debt of the Corporation, on an audited basis as at December 31, 1998 and on an unaudited basis as at May 31, 1999 and as at May 31, 1999 after giving effect to this Offering (without giving effect to the Over-Allotment Option):

Designation of Capital	Authorized	Outstanding as at December 31, 1998 (audited)	Outstanding as at May 31, 1999 (unaudited)	Outstanding as at May 31, 1999 after giving effect to this Offering (unaudited)
Long-term Debt and Capital Lease Obligations				
Long-term Debt(1)	$48,500,000	$25,911,536	$36,518,666	$36,518,666
Capital Lease(2)		$399,890	$368,147	$368,147
Total Long-term Debt and Capital Lease Obligations		$26,311,426	$36,886,813	$36,886,813
Shareholders' Equity				
Common Shares	Unlimited	$39,523,442 (23,337,530 shares)	$40, 708,425 (23,852,202 shares)	$63,608,425 (26,352,202 shares)
Performance Shares	700,000	$12,780 (437,146 shares)	$12,780 (437,146 shares)	$12,780 (437,146 shares)
Obligation to issue share capital(4)		$209,325	$255,867	$255,867
Retained Earnings		$9,616,045	$13,637,779	$13,637,779
Total Shareholders' Equity		$49,361,592	$54,614,851	$77,514,851
Total Capitalization		$75,673,018	$91,501,664	$114,401,664

Notes:

(1) See note 3 to Financial Statements.
(2) See note 4 to Financial Statements.
(3) As at the date hereof no Non-Voting Shares, First Preferred Shares, Second Preferred Shares or Third Preferred Shares have been issued.
(4) As at May 31, 1999 the Corporation has an obligation to issue 42,645 (December 31, 1998 - 52,331) Common Shares under the Employee Stock Purchase Plan. The amounts include the Corporation's matching contribution.
(5) As at May 31, 1999, the Corporation has outstanding to officers and employees options to purchase an aggregate of 2,650,000 Common Shares.

DIRECTORS AND EXECUTIVE OFFICERS

The following table and notes thereto sets out the names, municipalities of residence, positions with the Corporation, principal occupations and particulars of each of the directors and executive officers of the Corporation. Unless otherwise specified, all of the individuals noted below have been engaged in their stated principal occupations, or in other executive capacities with the organizations by which they are currently engaged, for the past five years.

Information as to securities beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been supplied by the respective individuals.

Name and Municipality of Residence	Position or Office with the Corporation	Number of Securities Owned Beneficially or over which control or direction is exercised	Principal Occupation
Clive J. Beddoe[(2)] Calgary, Alberta	Executive Chairman and Director since June, 1995	1,618,392 Common Shares[(4)] 50,623 Performance Shares	Chairman, The Hanover Group of Companies; prior thereto from June, 1995 until March 10, 1999, President and Chief Executive Officer of the Corporation.
Stephen C. Smith[(2)] Calgary, Alberta	President and Chief Executive Officer and Director since March 10, 1999	2,975 Common Shares	President and Chief Executive Officer since March 10, 1999; prior thereto, President, Air Ontario Inc.
Thomas (Tim) W. Morgan Calgary, Alberta	Senior Vice-President, Flight Operations since December, 1997 and Director since September, 1996	453,865 Common Shares[(5)] 28,407 Performance Shares	Senior Vice-President, Flight Operations since December, 1997; prior thereto Director of Flight Operations of the Corporation since October, 1995 and President, Morgan Air Services Co. Ltd., a private air charter company.
Ronald G. Greene[(2)] Calgary, Alberta	Director since June, 1995	1,750,000 Common Shares	President, Tortuga Investment Corp., a private investment company, since June, 1995; prior thereto, Executive Chairman, Renaissance Energy Ltd., a public oil and gas exploration and production company.
Wilmot L. Matthews[(1)] Toronto, Ontario	Director since September, 1996	1,190,414 Common Shares	Independent businessman since September, 1996; prior thereto, Vice-Chairman, Nesbitt Burns Inc., an investment dealer.
Murph Hannon[(1)] Calgary, Alberta	Director since December, 1996	400,000 Common Shares[(7)]	President, Murcon Development Ltd., a private investment company.
Brian Gibson[(1)(8)] Toronto, Ontario	Director since September, 1997	Nil	Portfolio Manager, Canadian Equities, Ontario Teacher's Pension Plan board since August, 1995; prior thereto, President, Redbridge Financial Limited (a private investment management company) from October, 1994 to August, 1995; prior thereto, Portfolio Manager, Canadian Equities, Barclays McConnell Limited (an investment counselling firm).

Name and Municipality of Residence	Position or Office with the Corporation	Number of Securities Owned Beneficially or over which control or direction is exercised	Principal Occupation
Alexander (Sandy) J. Campbell Calgary, Alberta	Senior Vice-President, Finance and Chief Financial Officer since September, 1997	3,633 Common Shares	Senior Vice-President Finance and Chief Financial Officer of the Corporation since September, 1997; prior thereto Corporate Controller of the Corporation since May, 1996; prior thereto Divisional Controller, Time Air Inc.
Donald Bell Calgary, Alberta	Senior Vice-President, Customer Service, since December, 1997	264,617 Common Shares(6) 47,346 Performance Shares	Senior Vice-President, Customer Service since December, 1997; Director Reservations and Information Technology, of the Corporation since May, 1996; prior thereto, principal of Mits Computer Systems Ltd., a private integrated computer systems supplier.
Mark Hill Calgary, Alberta	Vice-President, Strategic Planning since January, 1999	44,694 Common Shares 155,764 Performance Shares	Vice-President, Strategic Planning of the Corporation since January, 1999; prior thereto Director, Corporate Planning of the Corporation since January, 1995; prior thereto a Real Estate Asset Manager at the Hanover Group of Companies.
William J. Lamberton Calgary, Alberta	Vice-President, Marketing & Sales since January, 1999	27,894 Common Shares 54,518 Performance Shares	Vice-President, Marketing & Sales of the Corporation since January, 1999; prior thereto Director, Marketing & Sales of the Corporation since October, 1995; prior thereto various senior regional management positions with Canadian Airlines.
Gareth W. Davies Calgary, Alberta	Vice-President, Technical Services since January, 1999	15,482 Common Shares 54,518 Performance Shares	Vice-President, Technical Services of the Corporation since January, 1999; prior thereto Director of Technical Services of the Corporation since August 1, 1995; prior thereto Director of Aircraft Maintenance with Aero Corporation.
Daryl S. Fridhandler Calgary, Alberta	Corporate Secretary since May, 1999	54,155 Common Shares	Partner, Burnet, Duckworth & Palmer.

Notes:

(1) Member of Audit Committee, which committee is required pursuant to the ABCA.
(2) Member of Compensation Committee.
(3) The Corporation does not have an executive committee of its Board of Directors.
(4) 1,330,420 of these Common Shares are held indirectly through a corporation controlled by Mr. Beddoe.

(5) 389,166 of these Common Shares are held indirectly by Mr. Morgan.
(6) 216,000 of these Common Shares are held indirectly by Mr. Bell and his spouse.
(7) These Common Shares are held indirectly through a corporation of which Mr. Hannon is President.
(8) Mr. Gibson is a nominee of the Ontario Teachers' Pension Plan Board ("Teachers"), a holder of 5,534,830 Common Shares or 23.1% of the issued and outstanding Common Shares of the Corporation and was elected with the support of the shareholders that were party to the Shareholders Agreement.

MANAGEMENT AND KEY PERSONNEL

Clive J. Beddoe - Calgary, Alberta
Executive Chairman

Clive Beddoe is a founding shareholder and Chairman of the Board of Directors of WestJet. Mr. Beddoe is also the President, Chief Executive Officer, founder and owner of the Hanover Group of Companies, based in Calgary. The Hanover Group is involved primarily in the areas of manufacturing and the ownership, management and development of real estate. Each of the companies comprising the Hanover Group have senior executives who administer the day to day business of such companies. Mr. Beddoe's primary business focus remains the strategic business and affairs of WestJet.

Stephen C. Smith - Calgary, Alberta
President and Chief Executive Officer

Mr. Smith was appointed the President and Chief Executive Officer of WestJet on March 10, 1999. Mr. Smith has over 20 years of experience in the aviation industry with a background in airline management, including senior positions at Air Canada, Air Ontario Inc. and Air Toronto. Most recently, Mr. Smith held the position of President of Air Ontario Inc. He is also currently the Chairman of the Board of Directors of the Air Transport Association of Canada.

Mr. Smith holds an MBA from McMaster University as well as a Bachelor of Mathematics degree from the University of Waterloo.

Donald Bell - Calgary, Alberta
Senior Vice-President, Customer Service

Mr. Bell is a founding shareholder of WestJet and is the Senior Vice-President, Customer Service, responsible for the areas of reservations, information technology (IT) and customer service.

Mr. Bell joined WestJet after 18 years in the computer industry as president and owner of a private Calgary based integrated computer systems supplier with offices throughout western Canada. He has been actively involved in aviation since 1972 and is currently rated as a Captain on the Boeing 737.

Thomas (Tim) W. Morgan - Calgary, Alberta
Senior Vice President, Operations

Mr. Morgan is a founding shareholder and a member of the Board of Directors of WestJet, and holds the position of Senior Vice President, Operations, responsible for the areas of frontline services including airports and in-flight services, flight operations, and maintenance.

Mr. Morgan has over 23 years experience in the aviation industry as both a pilot and a manager for a wide range of operations from corporate charters to scheduled airlines. He is currently rated as a Captain on the Boeing 737. Mr. Morgan has had extensive dealings with Transport Canada and its affiliated government agencies.

Alexander (Sandy) J. Campbell - Calgary, Alberta
Senior Vice-President, Finance and Chief Financial Officer

Mr. Campbell joined WestJet in May of 1996 as Corporate Controller, and was appointed Chief Financial Officer in September of 1997. A Certified General Accountant, he is responsible for the Corporation’s financial activities and provides leadership in the development of financial objectives, programs, and strategies to meet long and short term goals. Previously, Mr. Campbell spent six years with a regional airline where he held the position of Controller, Maintenance and Materials.

Mark Hill - Calgary, Alberta
Vice-President, Strategic Planning

Mr. Hill is a founding shareholder of WestJet and Vice-President, Strategic Planning. His responsibilities include corporate strategic planning in the areas of growth, route development, and industry analysis.

After extensive research of the airline industry, Mr. Hill authored the original WestJet business plan. He has consulted to a number of low cost airlines. Mr. Hill is a graduate of the University of Victoria, and holds a B.A. degree.

William J. Lamberton - Calgary, Alberta
Vice-President, Marketing & Sales

Mr. Lamberton is the Vice-President, Marketing and Sales for WestJet. Mr. Lamberton leads a marketing team responsible for WestJet's schedule design and distribution, pricing, advertising, product development, revenue management, corporate communications, and public relations.

Mr. Lamberton joined WestJet on October 1, 1995 after 15 years with one of the MCDAs in various senior regional marketing positions. Mr. Lamberton is a graduate of the University of Saskatchewan, and holds a Bachelor of Commerce degree.

Gareth W. Davies - Calgary, Alberta
Vice-President, Technical Services

Mr. Davies joined WestJet on August 1, 1995, and is WestJet Airlines' Vice-President, Technical Services. In this capacity, Mr. Davies is responsible for aircraft acquisition and maintenance related contracts.

Mr. Davies began his career as an airframe technician and crewman in Edmonton, Alberta with the Canadian Armed Forces. He has extensive training, licences and education certification endorsements for numerous aircraft. Until 1995, Mr. Davies was employed as the director of Aircraft Maintenance with Aero Corporation, a United States Federal Aviation Agency ("FAA") approved maintenance and overhaul agency, reporting directly to the President. In addition to holding an Aircraft Maintenance Engineer license, Mr. Davies holds a Flight Engineers licence on the C130 (Hercules) and Boeing 727 aircraft.

Mr. Davies has over 23 years of aviation experience in a variety of management positions.

PRINCIPAL HOLDERS OF SECURITIES

The only persons of record who own or who are known to the directors of the Corporation to own beneficially, directly or indirectly, more than 10% of the issued and outstanding Common Shares as at the date hereof are:

Name and Municipality of Residence	Number of Common Shares	Percent
The Canada Trust Company[1] Toronto, Ontario	5,534,830	23.1%

1. These shares are held beneficially for the Ontario Teachers' Pension Plan Board ("Teachers"). Pursuant to the Shareholders Agreement, each party thereto has a right to purchase Common Shares pursuant to this Offering, on a basis proportionate to their holdings of issued and outstanding Common Shares prior to this Offering. It is the Corporation's understanding that Teachers does not intend to exercise this purchase right. The Shareholders Agreement will be terminated on the completion of the Offering.

Directors and Officers of WestJet own in the aggregate 5,826,121 Common Shares, representing approximately 24.3% of the 23,955,426 outstanding Common Shares prior to the completion of the Offering.

EXECUTIVE COMPENSATION

Summary of Compensation

The following table sets forth the annual and long term compensation paid to the Chief Executive Officer of the Corporation and the other three most highly compensated executive Officers of the Corporation (a "Named Executive Officer") for each of the last three fiscal years:

Name and Principal Position	Year Ending December	Annual Compensation Salary ($)	Annual Compensation Bonus[3] ($)	Annual Compensation Other Annual Compensation[4] ($)	Restricted Shares or Restricted Share Units	Securities Granted Under Options (#)	All Other Compensation ($)
Clive J. Beddoe, Chairman, President and Chief Executive Officer	1998 1997 1996	Nil Nil Nil	19,277 16,834 Nil	Nil Nil Nil	Nil Nil Nil	93,750 275,000 125,000	Nil Nil Nil
Donald Bell Senior Vice-President, Customer Service	1998 1997 1996	115,000 78,667 71,167	10,442 500 Nil	21,824 13,328 1,000	Nil Nil Nil	15,000 60,000 25,000	Nil Nil Nil
Thomas Morgan Senior-Vice President Operations	1998 1997 1996	115,000 82,500 69,687	10,907 500 Nil	22,243 9,550 680	Nil Nil Nil	25,000 60,000 15,000	Nil Nil Nil
Gareth Davies Vice-President Technical Services	1998 1997 1996	105,000 93,600 82,150	12,284 500 Nil	Nil Nil Nil	Nil Nil Nil	15,000 60,000 25,000	Nil Nil Nil

Notes:

(1) There are presently 4 Named Executive Officers of the Corporation. In accordance with applicable securities legislation the Corporation is not required to disclose the compensation information relating to the other executive officers if their total salary and bonus does not exceed $100,000 in any of the last three fiscal years.

(2) Mr. Beddoe stepped down as President and Chief Executive Officer on March 10, 1999 to become Executive Chairman. He was replaced as President and Chief Executive Officer by Stephen C. Smith, who will earn an annual base salary of $195,000.

(3) Represents amounts received pursuant to the Employee Profit Sharing Plan.

(4) Represents amounts contributed by the Corporation pursuant to the Employee Stock Purchase Plan.

The total compensation package for executives is under review.

1998 Option Grants

The following table sets forth, with respect to the Named Executives, the number of Common Shares under option granted during the year ended December 31, 1998, percentage of the total options granted to all employees, officers and directors during such year, the exercise price of such options, the market price of the Common Shares on the date of the grant and the expiry date of such options.

Name	Options Granted in 1998	% of Total Options Granted	Exercise Price	Market Value of Common Shares on the Date of Grant[1]	Expiry Date
Clive J. Beddoe, Chairman, President and Chief Executive Officer [3]	93,750	16.5	$4.00	N/A	June 29, 2002
Donald Bell Senior Vice-President, Customer Service	15,000	2.6	$4.00	N/A	June 29, 2002

Name	Options Granted in 1998	% of Total Options Granted	Exercise Price	Market Value of Common Shares on the Date of Grant[(1)]	Expiry Date
Thomas Morgan Senior Vice-President, Operations	25,000	4.4	$4.00	N/A	June 29, 2002
Gareth W. Davies Vice-President, Technical Services	15,000	2.6	$4.00	N/A	June 29, 2002

Notes:

(1) As the Corporation's Common Shares do not trade in an organized market, no "market value" existed at the date of grant of the options.
(2) These options vest three years following the grant and vested options expire one year from the time of vesting.

Summary of Executive Options

The following table sets forth, with respect to the Named Executives, the number of Common Shares acquired upon the exercise of options during the year ended December 31, 1998 and the aggregate value deemed realized upon the acquisition, the number of unexercised options and the value of the in-the-money options at December 31, 1998.

	1998 Options Exercised		Unexercised Options Outstanding December 31, 1998			
			Number Of Options		Value of in-the-money Options[(1)]	
Name	Shares Acquired	Deemed Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Clive J. Beddoe Chairman, President and Chief Executive Officer	Nil	Nil	185,417	308,333	N/A	N/A
Donald Bell Senior Vice-President, Customer Service	Nil	Nil	20,000	80,000	N/A	N/A
Thomas Morgan Senior Vice-President, Operations	Nil	Nil	20,000	80,000	N/A	N/A
Gareth W. Davies Vice-President, Technical Services	Nil	Nil	20,000	80,000	N/A	N/A

(1) As the Corporation's Common Shares do not trade in an organized market, no "market value" exists to make a determination of "in-the-money" options.

Profit Sharing Plan

The Corporation has adopted the WestJet Profit Sharing Plan (the "Profit Plan") effective January 1, 1996, as amended. The amount of the Corporation's annual contribution under the Profit Plan, if any, is discretionary to the board of directors. If the board of directors determines to make a contribution under the Profit Plan, such amount may be not less than 10% and up to 20% of the Corporation's annual profits before tax and profit sharing. In the past, the percentage of annual profits the board of directors has used for the profit sharing plan has been identical to the Corporation's operating margins, and there is presently no intention of the board of directors to alter this approach. Determination of contributions will be made by the board of directors within 170 days of a fiscal year end. Contributions become payable only following determination by the board of directors to make a contribution to the Profit Plan.

Employees are eligible to participate in the Profit Plan for a calendar year if they are employees for more than three months during the year to which the profits relate and continue to be employed with the Corporation at the time of declaration of the contribution.

An amount of up to 20% of each employee's annual allocation under the Profit Plan may, at the discretion of eligible employees under the WestJet Employee Stock Purchase Plan (the “Purchase Plan”), be invested on behalf of employees in Common Shares under the Purchase Plan with a matching contribution by the Corporation only to the extent that it, together with prior contributions under the Purchase Plan in the subject period, do not exceed 20% of the base salary for the subject period. The remaining contribution will be distributed to employees within 30 business days following the effective date of declaration of the contribution.

For the fiscal year ended December 31, 1998, the Corporation contributed $1.7 million to the Profit Plan of which $65,000 was contributed by employees to the Purchase Plan. On May 11, 1999 the board of directors of the Corporation declared a special one-time distribution of the accrued first quarter 1999 employee profit share to eligible employees. The amount distributed was $540,000.

Compensation of Directors

No remuneration has been paid to the directors of the Corporation in their capacities as directors, since the date of incorporation, and none is presently intended to be paid. The Corporation does not currently have a policy providing for the remuneration of directors, but does reimburse directors for their out-of-pocket expenses to attend board and committee meetings. The directors may determine, at some future time, that the payment of remuneration or other compensation to the directors is appropriate.

STOCK PLANS

Stock Option Plan

The Corporation has adopted a stock option plan (the "Option Plan") under which it may issue from time to time options to purchase Common Shares of the Corporation. A maximum of 2,650,000 Common Shares are issuable under the Option Plan. The Option Plan also limits the number of Common Shares which may be reserved for issuance to any one person to 5% of the outstanding Common Shares and to insiders as a group to 10% of the outstanding shares. At the Shareholders Meeting, shareholders approved a new stock option plan (the "1999 Plan") which will supercede and replace the Option Plan. The 1999 Plan contains terms and conditions substantially the same as the Option Plan including the maximum number of Common Shares issuable. As a result of the adoption of the 1999 Plan, options to purchase an additional 599,653 Common Shares have been issued.

The 1999 Plan is administered by the compensation committee and approved by the board of directors (the "Administrator"). The 1999 Plan is available to directors and officers (including a personal holding company of a director or officer) and employees of the Corporation or any of its subsidiary companies, or employees of companies retained by the Corporation or by any of its subsidiary companies to provide management function to the Corporation, provided that employees of those companies devote the majority of their time to the management of the Corporation. Participation in the 1999 Plan is voluntary and no optionee is required to participate in the 1999 Plan or exercise options granted under the 1999 Plan as a condition of employment or office.

The Administrator determines, in its sole discretion, those optionees who may participate in the 1999 Plan and the number of options to be granted to each such optionee. Options may be granted on authorized but unissued Common Shares provided that the total number of shares does not exceed the number of reserved shares, subject to readjustment in the event of any subdivision, re-division or consolidation of the Common Shares, or other change of Common Share capital.

The option exercise price cannot be less than the market value of a Common Share on the last business day preceding the date on which the option is granted. "Market value" is generally defined as the closing trade price on the published market for the Common Shares, if any, on the date immediately prior to the date of grant, or, if there is no published market, as is now the case, at fair market value, as determined in the discretion of the Administrator. Pursuant to the 1999 Plan, the exercise price of an option, in the event a published market exists for the Common Shares, will be not less than the weighted average trading price of the Common Shares for the five days preceding the date on which the option is granted. Options are not assignable and must be exercised within the period determined by the Administrator at the time of granting the option provided that options may not be exercised more than four years from the time of grant. Options must be exercised during the term of employment or office, as the case may be, or for no more than 60 days after termination. Notwithstanding the foregoing provisions for early termination, excepting where an employee voluntarily terminates employment with the Corporation or employment is otherwise terminated by the Corporation, in the event that the Common Shares issuable on the exercise of options after vesting are not listed on a stock exchange and freely tradeable, the expiry date is extended to a date that is 60 days following the date at which such shares are freely tradeable and listed, provided that such date shall be not later than five years from the date of the grant of those options, in which case, the expiry date shall be the date that is five years from the date of the grant of such options. The Administrator has the discretion to determine, at the time of granting the option, the period of time over which all or part of the option will vest.

The Corporation has entered into an agreement with its pilots commencing January 1, 1998 stipulating that for a period of four years the Corporation will grant before June 30 of each year a minimum of 5,000 and 7,000 options to purchase Common Shares to its first officers and captains, respectively. These options will vest three years from the date issued and expire at the end of the fourth year from the date of issue.

The following table sets forth options granted by the Corporation which are outstanding as at the date hereof.

Group (Number of Persons)	Number of Shares Under Option	Date of Grant	Date of Expiry	Exercise Price per Share	Trading Price at Date of Grant
Executive Officers (8)	105,570	April 30, 1999	April 29, 2003(1)	$10.00	N/A
	50,000	March 10, 1999	March 9, 2003(2)	$4.00	N/A
	193,750	June 30, 1998	June 29, 2002(3)	$4.00	N/A
	183,333	September 16, 1997	September 15, 2001(4)	$3.00	N/A
	276,166	July 15, 1997	July 14, 2001(4)	$3.00	N/A
	4,761	July 5, 1996	July 4, 2000(5)	$2.50	N/A
	115,000	May 10, 1996	May 9, 2000(5)	$2.50	N/A
Directors (5)	Nil	N/A	N/A	N/A	N/A
Employees (120)	494,083	April 30, 1999	April 29, 2003(1)	$6.00	N/A
	366,003	June 30, 1998	June 29, 2002(3)	$4.00	N/A
	662,400	July 25, 1997	July 24, 2001(4)	$3.00	N/A
	157,000	May 10, 1996	May 9, 2000(5)	$2.50	N/A
Total	2,608,066				

Notes:

(1) The options granted on April 30, 1999 vest on the third anniversary and expire on the fourth anniversary following the grant.
(2) The options granted on March 10, 1999 vested immediately when granted and expire on the fourth anniversary following the grant.
(3) The options granted in 1998 vest on the third anniversary and expire on the fourth anniversary following the grant.
(4) The options granted in 1997 vest as to one-third on each anniversary following the grant and vested options expire one year from the time of vesting.
(5) The options granted in 1996 vest on the third anniversary and expire on the fourth anniversary following the grant.

Employee Stock Purchase Plan

The Corporation adopted the Purchase Plan with the first employee purchases under the Purchase Plan being made in December, 1996. The Purchase Plan is administered by the board of directors of the Corporation (the "Employee Plan Administrator"). Eligible employees have the opportunity, but are not required to purchase Common Shares pursuant to the Purchase Plan. Under the Purchase Plan, WestJet will withhold an amount specified by the employee (at least $100 per month and not to exceed 20% of compensation for that particular month) from remuneration of participating eligible employees. Any employee who has completed 90 days of employment with WestJet is eligible to participate in the Purchase Plan. Eligible employees may also contribute up to

20% of any profit share distribution to the Purchase Plan. These contributions will be matched by the Corporation, but only to the extent that together with prior contributions under the Purchase Plan, it does not exceed 20% of such employee's base salary for the subject period.

The amount withheld for an employee will be allocated to an account for the participating employee to be held by the Employee Plan Administrator, and will be applied monthly by the Employee Plan Administrator to purchase whole Common Shares of the Corporation. Employees may change their compensation withholding for the Purchase Plan every 6 months. Employees may terminate their withholding under the Purchase Plan at any time but may not then participate again (other than by virtue of Profit Plan distributions) until the expiration of six full calendar months. Subject to applicable securities laws, employees may offer to sell Common Shares acquired under the Purchase Plan to the Corporation and the selling price of the Common Shares shall be 50% of the current market price. Common Shares purchased under the Purchase Plan may be withdrawn by employees on January 1 and July 1 of each year, provided they have held for one year.

The employee's contribution and the Corporation's contribution will be used to acquire Common Shares. The Common Shares will be acquired from Treasury at the current market price or through open market purchases. If there is no published market, as has been the case, the market price is determined by the Board of Directors which may not be less than the greater of book value per Common Share and $2.125 per Common Share. At the Shareholders Meeting, shareholders approved an amendment to the Purchase Plan that requires, in the event there is a published market for the Common Shares, those Common Shares that are purchased from treasury to be purchased at a price which is not lower than the weighted average trading price of the Common Shares for the five days preceding the purchase.

PRIOR SALES

The following Common Shares have been issued since January 1, 1998.

Date of Issue	Number of Common Shares	Issue Price Per Share	Aggregate Issue Price	Nature of Consideration
January 1, 1998 to March 31, 1998(1)	155,111	$3.00	$465,332	Cash
April 1, 1998 to December 31, 1998(1)	399,073	$4.00	$1,596,291	Cash
January 1, 1999 to April 30, 1999(1)	239,408	$4.00	$957,636	Cash
May 1, 1999 to June 25, 1999(1)	81,191	$6.00	$487,150	Cash
August 28, 1998	119,990	$0.001	$120	Cash
March 31, 1999(2)	93,750	$2.50	$234,375	Cash
March 31, 1999(2)	91,667	$3.00	$275,001	Cash
March 31, 1999(3)	27,000	$3.00	$81,000	Cash
April 30, 1999(2)	26,489	$2.50	$66,223	Cash
June 4, 1999(3)	7,000	$2.50	$17,500	Cash
June 16, 1999(3)	20,000	$3.00	$60,000	Cash
June 17, 1999(3)	1,700	$3.00	$5,100	Cash
June 22, 1999(4)	18,645	$0.001	$19	Cash
June 25, 1999(3)	13,234	$3.00	$39,702	Cash

Note:

(1) Issued on a monthly basis under the Corporation’s Employee Stock Purchase Plan (See "Stock Plans - Employee Stock Purchase Plan").
(2) Issued pursuant to the exercise of stock options. Mr. Clive Beddoe is indebted to the Corporation in the amount of $575,599 with respect to financial assistance provided in connection with this option exercise. This indebtedness was as a result of the Corporation’s request

that Mr. Beddoe exercise a portion of his stock options early. This exercise benefits the Corporation and employees as it enabled the Corporation to grant additional options to employees within the limits prescribed by its Stock Option Plan. The terms of the promissory note were adopted to avoid any undue financial burden on Mr. Beddoe as a result of his compliance with the Corporation's request. Repayment terms have been structured to reflect what the Corporation considers to be normal option exercise dates.

(3) Issued pursuant to the exercise of stock options.

(4) Issued pursuant to the conversion of performance shares.

DIVIDEND RECORD AND POLICY

No dividends have been paid or declared on any shares of the Corporation since the date of its incorporation. The Company's dividend policy is based on its results of operation, its financial position, its financing requirements for future growth and any other factors the Corporation's board of directors may deem relevant in the circumstances. No dividend payable after the Closing of this Offering is currently being contemplated.

DILUTION

Net tangible book value of the Corporation as at April 30, 1999 was $53,470,776 million or $2.25 per Common Share. After giving effect to the sale of 2,500,000 Common Shares offered hereby (assuming the Over-Allotment Option is not exercised) at the offering price of $10.00 per Common Share, the receipt by the Corporation of the estimated net proceeds therefrom (after deducting the Underwriters' fee and the estimated expenses of the Offering), the Corporation's net tangible book value as at April 30, 1999 would be $76,370,776 million or $2.90 per Common Share. This represents an immediate increase in net tangible book value of $0.65 per Common Share to existing shareholders and an immediate dilution in net tangible book value of $7.10 per Common Share to new investors in the Offering, as illustrated in the following table:

Offering Price		$10.00
Net tangible book value before this Offering[1]	$2.25	
Increase in net tangible book value attributable to this Offering	$0.65	
Net tangible book value after this Offering[2]		$2.90
Dilution to new investors		$7.10
Percentage dilution in relation to offering price		71%

Notes:

(1) Represents shareholders' equity less intangible assets and deferred charges as at April 30, 1999 divided by the aggregate number of Common Shares outstanding on such date.

(2) After deducting the Underwriters' fees of $1,500,000 and the estimated expenses of the Offering of $600,000.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the "Underwriting Agreement") dated June 28, 1999, among the Corporation and CIBC World Markets Inc., HSBC Securities (Canada) Inc., RBC Dominion Securities Inc. and Yorkton Securities Inc. (the "Underwriters"), the Corporation has agreed to sell and the Underwriters have severally agreed to purchase on July 13, 1999, or on such later date as may be agreed upon, but in any event not later than August 9, 1999, an aggregate of 2,500,000 Common Shares at a purchase price of $10.00 per Common Share, for an aggregate consideration of $25,000,000. The Underwriters will receive a fee of $0.60 per Common Share for their services performed in connection with this Offering. In order to cover any over-allotments and for market stabilization, the Corporation has granted the Underwriters the Over-Allotment Option. The Over-Allotment Option expires 30 days after the Closing of the Offering. To the extent that the Over-Allotment Option is exercised, the additional Common Shares will be purchased by the Underwriters at the public offering price. The Corporation will pay to the Underwriters a fee of $0.60 per share with respect to the Common Shares issued under the Over-Allotment Option. This prospectus qualifies the distribution of the Common Shares issuable under the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Common Shares if any of such Common Shares are purchased under the Underwriting Agreement.

The Corporation has agreed with the Underwriters that, subject to certain exceptions, it will not, for the period ending 180 days after the closing of this Offering, issue or sell any Common Shares or any securities convertible into or exchangeable or exercisable for Common Shares without the prior consent of the Underwriters. This restriction does not apply to Common Shares issuable pursuant to either of the Corporation's Stock Option or Stock Purchase Plans.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, the Underwriters may, in connection with this Offering, over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Common Shares offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and, unless exemptions from such registration requirements are available, may not be offered or sold within the United States. Each Underwriter has agreed that it will not offer or sell any Common Shares within the United States, except in accordance with the Underwriting Agreement pursuant to an exemption provided by Rule 144A under the U.S. Securities Act for sales to Qualified Institutional Buyers.

In addition, until 40 days after the commencement of the offering of the Common Shares, an offer or sale of the Common Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration provisions of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

Prior to this Offering, there was no market through which the Common Shares could be sold. Accordingly, the offering price of the Common Shares was determined by negotiation between the Corporation and the Underwriters.

USE OF PROCEEDS

The estimated net proceeds to the Corporation from this Offering after deducting the expenses of the Offering estimated to be $600,000 and the Underwriter's Fee of $1,500,000 will be $22,900,000, assuming no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, net proceeds to the Corporation of the Offering will be $25,250,000 (after deducting the expenses of the Offering estimated to be $600,000 and the Underwriter's Fee of $1,650,000).

The net proceeds of this Offering will be used by the Corporation to fund the purchase of additional aircraft, the possible construction of a maintenance facility in Calgary and for other general corporate purposes. The Corporation anticipates the use of proceeds to be allocated as to approximately $22,000,000 for the acquisition of aircraft, approximately $900,000 for the possible construction of the maintenance facility and any remainder for general corporate purposes. Pending such application, the Corporation may invest all or a portion of the net proceeds in short-term investments.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, the directors, officers and principal shareholders of the Corporation (and the known associates and affiliates of such persons) have had no direct or indirect interest in any material transaction involving the Corporation since its incorporation, except for the following:

1. A holding company controlled by Mr. Clive Beddoe, the Chairman of the Board and a director of the Corporation, purchased 570,000 Common Shares on June 21, 1995 for an aggregate purchase price of $117,500, a further 500,000 Common Shares on June 26, 1995 for an aggregate purchase price of $500,000, 80,000 Convertible Warrants on December 22, 1995 for an aggregate purchase price of $200,000 that were converted into 94,118 Common Shares on January 26, 1996 and 166,302 Common Shares were purchased on January 20, 1997 for an aggregate purchase price of $498,906. Mr. Beddoe purchased 47,140 Common Shares on January 26, 1996 for an aggregate purchase price of $100,173 and 6,734 Common Shares on January 20, 1997 for an aggregate purchase price of $20,202. Mr. Beddoe has acquired an additional 232,642 Common Shares through the conversion of performance shares and the exercise of stock option for an aggregate purchase price of $601,049. Mr. Ronald G. Greene, a director of the Corporation purchased through a holding company 1,500,000 Common Shares on June 26, 1995 for an aggregate purchase price of $1,500,000 and a further 250,000 Common Shares on January 20, 1997 for $750,000. Mr. Wilmot L. Matthews, a director of the Corporation purchased 500,000 Common Shares on July 29, 1995 for an aggregate purchase price of $500,000, a further 500,000 Common Shares on January 26, 1996 for an aggregate purchase price of $1,062,500 and 190,414 Common Shares were purchased on January 20, 1997 for an aggregate purchase price of $571,242.

2. A number of key management personnel purchased Performance Shares at $0.001 per share, with the exception of Donald Bell who purchased Performance Shares at $0.25 per share. Amongst the purchasers were the following directors and officers, with the number of shares noted after each of their names: Thomas (Tim) Morgan (50,000), Donald Bell (50,000), Mark Hill (200,000), Clive J. Beddoe (65,000), Gareth W. Davies (70,000) and William J. Lamberton (70,000).

3. Pursuant to the Shareholders Agreement, each party thereto has a right to purchase Common Shares pursuant to this Offering on a basis proportionate to their holdings of issued and outstanding Common Shares prior to this Offering. The Shareholders Agreement will be terminated on the completion of the Offering. It is management's understanding that, other than one party who has exercised its right to purchase approximately 4% of the Offering, each of the parties to the Shareholder Agreement does not intend to exercise their purchase right.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Management of the Corporation is not aware of any indebtedness outstanding by, or any guarantees, support agreements, letters of credit or other similar arrangement provided by the Corporation to, any of the director, executive officers or senior officers of the Corporation or any of their associates at any time since incorporation of the Corporation, other than a loan to Mr. Clive Beddoe, the Corporation's Chairman, to purchase common shares, the particulars of which are as set forth below.

Name and Principal Position	Involvement of Issuer or Subsidiary Issuer	Largest Amount Outstanding during last Completed Financial Year	Amount Outstanding as at April 30, 1999	Financially Assisted Securities Purchases during the First Quarter of 1999	Security for Indebtedness
Clive J. Beddoe Executive Chairman	Issuer	Nil	$575,599	211,906	N/A

This indebtedness was as a result of the Corporation's request that Mr. Beddoe exercise a portion of his stock options early. This exercise benefits the Corporation and employees as it enabled the Corporation to grant additional options to employees within the limits prescribed by its Stock Option Plan. The terms of the promissory note were adopted to avoid any undue financial burden on Mr. Beddoe as a result of his compliance with the Corporation's request. Repayment terms have been structured to reflect what the Corporation considers to be normal option exercise dates.

PROMOTER

Clive J. Beddoe is the promoter of WestJet, as defined in the securities legislation of certain provinces of Canada, in that he took the initiative in founding and organizing the business of WestJet.

CONFLICTS OF INTEREST

Certain of the directors and officers of the Corporation are associated with or are directors, officers and employees of the other entities and such associations place varying demands on their time and in addition, may from time to time give rise to conflicts of interest. Conflicts, if any, will be governed by and subject to the remedies contained in the ABCA.

RISK FACTORS

Investment in the Common Shares should be considered to be speculative and involve a high degree of risk, including but not necessarily limited to the risk factors listed below, due to the Corporation's business and its present stage of development. Prospective purchasers of the Common Shares of the Corporation should carefully consider, in addition to the other information in this prospectus, the following risk factors inherent in and affecting the Corporation's business before making an investment decision. Investment in the Common Shares is suitable only for those knowledgeable and sophisticated investors who are willing to risk loss of their investment.

Speculative Nature of Securities

Common Shares should be considered speculative investments due to the nature of the Corporation's business and its state of development. The Corporation currently has limited business history and has only engaged in airline operations for a period of approximately three years.

The Corporation's business plan is based on the experience, judgement and certain assumptions of management and their consultants, upon certain available market information, upon the premise that WestJet will continue to cause the market for airline service to and from its destination cities to grow, and that the Corporation will continue to generate revenues and complete future financings sufficient to conduct its business. The Corporation's success in the future depends on the Corporation's ability to stimulate air traffic in existing and new markets and to maintain a low cost structure.

Dilution

The offering price of Common Shares offered is higher than the book value per share of the outstanding Common Shares. Investors purchasing Common Shares in the Offering will, therefore, incur immediate dilution of $7.10 in the unaudited consolidated net tangible book value per share (based on the offering price of $10.00 per Common Share and after deducting the Underwriters' fee and the estimated expenses of the Offering) from the offering price. See "Dilution".

Absence of Public Market and Determination of Offering Price

Prior to the Offering, there was no public market for the Corporation's securities. The initial public offering price of the Common Shares offered hereby was determined by negotiation between the Corporation and the Underwriters. There can be no assurance that the initial public offering price will correspond to the price at which the Common Shares will trade in the public market subsequent to the Offering, that an active trading market for the Common Shares will develop and continue after the Offering or, if developed, that the price of the Common Shares available in the public market will reflect the actual economic performance of the Corporation.

Operations

Purchasers of Common Shares must be prepared to rely solely upon the ability, expertise, judgement, discretion, integrity and good faith of the Corporation's management in all aspects of the Corporation's business. Furthermore, the Corporation must be able to attract, retain and motivate additional key personnel and operating staff, based on salary levels that are lower than those prevailing among the major air carriers but enhanced by profit driven incentive plans. The unexpected loss or departure of any of the Corporation's key officers or employees could be detrimental to the future operations of the Corporation.

Any major safety incident involving the aircraft of the Corporation could materially and adversely affect the Corporation's service, reputation and profitability.

There may be situations in which the interests of the directors and management of, the Corporation may conflict with those of the Corporation. Certain of the directors and certain members of management are not engaged by the Corporation on a full-time basis, and are currently involved, and will continue to be involved, in other entities, businesses and activities, some of which are described herein, and all of which will place varying and conflicting demands on their time and attention. Furthermore, some such conflicts may result in the individual being in a direct conflict of interest position in relation to the Corporation. Any conflicts will be resolved in accordance with the provisions of the ABCA and other applicable laws.

WestJet is required to hold various permits pursuant to applicable legislation in Canada and the United States (in the latter instance with respect only to its flights to the United States), and it is always possible that such permits may be revoked or not renewed.

WestJet's growth strategy involves increasing the number of markets served and increasing the frequency of flights to the markets the Corporation already serves. Establishing new markets requires a substantial commitment of resources and, during the initial phases of implementing service in a new market, the Corporation is more vulnerable to the effects of fare discounting in that market by competitors already operating in that market or by new competitors entering that market. There can be no assurance that the Corporation will be able to identify and successfully establish new markets. The Corporation's failure to implement its growth strategy could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation competes with national and regional scheduled airlines which currently serve the Corporation's routes and which are significantly larger and more established, and have greater name recognition and significantly greater resources than the

Corporation. The Corporation may also face competition from other airlines (including low fare airlines) which may begin serving any of the Corporation's proposed markets.

If one or more of its aircraft goes out of service the Corporation would experience a proportionally greater loss of capacity than would be the case with a larger airline. Any interruption of aircraft service as a result of scheduled or unscheduled maintenance or the loss of aircraft could materially and adversely affect the Corporation's service, reputation and profitability.

The Corporation carries adequate insurance similar to other scheduled airlines operating in the North American market. While the Corporation believes its insurance is adequate, there can be no assurance that such coverage will fully protect it against all losses which it might sustain.

Other airlines periodically meet or price their fares below the Corporation's fares, potentially preventing the Corporation from attaining a share of the passenger traffic necessary to maintain profitable operations. The Corporation's ability to meet price competition depends on its ability to operate at costs lower than its competitors or potential competitors.

WestJet will require additional aircraft to expand its operations. Management believes that there is currently an adequate supply of suitable aircraft at competitive prices and terms. There is no method of predicting how long these conditions will continue, and aircraft may not be available on satisfactory or any terms or at the time needed for implementation of WestJet's expansion plans.

The Corporation's existing fleet of 13 aircraft is made up exclusively of Boeing 737-200 aircraft. The dependence on a single aircraft type for all the Corporations flights could result in a materially adverse effect on the Corporation in the event of a government directive prohibiting or restricting the use of this airplane type or in the case of adverse public perception to this aircraft type.

There can be no assurance that the Corporation's costs of aircraft maintenance in the future (including costs to comply with airworthiness and noise control directives and regulations) will fall within industry norms or that the Corporation's aircraft will be reliable over time. The Corporation's fuel costs constitute the largest single expense category (representing 18.3% of costs in 1998 and 21.7% of costs in 1997). A significant change in the price of aviation fuel will materially affect the Corporation's results of operations although the Corporation has locked in a significant portion of its fuel costs at desirable prices through to the end of the second quarter of 2000. Fuel prices will continue to be susceptible to political events and other factors that can affect the supply of fuel and the Corporation cannot predict near or long term fuel prices. In the event of a fuel supply shortage or significantly higher fuel prices, a curtailment of scheduled service could result. There can be no assurance that increases in the price of fuel can be offset by higher fares.

WestJet's aircraft are relatively fuel inefficient compared to newer aircraft and industry averages. A significant increase in the price of jet fuel would therefore result in a disproportionately higher increase in the Corporation's average total costs in comparison to its competitors using more fuel efficient aircraft.

In light of the aircraft owned by WestJet, the Corporation may have to incur significant capital expenditures in order to comply with applicable legislative requirements relating to noise reduction requirements.

WestJet operates with lower personnel costs than the major established airlines, principally due to lower base salaries, greater productivity and flexibility in the utilization of personnel. There can be no assurance that the Corporation will be able to realize all of these advantages for any extended period of time. Many airline industry employees are represented by labour unions. The Corporation is unable to predict whether any of its employees will elect to be represented by a labour union or other collective bargaining unit. If unionization of the WestJet employees were to occur, the Corporation's costs could materially increase and its corporate culture could change with adverse operational and financial consequences.

The Corporation provides air service to Victoria, Vancouver, Prince George, Abbotsford, Kelowna, Calgary, Edmonton, Saskatoon, Regina, Winnipeg and Thunder Bay. Any condition which would deny or limit the Corporation's access to these airports, or which diminishes the desire or ability of potential customers to travel between any of these cities, may have a materially adverse affect on the Corporation's business.

The operations of the Corporation are affected by a number of external factors beyond the Corporation's control such as weather conditions and special circumstances or events occurring in the locations served by the Corporation including work stoppages or strikes by airport workers, baggage handlers, air traffic controllers and other workers not employed by the Corporation which could have a material adverse impact on the Corporation's financial condition and results of operation.

Airline Industry

Conventional airline profits are sensitive to the general level of economic activity, taxes, demographic changes, price levels, telecommunications usage, special circumstances or events occurring in the locations served, and to external factors such as foreign exchange rates and international political events. A significant portion of an airline's costs such as labour, aircraft ownership, and facilities charges cannot be easily adjusted in the short-term to respond to market changes. Reduced market growth rates can create heightened competitive pressures, limiting the ability to increase fares and increasing competition for market share.

The airline industry is characterized by low gross profit margins and high fixed costs. The expenses of each flight do not vary significantly with the number of passengers carried and, therefore, a relatively small change in the number of passengers or in the average fare or traffic mix (the ratio of high Yield passengers to low Yield passengers) could have a disproportionate effect on the Corporation's operating and financial results. Accordingly, a minor shortfall from expected revenue levels could have a material adverse effect on the Corporation's results of operation.

The airline industry is highly competitive and particularly susceptible to price discounting because airlines incur only nominal costs to provide services to passengers occupying otherwise unsold seats. The Corporation currently competes on the majority of routes with both of the MCDAs. Such carriers typically have greater financial resources than the Corporation and the ability to subsidize losses on competing routes with profits achieved where they have no effective competition.

The Corporation derives substantially all of its operating income from routes in western Canada. Any circumstances causing a reduction of demand in these routes or the introduction of increased competitive pressures on such routes could have a material adverse effect of the Corporation's financial condition and operations.

Cash Flow and Financing

Although the Corporation has achieved positive cash flows, there can be no assurance that positive cash flow from operations will continue. There can be no assurance that the Corporation's medium to long term cash requirements will be satisfied either from revenues from operations or from financings. If the Corporation is unable to successfully secure adequate or satisfactory financing should cash beyond the level of its resources be required, the Corporation's viability could be seriously and adversely affected.

Year 2000

The year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity’s ability to conduct normal business operations. While the Corporation has a plan in place to address the Year 2000 Issue, it is not possible to be certain that all aspects of the issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

LEGAL PROCEEDINGS

The Corporation is not involved in any material legal proceedings, nor is the Corporation aware of existing or pending material legal or arbitration proceedings involving the Corporation other than set forth below.

On December 4, 1998, the Corporation filed a complaint against a California corporation (the "Defendant") in the amount of U.S.$10 million to recover costs incurred by the Corporation as a result of the inability of the Defendant to properly complete contracted aircraft maintenance. On March 12, 1999, the Defendant filed a cross-complaint against the Corporation alleging non-payment for services provided in the amount of U.S. $495,643 as well as other unlawful acts. It is anticipated by the Corporation that successful aspects of its suit against the Defendant will exceed the claim advanced by the Defendant's cross-complaint, but the outcome is currently not determinable. The Corporation intends to defend the cross-complaint vigorously.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business of the Corporation, the only material contract entered into by the Corporation is:

(1) The Underwriting Agreement dated June 28, 1999 between the Corporation and the Underwriters. See "Plan of Distribution".

Copies of the Underwriting Agreement may be inspected at the head office of the Corporation during normal business hours during the period of distribution of the Common Shares and for 30 days thereafter.

LEGAL MATTERS

Certain legal matters in connection with this prospectus will be passed upon on behalf of WestJet by Burnet, Duckworth & Palmer and for the Underwriters by Blake, Cassels & Graydon. Partners and associates of Burnet, Duckworth & Palmer and Blake, Cassels & Graydon own, in the aggregate, less than 1% of the Common Shares.

AUDITORS

The auditors of the Corporation are KPMG LLP 1200, 205 - 5th Avenue S.W., Calgary, Alberta.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Common Shares is CIBC Mellon Trust Company, though its principal offices in Calgary, Alberta and Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus or any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the prospectus and any amendments contain a misrepresentation or is not delivered to the purchaser provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of his or her province. The purchaser should refer to any applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult with a legal advisor.

SELECTED FINANCIAL AND OPERATING DATA AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Selected Financial And Operation Data of WestJet

	As at and for the Period Ended				
	Four Months ended April 30, 1999	**Four Months ended April 30, 1998**	**Year Ended December 31, 1998**	**Year ended December 31, 1997**	**Ten months ended December 31, 1996**
	(unaudited)		(audited)	(audited)	(audited)
Financial Data					
in 000's except per share data					
Revenues	$51,677	$30,628	$125,890	$77,340	$37,285
Expenses	$45,095	$28,237	$111,757	$66,793	$36,232
EBITDAR(1)	$9,420	$4,418	$20,103	$12,154	$2,146
Operating Earnings(2)	$6,582	$2,391	$14,133	$10,548	$1,053
Operating Margin	*12.7%*	*7.8%*	*11.2%*	*13.6%*	*2.8%*
Employee Profit Share(3)	$835	-	$1,702	$1,521	$146
Net Earnings	$3,088	$1,240	$6,517	$6,162	$871
Net Margin	*6.0%*	*4.0%*	*5.2%*	*8.0%*	*2.3%*
Net Earnings per Share, basic	$0.13	$0.05	$0.28	$0.28	$0.04
Net Earnings per Share, fully diluted	$0.12	$0.05	$0.28	$0.27	$0.04
Total Assets	$122,786	$75,750	$108,242	$65,206	$35,892
Total Debt(4)	$30,779	$14,938	$26,311	$8,049	$1,989
Shareholders' Equity	$53,471	$42,621	$49,362	$40,736	$24,491
Operating Data					
Revenue Passengers Carried	632,654	454,791	1,683,806	1,173,206	601,516
Revenue Passenger Miles (RPM)	239,822,108	162,710,938	639,157,206	406,376,456	219,386,593

Available Seat Miles (ASM)	338,519,873	232,808,852	893,008,646	575,746,918	332,294,032
Passenger Load Factor	70.8%	69.9%	71.6%	70.6%	66.0%
Average Passenger Fare	$81.78	$65.38	$74.75	$65.85	$60.97
Operating Revenue Yield per RPM	$0.21	$0.19	$0.20	$0.19	$0.17
Operating Revenue Yield per ASM	$0.15	$0.13	$0.14	$0.13	$0.11
Operating Expenses per ASM	$0.13	$0.12	$0.12	$0.12	$0.11
Average Stage Length (miles)	374	348	378	349	364
Number of Employees at end of period (FTEs)	714	475	629	415	318
Number of Aircraft at End of Period	12	8	11	6	4

Notes:

(1) Earnings before interest, tax, depreciation, amortization and aircraft rental charges.
(2) Before employee profit share and income taxes.
(3) Employee profit share provision would have amounted to approximately $200,000 for the first four months of 1998. The amount of profit share was determined by the board of directors at the end of fiscal 1998.
(4) Long-term debt and obligations under capital lease.

Management Discussion and Analysis of Financial Condition and Results of Operation

Reporting periods

In 1996 the Corporation changed its fiscal year end from February 28 to December 31 in order to coincide with reporting periods of other companies in the airline industry. Therefore, the results of operations for 1998 and 1997 are for the twelve months ended December 31, 1998 and 1997, respectively and the 1996 figures are for the ten months of operations ended December 31, 1996.

The following discussion and analysis by management of the financial condition and operating results of WestJet provide an overview and should be read in conjunction with the financial statements and accompanying notes.

Four Months Ended April 30, 1999 and 1998

Overview

The first four months of the fiscal year are traditionally the slowest in the airline industry. However, WestJet enjoyed strong results in this first four months of 1999 due to the combination of a significant increase in Yield and cost control. Management believes the Corporation is similarly positioned for moving forward into the balance of the year. One purchased aircraft was added to the fleet in the first four months of 1999. Two new permanent destinations, Prince George and Thunder Bay and two limited addition destinations, Brandon and Grande Prairie were added to the schedule during this period. WestJet continues to follow its business strategy to find and develop successful niche markets, getting travelers off the roads and into the air.

As at April 30, 1999 WestJet employed 714 full time equivalent employees (FTE's) up from 475 at April 30, 1998. The Corporation's new President and Chief Executive Officer, Stephen Smith, who succeeded Clive Beddoe, now Executive Chairman, on March 10, 1999 recognizes the critical role that the culture and attitude prevalent at WestJet has played. Stephen Smith will continue to ensure its focus as a priority.

Results of Operations

WestJet generated a profit in the first quarter and the first third of 1997 and again in 1998. This profit which was an unusual occurrence in the industry was followed by a significant increase in profit in both periods in 1999. Management believes this airline's reputation for safe, friendly and affordable travel, combined with the improved schedule and frequency as a result of the benefits of a critical mass with a larger fleet have resulted in a 149% increase in net earnings over the same four month period in 1998. The Corporation's low fare, short haul strategies continue to stimulate demand for air travel in western Canada and the improved financial performance comes from a 45% increase in capacity together with an increase in load factor.

Revenues

Passenger revenues increased by 74% from $28.8 million in the first four months of 1998 to $50.1 million for the four months of 1999. Charter revenues and other revenues, consisting primarily of the various and sundry charges to passengers such as for extra baggage and cancellation fees, declined from $1.7 million for the first third of 1998 to $1.4 million for the same period in 1999. Although charter revenues remain strong, this reduction from 1998 revenue was expected due to a decline in charter revenues as a result of the cancellation of charter contracts with major tour operators due to the impact of a weaker Canadian dollar and its softening of demand for their packages to southwestern U.S. destinations. Total revenues, including interest income improved by 69% from $30.6 million in the four month period ended April 30, 1998 to $51.7 million in the same period of 1999.

A portion of the improvement in Yield pertains to the fare increases generally implemented in Canada in March of 1998 and surcharges to passengers implemented in March of 1999 to fund the new Nav Canada fees. These fees historically were added to the fare as an air transportation tax and paid to the Federal Government by WestJet. They are now paid directly as an operating cost out of airline general revenues. Revenue per ASM improved 16% from 13.2¢ in 1998 to 15.3¢ for the same four-month period ended April 30, 1999. If the impact of Nav Canada fee on fare increases is ignored, the change was still an 11% increase from 12.8¢ to 14.2¢ per ASM. WestJet increased capacity by over 45% from 232,808,852 ASM's in the first third of 1998 to 338,519,873 ASM's in the first four months of 1999. Revenue passenger miles increased over 47% from 1998's 162,710,938 to 239,822,108 for the same four month period in 1999. The increase in WestJet's load factor from 69.9% to 70.8% and the achievement of increased Yield, all while placing more than 45% additional low fare seats in western Canada reflects the continuing opportunity for WestJet to satisfy the demand for affordable air travel.

Expenses

Total operating expenses increased from $28.2 million in the first four months of 1998 to $45.1 million for the first third of 1999. The significant components of this 60% change were, the increased flying and volumes of passengers, the increase in Nav Canada costs, the increases in maintenance and fuel costs as a result of a weaker Canadian dollar, and the increases in the aircraft ownership cost categories of aircraft leasing, interest, and depreciation. On a unit cost basis, operating expenses increased from 12.1¢ per ASM in the first four months of 1998 to 13.3¢ for ASM for the same period in 1999. Without consideration for Nav Canada fees the unit cost increase was 4.4%. In the first third of 1998 WestJet had total operating expenses of 11.7¢ per ASM as compared with 12.3¢ per ASM in the first third of 1999.

On a unit cost basis and excluding the Nav Canada fees due to their lack of comparability, the areas of passenger services, general and administrative, and reservations all experienced significant reductions. These improvements were as a result of enhanced productivity of the applicable employee groups, efficiencies and economies of scale achieved through the growth of the airline, as well as dilution of the unit cost of expenses of a more fixed nature, including wages and salaries in those areas.

The cost of buying U.S. dollars was higher in the first third of 1999 as compared with the same period a year ago. This negatively impacted the Corporation's cost of fuel and maintenance as large portions of these expenses are priced in U.S. dollars. On a unit cost basis, the fuel cost per ASM increased by 2.1% while the cost of maintenance increased by 13.8%. Virtually all of maintenance expenditures, particularly direct costs of engine and aircraft component repairs, overhauls and other services are provided by U.S. vendors. Approximately half of WestJet's fuel supply is denominated in U.S. dollars and improvements in fuel burn efficiencies as a result of pilots' prudent fuel conservation techniques has helped shelter the dollar's impact on fuel costs.

The increased Yield came with some cost increase in sales and marketing. Travel agents are paid a 9% commission on bookings and the portion of revenues derived from that distribution channel has shown a substantial increase in 1999 as compared with 1998. In the first third of 1998 the travel agencies brought approximately 35% of WestJet's bookings and that has increased to approximately 42% to date in 1999.

Flight operations and inflight expenses showed increased unit costs for the period ended April 30, 1999 versus the same four months in 1998 with 15.5% and 3.4% increases respectively. Training and training-related travel expenditures for flight deck crew was negatively impacted by the weaker Canadian dollar since WestJet utilizes U.S. based simulator facilities. The Corporation commenced operation, staffing and management of its own flight dispatch system in late 1998 and completed the transition in early 1999. This investment in infrastructure is viewed as a benefit that will result in long-term savings and improved operational control. For 1998 to 1999 comparisons, the short term cost and in some cases duplication of cost, of this transition is reflected in the cost per ASM change. The salaries, wages and benefits of crew is the largest component of these two expense categories, most of which is variable in nature and therefore normal scale wage increases for these employee groups have accounted for the increase in unit costs.

WestJet acquired three aircraft after April 30, 1998 and one in the first third of 1999. All of these aircraft were younger than the then existing fleet and also came with a higher capital cost. This has resulted in an increase in the unit cost of depreciation of 17.6% in the first third of 1999 over the first four months of 1998. The Corporation financed large portions of these aircraft acquisitions with fixed interest rate debt resulting in an increase in interest unit cost of 157.1% for the first third of 1999 compared with the first third of 1998. One aircraft in the fleet is leased with leasing costs included in both four month periods resulting in unit costs declining by 17% due to the growth in available seat miles. The total that the ownership costs of depreciation, aircraft leasing, interest, and insurance, is of total operating expenses was 9.2% for the first third of 1998 and 9.5% for the first four months of 1999. The ownership cost increase, due to depreciation and interest but offset by a diluted leasing component and improved insurance rates, equates to a unit cost change of 13.5%. The strategy of a constant reduction in the average age of the fleet and the increased but conservative amount of leverage is, in management's belief, necessary and advantageous in pursuing its growth strategy and outweighs the slight increase in unit costs.

Net Earnings

Net earnings for the first third of 1998 were $1.2 million on total revenues of $30.6 million and were $3.1 million in 1999 on revenues of $51.7 million. This earning growth is actually more pronounced considering that the Corporation has made a provision of $835,000 for employee profit sharing, a charge against earnings not accrued in the results of that same four month period in 1998. Earning per share, both basic and fully diluted were 5¢ for the first third of fiscal 1998 increasing to 13¢ for basic and 12¢ fully diluted in the equivalent period of this year.

Capital Resources and Liquidity

WestJet had $15.0 million in cash on April 30, 1998, $13.5 million in cash as at December 31, 1998 and $14.1 million as at April 30, 1999. During the first four months of 1999, earnings and changes in non-cash working capital contributed $9.0 million in cash. Financing activities, primarily the increase in term debt for the aircraft additions in late 1998 and early 1999 and the issuance of shares under the employee share purchase plan brought in $5.5 million. Use of cash for capital expenditures, including the one aircraft acquired, amounted to $13.9 million.

The Corporation’s working capital as measured by current ratio was 1.25 as at April 30, 1998, down substantially to 0.78 as at December 31, 1998 and at 0.75 as at April 30, 1999. In light of cash reserves and the non-refundable nature of advance ticket sales and passenger credits, the current ratio position is adequate. As at April 30, 1999 WestJet had not drawn on a portion of term debt financing related to the capital outlay on the most recent aircraft addition. This amount is estimated to be approximately $2.0 million and expected to be drawn down in May 1999. In addition, the Corporation is in the process of converting a demand operating line of $6.0 million to term debt of $6.5 million. This is also expected to be completed by May 31, 1999. Without consideration for earnings and other factors affecting working capital in May, 1999 this increase in long-term debt financing would improve the current ratio to 1.0 to 1.0 with long term debt totaling $38.9 million as compared to shareholders’ equity of $53.5 million.

The Corporation entered into a letter agreement for the acquisition of three Boeing 737-200 aircraft. The delivery dates for these aircraft must be agreed to between the Corporation and the seller, but the purchase price has been fixed on a declining balance basis depending on the actual delivery date. The maximum purchase price for the three aircraft will be in aggregate US $14.3 million with a minimum purchase price of US $12.7 million. It is currently anticipated that the delivery dates for the aircraft will be in the second half of the year 2000.

Risk Management

WestJet's debt has fixed interest rates and is in Canadian dollars. The exposure to fluctuation in fuel prices has been virtually eliminated by negotiating fixed prices through June 2000. The recent increases in oil prices will not materially impact the cost of jet fuel due to the existence of these fixed pricing arrangements which protect approximately 90% of jet fuel requirements.

In June 1999 all of the fixed pricing arrangements will be in Canadian dollar pricing as opposed to the current 50% to further minimize the foreign exchange exposure in this category of cost which approximates 20% of total operating costs. The Corporation has no U.S. dollar revenues and chooses to acquire that currency through spot markets to finance aircraft leases, parts and maintenance. The Corporation currently does not use derivative financial instruments to manage associated risks.

Outlook

It is management's view that in a good economy, due to higher levels of disposable incomes, people will be visiting their friends and relatives and taking advantage of WestJet's affordable fares. Although this higher propensity for leisure travel may decline when there is a downturn in the economy, it is also management's belief that a higher percentage of business travelers will become more price-sensitive and will chose the most cost-efficient means to travel. This, in management's belief, will bring increased and higher yield traffic to WestJet.

WestJet intends on continuing to be well positioned, in terms of its operating infrastructure, its people, the cash reserves, and the strength of its balance sheet, to take advantage of marketplace opportunities as they arise in an ever-changing and cyclical industry in western Canada.

Fiscal Years Ended December 31, 1998 and 1997

Overview

WestJet continues to follow its business plan, providing safe, friendly and affordable air travel to western Canadians. The Corporation acquired five additional Boeing 737-200 jet aircraft in 1998 and, as expected, a market stimulated by lower fares easily absorbed the added capacity. Several factors contributed to steady, controlled growth: the addition of a spare aircraft, reduction in the average age of the fleet, continuation of charter-revenue activities, re-introduction of Winnipeg service, the successful launch of Limited Addition service, and added frequency.

WestJet has grown since commencing operations in 1996 with three aircraft and gross revenues of $37.3 million. By the end of 1998, the fleet of jet aircraft totaled 11, and gross revenues were $125.9 million. WestJet has been profitable each year, and has built a strong balance sheet with a good equity base and conservative leverage.

On August 4, 1998, WestJet received final receipts from five provincial securities commissions for a non-offering (shelf) prospectus and has been a reporting issuer since that time.

Results of Operations

Earnings before employee profit sharing and income taxes were increased by 34% in 1998. However, the late arrival of the ninth aircraft had a severe impact on the 1998 financial performance. Acquired in May 1998 from an aircraft lessor, this plane was intended as a spare for the peak summer season, mitigating operational disruptions and their impact on costs, goodwill, morale, and on-time performance. Prior to delivery to WestJet, the aircraft was scheduled for maintenance by an external contractor to fulfill its lease-return conditions; however, this maintenance firm could not complete the work satisfactorily. Regulatory and WestJet inspectors and manufacturer's experts were dispatched to California to correct deficiencies and assure strict compliance with safety and quality standards. At significant expense, WestJet leased a crewed U.S. aircraft to support summer operations. The ninth aircraft was finally brought to Canada in October. In December, the Corporation filed a $10.0 million lawsuit to recover costs.

Revenues

Passenger revenues rose 60% to $118.6 million from $74.2 million in 1997. Charter and sundry revenues (service fees, cargo and interest income) increased 135%, totaling $7.3 million as compared to $3.1 million in 1997. This growth reflects a full year of charter service to the Southwestern U.S. for Canadian tour/vacation operators, compared with a partial year's program in 1997.

Some seasonality exists in the revenue stream; peak periods occur for the summer, the holiday season in December, long weekends and spring breaks. During 1997 and 1998, approximately 17% of the Corporation's total annual revenues were earned in the first quarter, 21% in the second quarter, 31% in the third quarter and 31% during the fourth quarter. The first halves of the past two fiscal years have seen periods of growth – new employees, acquisition and introduction of aircraft and general preparation for the busy summer season. The cost of ramping-up operations and ensuring a satisfactory infrastructure is reflected in earnings before tax and profit sharing in these first six month periods. The two first and second quarters have contributed 5% and 13% respectively to WestJet's annual earnings. The third quarters have averaged 46% and the fourth quarters 36% of 1997 and 1998 earnings before tax and profit sharing.

Capacity, measured in ASMs, grew 55%, rising from 575,746,918 in 1997 to 893,008,646 in 1998. The 1998 Load Factor was 71.6% up from 70.6% in 1997, a positive indication of marketplace expansion and the absorption of WestJet's increased capacity. Revenue per ASM also improved, from 13.4¢ to 14.1¢. A portion of the Yield increase reflects fare increases to offset the phased introduction of Nav Canada fees. These new charges, levied against airlines, are the first step in phasing out the federal air transportation tax, formerly charged to passengers. The new Nav Canada charge amounted to 0.7¢ per ASM, equivalent to WestJet's increase in revenue per ASM for the year.

Expenses

Total operating expenses increased 67% ($66.8 million in 1997; $111.8 million in 1998). New Nav Canada charges were $6.0 million, accounting for a 9% increase over 1997 costs. CASM increased from 11.6¢ in 1997 to 12.5¢ in 1998. Excluding the effect of Nav Canada fees, which have a comparable impact on revenues, CASM would only have risen to 11.8¢ in 1998 from 11.6¢ in 1997. Low oil prices offset the higher maintenance costs incurred as a result of a weaker Canadian dollar. With the exception of aircraft ownership costs, maintenance, the impact of Nav Canada fees and the ninth aircraft situation, there were reductions in per ASM unit costs in all operating expense categories, with significant savings in fuel and reservations costs.

Employees benefited from the Profit Sharing Plan; $1.5 million distributed in 1998, an average of $2,895 per employee. An optional Employee Share Purchase Plan enables employees to contribute up to 20% of their gross pay which is then matched by WestJet, to acquire common shares. In 1998, employees acquired $2.1 million of common shares as compared with $1.2 million during 1997. The cost of this benefit to the Corporation is included in operating expenses. As of December 31, 1998, WestJet had 665 full-time employees.

Passenger services expenses include airport fees and charges, Nav Canada fees, aircraft ground servicing, baggage handling, salaries and wages for WestJet personnel at airports, food and beverages for passengers during flight and any costs related to accommodating passengers in the event of flight delays or cancellations. Excluding Nav Canada fees, which were new in 1998, unit costs for this expense category increased by 1.4% over 1997 levels. This was largely attributable to the passenger re-accommodation costs incurred as a result of the non-availability of an operational spare for the 1998 peak summer season due to the late arrival of the ninth aircraft.

WestJet aircraft maintenance benefited from significant gains in service, quality, timeliness and cost by choosing two new suppliers (one in France and one in Abbotsford, BC) for airframe overhauls, inspections and refurbishment. The Abbotsford supplier offers the added advantages of proximity and Canadian dollar prices. All engine and aircraft component maintenance and spare parts are purchased in U.S. dollars. A weak Canadian dollar was a factor in the 13% increase in maintenance unit costs in 1998.

Negotiations with two fuel suppliers, representing 90% of all fuel purchases, secured favourable, fixed pricing. Substantially lower annual fuel costs, combined with better fuel economy through efficiencies in flight operations, resulted in unit cost savings of 9%. Supplier agreements have been extended until June 2000 and, though WestJet faces exposure to U.S. dollar pricing with one supplier until September 1999, the Corporation is and will continue to be sheltered from fuel-cost volatility.

Sales and marketing costs fell 2% on a unit basis, despite increases in commissions paid to travel agencies. While commission rates remain unchanged, the volume of sales generated from this key partner group continues to increase as compared with direct sales to passengers. With the exception of Internet bookings, virtually all direct and travel agent sales are made through the Calgary call centre. WestJet continues to reap the benefits of a strong reputation for affordable pricing and good customer service, enabling the airline to keep advertising and promotion budgets modest. Other factors that contributed to WestJet's financial health in 1998 include increased volumes and enhanced buying power, improvements in our credit position and reductions in credit-card fees.

General and administrative unit costs rose by 1%. Reductions in insurance costs were offset by infrastructure-building expenditures such as professional fees and investor relations as well as corporate-reporting activities as a result of WestJet's new status as a reporting issuer.

Unit costs for flight operations and inflight expenses decreased by 3% and 5% respectively as a result of dilution of overhead; administrative and management salary expenditures; improved scheduling; and negotiated reductions in rates for flight simulator use and hotels. In addition, WestJet embarked on an aggressive cross-training program for flight attendants and airport agents that delivered greater flexibility and consistent service.

WestJet continued to use new technology and management techniques to boost productivity and profitability, introducing Internet booking, enhancing ticketless travel processes, and improving check-in procedures and workforce scheduling. Reservations unit costs were reduced by 19% during 1998.

The acquisition of newer, higher-capital-cost aircraft increased depreciation expenses. Financing the fleet's five additional aircraft was achieved through one operating lease representing $1.0 million in new costs and an additional $20.8 million in long-term debt, resulting in a $1.1 million increase in interest costs.

Net Earnings

Net earnings after employee profit share and income taxes were only slightly higher in 1998 at $6.5 million as compared to $6.2 million in 1997. Lower income taxes due to tax-loss carry-forwards favoured 1997 results. Basic earnings per share remained at 1997's level of 28¢; the fully diluted amount increased to 28¢ from 27¢ in 1997. Some dilution in earnings per share occurred with the new equity from the Employee Share Purchase Plan, the conversion of performance shares to common shares, and the granting of share options to employees.

Capital Resources and Liquidity

At year-end, WestJet's cash position was $13.5 million, compared to $16.8 million in 1997. Cash generated from operations was $23.9 million up from $13.2 million the previous year.

In 1997, WestJet added $7.5 million to long-term debt for aircraft acquisitions and $475,000 in capital lease obligations for an off-site back-up computer to support the primary reservations system. During the year the company paid down these obligations by $1.9 million. In 1998 the Corporation added $20.8 million in long-term debt for aircraft acquisitions, and total repayments for long-term debt and capital lease obligation amounted to $2.5 million. In 1997, $9.5 million in equity was injected from the proceeds of a Rights Offering and the Employee Share Purchase Plan. During 1998 the employee share purchase plan contributed $2.1 million to the Corporation's share capital. Total financing activities in 1998 increased cash by $20.3 million as compared with $15.6 million in 1997.

Reduction in cash for capital asset additions in 1997, when two aircraft were acquired, was $15.9 million. In 1998, capital asset additions rose to $47.6 million with the purchase of four newer aircraft. The fifth aircraft added to the fleet in 1998 was acquired through an operating lease.

The Corporation is committed to the purchase of one additional Boeing 737-200 in 1999, as part of a total aircraft deal for four aircraft for approximately $45.0 million including Hushkits, refurbishment and preparation. The first two of these four aircraft were acquired during 1998 and are included in capital asset additions. The Corporation has arranged $27.0 million in term-debt financing for these four aircraft, with $13.3 million drawn as of the year end and $13.7 million available to be drawn in accordance with the aircraft deliveries in January and July 1999. As at December 31, 1998, WestJet's cash on hand of $13.5 million, an unused bank operating line for $6.0 million, the undrawn debt financing of $13.7 million and expected cash generation from earnings provided sufficient liquidity and resources to meet the committed aircraft purchase obligations. The Corporation intends to substitute the available bank operating line of $6.0 million to a $6.5 million term debt early in 1999 to boost working capital.

Risk Management

WestJet's debt has fixed interest rates and is in Canadian dollars. The exposure to fluctuating fuel prices has been virtually eliminated by negotiating fixed prices through June 2000. The Corporation has no U.S. dollar revenues and chooses to acquire that currency through spot markets to finance aircraft leases, parts and maintenance.

Outlook

WestJet Airlines Ltd. will continue to focus on its people and its culture to ensure the continuation and enhancement of consistent, high-quality customer service.

The industry continues to be in a state of change and WestJet is well positioned to succeed in this competitive and unpredictable market, and to take appropriate advantage of opportunities for growth as they arise. At the same time, the airline will continue with its low-fare, controlled-growth, strong-balance-sheet approach, all complemented by a friendly, highly trained and motivated work force.

Fiscal Periods Ended December 31, 1997 and 1996

Overview

The 1997 fiscal year was the second period of operations and the first full year of operations in a reporting period. This second period has little direct comparability to the first period since the 1997 fiscal period was 12 months and 1996 was 10 months. The 1996 ten month period excluded the two least profitable months of the year in the airline industry, January and February. In addition, operations commenced in 1996 and that period included not only the initial start-up costs but also the costs associated with the suspension of operations and a second start up of the airline following that suspension. This suspension was as a result of a dispute with Transport Canada when the Corporation grounded its fleet for a period of 17 days in September of 1996. Revenues were also impacted by that suspension and in the post-suspension period. The annualized average number of aircraft in the fleet for the 1996 fiscal period was 3.5 as compared with 4.7 for 1997. All of these factors render most financial comparisons meaningless, other than certain unit measures, and therefore this period to period analysis is limited in the following analysis and discussion.

In 1997 the Corporation commenced the year with four aircraft in operation and a fifth acquired but not introduced into service. During the year a fifth and sixth aircraft were added to the fleet resulting in an annualized average of 4.7 aircraft operating during the year. The Corporation continued on the path of steady and controlled growth and invested in the appropriate levels of infrastructure enhancements to accommodate the additional aircraft, the growth in numbers of personnel, and the added schedule and charter destinations and frequency. The Corporation issued 2,783,181 Common Shares in January 1997 pursuant to a rights offering to subscribe for Common Shares at $3.00 per share. This offer was over-subscribed by $2.5 million with total proceeds of $8.4 million used for working capital and aircraft acquisition. The cash generated from the profitable operations, the equity raised through the rights offering, as well as through the Employee Share Purchase Plan, and a $7.5 million term loan in the fourth quarter bolstered an already strong balance sheet. These, combined with a strong equity base from private placements prior to start-up, left WestJet in a strong cash and working capital position to end the year and enabled the Corporation to enter into 1998 with a confident business plan.

<u>Results of Operations</u>

The Corporation's 1997 pre-tax earnings, prior to employee profit sharing, were $10.5 million as compared with $1.0 million for the ten months ended December 31, 1996. After tax earnings per share for the year were 27¢ compared to 4¢ in 1996 on a fully diluted basis. The Corporation shared its 1997 success with employees under the profit sharing program and distributed over $1.5 million to 410 eligible employees.

Revenues

The Corporation's primary source of revenue is scheduled passenger travel, accounting for 96.0% of the 1997 total. That was supplemented by charter revenues of $660,000 (0.9%), cargo revenue of $17,000, $2.2 million (2.8%) of income from various and sundry fees and charges collected from passengers for special services such as extra baggage and itinerary changes or cancellations and interest income of $254,000 (0.3%). Yield was 19¢, up from 17¢ per passenger mile in 1996 and load factor was 70.6%, up from 66.0% in 1996. Consistent with the industry, travel agents receive a 9% commission on the fares they refer to WestJet and the percentage of bookings from this source has been steadily increasing to approximately 30% of total bookings at the end of 1997. The Corporation secured a contract with a major Canadian tour company and commenced charter services, twice weekly to two U.S. leisure destinations in October of 1997. A small cargo service operation was launched in the latter months of 1997 where the airline carried small packages and envelopes for a contract agent and this new venture generated $17,000 of ‘other’ revenue by year’s end.

Expenses

Unit costs increased in 1997 from 10.9¢ per Available Seat Mile in 1996 to 11.6¢. This expected and planned increase was driven by three primary factors; (1) Average Stage Length was reduced from 364 miles to 349 miles; (2) an end to the substantial airport fee relief at one major airport and other incentives and cost reductions at other airports during the first six to ten months of 1996 operations; and (3) an increased investment in the airline’s infrastructure and overhead in 1997 as the very lean structure in 1996 was not sustainable given the additional aircraft, schedule expansion and new destinations.

The average fuel price for the year decreased from 1996 levels by approximately 11%. This reduction, combined with an effective fuel tankering and fuel optimization program implemented and managed by the pilots, yielded significant cost reduction for fuel. In 1996 fuel accounted for 26.5% of total operating costs and was reduced to 21.6% of total operating costs in 1997. On a unit cost basis, fuel costs decreased by 13.1% from 2.9¢ per available seat mile in 1996 to 2.5¢ in 1997.

Maintenance unit costs were 22.7% higher in 1997, as expected for a year in which WestJet experienced its first heavy airframe checks and engine overhauls for the fleet. During 1996 the absence of material levels of maintenance expenditure on the fleet led to the adoption of a conservative accounting policy of estimating and charging current period revenues with a maintenance cost accrual. This policy was realistic and prudent for a new airline although inconsistent with virtually all North American carriers.

Net Earnings

The net earnings after profit sharing for the year ended December 31,1997 was $6.2 million as compared with $871,000 for the ten months ended December 31, 1996. The Corporation was not cash taxable in 1997 due to the benefit of prior year's losses carried forward. Deferred taxes amounted to a charge against 1997 earnings of over $2.7 million.

Capital Resources and Liquidity

Total assets increased from $35.9 million as at December 31, 1996 to $65.2 million as at December 31, 1997. The Corporation funded its acquisitions through a combination of issuing shares, debt financing and cash. Total shareholders' equity increased by $16.2 million from $24.5 million to $40.7 million at December 31, 1997.

Working capital improved from a $5.0 million deficiency at December 31, 1996 to a positive $6.4 million as at December 31, 1997. The deficiency as at December 31, 1996 was due to the timing difference between the current liability at that date for the acquisition of the fifth aircraft which was to be financed with the proceeds of the rights offering in January. This was a planned and necessary short-term anomaly. The working capital ratio as at December 31, 1997 was 1.4 to 1.0.

During 1997, the Corporation purchased $15.9 million of capital assets, primarily aircraft and their preparation for service, engines, engine hush-kits and spare parts. The Corporation also invested $475,000 for an upgrade to the computer reservation system, which provided a critical off-site back up computer. This acquisition through sale and lease back was financed over a five year term capital lease with a major equipment financing institution. Leasehold improvements at various airport locations, the administration/call centre office, and the hangar as well as continued expenditures for signage, furniture, communications equipment and computer hardware and software as well as other categories of capital expenditures amounted to $917,000.

WestJet borrowed $7.5 million in October, 1997, in the form of a five year term loan from a Schedule 1 chartered bank. This enabled the Corporation to take advantage of low interest rates, while providing a conservative level of leverage for growth and financing for the acquisition of a sixth aircraft. Three previous long term liabilities relating to the acquisition of engines and spare parts were retired during 1997 and two more in the first quarter of 1998. Total repayment of long-term debt during 1997 was $1.9 million.

The cash flow provided from operations, excluding changes in non-cash operating working capital amounted to $11.5 million compared to $2.0 million for 1996. Equity financing activities comprising the common shares issued under the rights offering and the employee share purchase plan contributed cash of $9.5 million as compared with $227,000 in the ten months ended December 31, 1996. Cash from long term debt and capital lease obligation increase, net of repayments, amounted to $6.1 million in 1997 compared with a reduction in cash in 1996 of $961,000. The investment in capital assets in 1997 and 1996 was $15.9 million and $16.8 million respectively. The 1996 change in financial position was a net reduction in cash of $8.2 million. The 1997 profit from operations, combined with equity and debt financing was significantly greater than capital asset investment activity and yielded a $12.9 million net increase in cash over the year and a year end cash balance of $16.8 million going into the traditionally slow first quarter.

Summary

The 1997 financial performance is attributed to careful deployment of the philosophies and goals outlined in the original business plan. Effective cost control and revenue management systems, a sound investment in technology, powerful marketing planning, managed growth strategies, and a strong balance sheet contributed to a 13.6% margin on earnings from operations, before employee profit sharing and income taxes. WestJet will continue to follow a controlled and conservative path, remaining strong, flexible, and ready for change in a volatile industry.

Year 2000 Disclosure

WestJet is an extensive user of information technology and its operations and business processes are highly dependent on these systems. The Year 2000 problem refers to computer systems not being able to handle two digit year codes across the millennium change. Concern for the Year 2000 issue is particularly prevalent in the airline industry where numerous internal and relied upon external systems are date driven and date sensitive. Due to advance bookings and passenger revenues, Year 2000 problems could have an earlier impact on airlines than with other businesses.

WestJet has identified the critical nature of the Year 2000 issue and has been actively addressing it with its Year 2000 project team. The Year 2000 team includes representation from management and a steering committee of executive management of the Corporation to ensure resource allocation and regular reporting to stakeholders and the board of directors. WestJet has completed all phases of its Year 2000 safety program as it relates to its aircraft fleet and on board systems. WestJet has determined there are no safety issues with these systems. Based on a recently completed applications inventory, management believes that approximately 70% of WestJet's systems are Year 2000 compliant and another 15% were already scheduled to be replaced prior to any potential "failure" date. The remainder, representing approximately 15% of WestJet's systems, are part of WestJet's Year 2000 project. At the present time, this part of the project is approximately one quarter complete and plans are to conclude all modifications, including testing and implementation, by the end of the second quarter of 1999. Compliance of computer hardware and operating system software, as well as voice and data telecommunications networks is being addressed by WestJet's Year 2000 project team as well as its external consultants and service providers. The areas that have been addressed, include personal computers, properties and facilities as well as computer systems embedded within facilities and equipment. All electronic interfaces to external businesses have also been identified.

A policy for any addition of new equipment or suppliers has been implemented to ensure Year 2000 compliance. WestJet is dependent on a number of business partners and suppliers in its ongoing operations. The Corporation has communicated with them in order to assess their readiness with respect to the Year 2000 problem. Alternatives and/or contingency plans will be implemented in the event a partner or supplier is exposed with respect to solving its Year 2000 problem and becomes a risk to WestJet's operations. It is the Corporation's view that the external suppliers of goods and services, which are essential to the on-going airline operations, pose the most significant risk and uncertainty with respect to this issue. Jet fuel suppliers and navigation and air traffic control provided by Nav Canada are examples of areas of external concern where WestJet plans to survey and appropriately satisfy itself of their readiness and compliance or progression toward same on this issue. The Corporation is working with numerous airline industry organizations to ensure that it covers all key partners and suppliers to assess the Year 2000 readiness of common airline infrastructures and service providers. There can be no assurance that the systems of other companies on which WestJet's operations rely will be Year 2000 compliant and WestJet cannot estimate whether that will have a material impact on its operations. The Corporation has commenced a contingency planning process.

Since the mission critical systems are believed to be compliant, the Corporation, at this time, does not expect the amount required to be expensed over the next two years to have a material effect on the financial position or results of operations. As a result of this work, WestJet has incurred operating expenses of $30,000 in 1998. Based on current information, WestJet estimates that additional costs to be charged to operating expense in this regard in 1999 will amount to $125,000 in total. Equipment expenditures, other than normal equipment replacements, in 1999 for the project are currently estimated to be an additional $50,000.

FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheets of WestJet Airlines Ltd. as at December 31, 1998 and 1997 and the statements of operations and retained earnings (deficit) and cash flows for the years ended December 31, 1998 and December 31, 1997, the ten months ended December 31, 1996 and the year ended February 28, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997 and the results of its operations and the cash flows for the years ended December 31, 1998 and December 31, 1997, the ten months ended December 31, 1996 and the year ended February 28, 1996 in accordance with generally accepted accounting principles.

(signed) KPMG LLP
Chartered Accountants

Calgary, Canada
February 12, 1999
(except for note 11 which is as of June 28, 1999)

WestJet Airlines Ltd.
Balance Sheets

		April 30, 1999		December 31, 1998		December 31, 1997
Assets		(unaudited)				
Current assets:						
Cash and short-term investments (note 7)	$	14,071,818	$	13,499,899	$	16,785,480
Accounts receivable		4,933,644		5,239,602		2,351,444
Prepaid expenses and deposits		5,994,024		3,479,198		2,788,479
Inventory		722,760		500,463		230,519
		25,722,246		22,719,162		22,155,922
Capital assets (note 2)		97,063,652		85,522,651		43,050,367
	$	122,785,898		108,241,813	$	65,206,289
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable and accrued liabilities	$	15,139,629		14,662,930	$	7,959,765
Advance ticket sales		10,997,803		7,218,096		4,698,009
Non-refundable passenger credits		3,276,612		2,940,055		1,555,691
Current portion of long-term debt (note 3)		4,792,058		4,050,769		1,441,188
Current portion of obligation under capital lease (note 4)		80,072		77,984		75,170
		34,286,174		28,949,834		15,729,823
Long-term debt (note 3)		25,612,243		21,860,767		6,133,128
Obligation under capital lease (note 4)		294,508		321,906		399,890
Deferred income tax		9,122,197		7,747,714		2,207,800
Shareholders' equity:						
Share capital (note 5)		40,534,927		39,536,222		37,513,576
Obligation to issue share capital (note 5)		232,247		209,325		123,506
Retained earnings		12,703,602		9,616,045		3,098,566
		53,470,776		49,361,592		40,735,648
Commitments (note 7)						
Contingencies (note 8)						
Subsequent events (note 11)						
	$	122,785,898	$	108,241,813	$	65,206,289

On behalf of the Board:

(signed) Stephen C. Smith Director

(signed) Murph Hannon Director

See accompanying notes to financial statements

WestJet Airlines Ltd.
Statements of Operations and Retained Earnings (Deficit)

	Four months ended April 30, 1999	Four months ended April 30, 1998	Year ended December 31, 1998	Year ended December 31, 1997	Ten months ended December 31, 1996	Year ended February 28, 1996
	(unaudited)	(unaudited)				
Revenues:						
Passenger	$ 50,071,842	$ 28,844,672	$ 118,611,823	$ 74,235,745	$ 35,942,753	$ –
Charter and other	1,366,310	1,663,735	6,824,943	2,850,143	985,509	–
Interest	239,013	119,926	453,237	254,338	356,989	216,199
	51,677,165	30,628,333	125,890,003	77,340,226	37,285,251	216,199
Expenses:						
Passenger services	12,435,105	7,075,332	31,386,350	16,119,580	8,348,305	76,267
Maintenance	9,121,182	5,512,554	22,129,134	12,661,374	6,031,455	189,856
Aircraft fuel	7,795,244	5,250,926	20,489,385	14,491,747	9,586,412	40,368
Sales and marketing	3,436,872	2,336,984	9,451,702	6,196,593	3,010,261	1,675,562
General and administration	2,359,800	1,757,275	6,536,879	4,158,565	2,566,632	1,701,623
Reservations	2,448,406	1,899,536	4,917,374	3,892,221	2,213,299	–
Flight operations	2,403,544	1,431,665	5,709,213	3,800,086	2,001,185	326,620
In-flight	1,422,207	945,934	3,465,253	2,345,555	1,234,948	101,064
Aircraft Lease	515,495	427,253	1,447,452	474,189	–	–
Interest on long-term debt	778,374	208,244	1,136,779	88,220	71,562	–
Depreciation	2,378,907	1,391,403	5,087,038	2,564,559	1,168,155	–
	45,095,136	28,237,106	111,756,559	66,792,689	36,232,214	4,111,360
Earning before employee profit share and income taxes	6,582,029	2,391,227	14,133,444	10,547,537	1,053,037	(3,895,161)
Employee profit share (note 7)	835,259	-	1,701,669	1,520,735	146,309	–
	5,746,770	2,391,227	12,431,775	9,026,802	906,728	(3,895,161)
Income taxes (note 6):						
Current	1,255,740	78,000	335,382	120,000	36,000	39,000
Deferred	1,403,473	1,073,000	5,578,914	2,744,800	–	–
	2,659,213	1,151,000	5,914,296	2,864,800	36,000	39,000
Net earnings (loss)	3,087,557	1,240,227	6,517,479	6,162,002	870,728	(3,934,161)
Retained Earnings (deficit), beginning of period	9,616,045	3,098,566	3,098,566	(3,063,436)	(3,934,164)	–
Retained earnings (deficit), end of period	$ 12,703,602	$ 4,338,793	$ 9,616,045	$ 3,098,566	$ (3,063,436)	$ (3,934,161)
Earnings (loss) per share:						
Basic	$0.13	$0.05	$0.28	$0.28	$0.04	$(0.44)
Fully diluted	$0.12	$0.05	$0.28	$0.27	$0.04	$(0.44)

See accompanying notes to financial statements

WestJet Airlines Ltd.
Statements of Cash Flows

	Four months ended April 30, 1999	Four months ended April 30, 1998	Year ended December 31, 1998	Year ended December 31, 1997	Ten months ended December 31, 1996	Year ended February 28, 1996
	(unaudited)	(unaudited)				
Cash provided by (used in):						
Operations:						
Net earnings (loss)	$ 3,087,557	$ 1,240,227	$ 6,517,479	$ 6,162,002	$ 870,728	$ (3,934,161)
Items not involving cash:						
Depreciation	2,378,907	1,391,403	5,087,038	2,564,559	1,168,155	–
Deferred income tax	1,403,473	1,073,000	5,578,914	2,744,800	–	–
	6,869,937	3,704,630	17,183,431	11,471,361	2,038,883	(3,934,161)
Decrease (increase) in non-cash working capital	2,161,798	(930,109)	6,758,795	1,761,307	7,216,330	1,293,077
	9,031,735	2,774,521	23,942,226	13,232,668	9,255,213	(2,641,084)
Financing:						
Increase in long-term debt	5,871,233	7,500,000	20,758,830	7,500,000	1,349,902	2,950,230
Repayment of long-term debt	(1,378,468)	(585,248)	(2,421,610)	(1,914,811)	(2,311,005)	–
Issuance of common shares	1,035,360	609,667	2,058,481	9,530,486	–	28,649,800
Share issuance costs	(65,645)	(750)	(87,072)	–	(31,845)	(1,172,408)
Increase (decrease) in obligation under capital lease	(25,310)	(26,509)	(75,170)	475,060	–	–
Obligation to issue share capital	22,922	36,484	85,819	14,957	108,549	–
Issuance (surrender) of performance shares	–	–	12,237	(127)	(20)	690
Share subscriptions receipts	–	–	–	–	150,000	(150,000)
	5,460,092	7,533,644	20,331,515	15,605,565	(734,419)	30,278,312
Investments:						
Aircraft additions	(11,712,201)	(5,655,613)	(42,717,142)	(12,113,893)	(10,131,413)	(12,804,002)
Other capital asset additions	(2,207,707)	(6,409,244)	(4,842,180)	(3,800,847)	(6,631,895)	(2,728,725)
	(13,919,908)	(12,064,857)	(47,559,322)	(15,914,740)	(16,763,308)	(15,532,727)
Change in cash	571,919	1,756,692	(3,285,581)	12,923,493	(8,242,514)	12,104,501
Cash, beginning of period	13,499,899	13,272,096	16,785,480	3,861,987	12,104,501	–
Cash, end of period	$ 14,071,818	$ 15,028,788	$13,499,899	$ 16,785,480	$ 3,861,987	$12,104,501

Cash is defined as cash and short term investments.

See accompanying notes to financial statements

WestJet Airlines Ltd.
Notes to Financial Statements

The years ended December 31, 1998 and 1997, the ten months ended
December 31, 1996 and the year ended February 28, 1996
(The Information for the 4 months ended April 30, 1999 and 1998 is unaudited)

WestJet Airlines Ltd. (the "Company") commenced operations as a scheduled airline on February 29, 1996.

1. Significant accounting policies:

a. Revenue recognition:

Passenger revenue is recognized when air transportation is provided. The value of unused tickets is included in the balance sheet as advance ticket sales under current liabilities.

b. Foreign currency:

Monetary assets and liabilities, denominated in foreign currencies, are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Other assets and revenue and expense items are translated at rates prevailing when they were acquired or incurred.

Exchange gains and losses arising on the translation of long-term monetary items that are denominated in foreign currencies are deferred and amortized on a straight-line basis over the remaining term of the related monetary item.

c. Inventory:

Inventory is valued at the lower of cost and replacement value.

d. Deferred costs:

Sales and marketing and reservation expenses attributed to the advance ticket sales are deferred and expensed in the period the related revenue is recognized. Included in prepaid expenses at April 30, 1999 are $1,347,937 (April 30, 1998 - $719,521, December 31, 1998 - $872,668, December 31, 1997 - $597,991, December 31, 1996 - $372,619, February 28, 1996 - $nil) of deferred costs.

e. Capital assets:

Capital assets are to be depreciated over their estimated useful lives at the following rates and methods.

Asset	Basis	Rate
Aircraft net of estimated residual value	Flight hours	Hours flown
Computer hardware and software	Straight-line	5 years
Equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Over the term of the lease

f. Maintenance costs:

Maintenance costs incurred subsequent to the aircraft entering service which the Company considers to be unusual and related to the cost of acquiring the asset and preparation for service are capitalized and included in aircraft costs.

Heavy maintenance ("D" check) costs incurred on aircraft will be deferred and amortized over the lesser of the maintenance interval (approximately 7-8 years) or the remaining useful service life of the aircraft.

All other maintenance costs are expensed as incurred in a fiscal year. For purposes of interim reporting periods, the Company accrues a provision based on flying hours and an estimate of annual expenditures. The difference between the maintenance provision accrued and the actual expenditures incurred in the interim period are recorded as a deferred credit or charge. Included in prepaid expenses and deposits at April 30, 1999 is $278,031 of deferred maintenance charges. As at April 30, 1998 as a deferred charge, $1,447,233 was included in accounts payable and accrued liabilities.

1. Significant accounting policies (continued):

g. Deferred income taxes:

The Company follows the deferral method of tax allocation accounting under which the provision for corporate income taxes is based on the earnings reported in the accounts and takes into account the tax effects of timing differences between financial statement income and taxable income.

2. Capital assets:

April 30, 1999	Cost	Accumulated depreciation	Net book value
(unaudited)			
Aircraft	$ 89,478,652	$ 9,260,391	$ 80,218,261
Spare engines and parts	13,152,455	–	13,152,455
Computer hardware and software	2,701,554	843,499	1,858,055
Computer hardware under capital lease	475,494	147,782	327,712
Equipment	1,813,489	578,597	1,234,892
Leasehold improvements	640,665	368,388	272,277
	$ 108,262,309	$ 11,198,657	$ 97,063,652

December 31, 1998	Cost	Accumulated depreciation	Net book value
Aircraft	$ 77,766,451	$ 7,188,086	$ 70,578,365
Spare engines and parts	11,520,804	–	11,520,804
Computer hardware and software	2,403,733	708,452	1,695,281
Computer hardware under capital lease	475,494	116,082	359,412
Equipment	1,584,290	493,166	1,091,124
Leasehold improvements	591,629	313,964	277,665
	$ 94,342,401	$ 8,819,750	$ 85,522,651

December 31, 1997	Cost	Accumulated depreciation	Net book value
Aircraft	$ 35,049,309	$ 2,920,926	$ 32,128,383
Spare engines and parts	8,664,439	–	8,664,439
Computer hardware and software	1,345,275	350,993	994,282
Computer hardware under capital lease	475,494	21,133	454,361
Equipment	862,024	275,365	586,659
Leasehold improvements	386,539	164,296	222,243
	$ 46,783,080	$ 3,732,713	$ 43,050,367

WestJet Airlines Ltd.
Notes to Financial Statements

The years ended December 31, 1998 and 1997, the ten months ended December 31, 1996 and the year ended February 28, 1996
(The Information for the 4 months ended April 30, 1999 and 1998 is unaudited)

3. Long-term debt:

	April 30, 1999 (unaudited)	December 31, 1998	December 31, 1997
$7,500,000 bank term loan repayable in monthly instalments of $153,874, including interest at 8.5%, maturing November 2002, secured by two aircraft	$ 5,684,894	$ 6,133,128	$ 7,399,251
$7,500,000 bank term loan repayable in monthly instalments of $152,522, including interest at 8.125%, maturing April 2003, secured by two aircraft	6,232,724	6,666,522	–
$5,116,702 term loan repayable in monthly instalments of $75,977, including interest at 8.29% and $2,383,298 term loan repayable in monthly instalments of $35,779 including interest at 8.36%, maturing October 2005, secured by one aircraft	7,154,757	7,399,286	–
$5,758,830 term loan repayable in monthly instalments of $86,637, including interest at 8.42%, and $1,614,233 term loan repayable in monthly installments of $24,986 including interest at 8.49% maturing October 2005, secured by one aircraft	7,111,422	5,712,600	–
$4,257,000 term loan repayable in monthly instalments of $66,259, including interest at 8.39%, maturing October 2005, secured by one aircraft	4,220,504		
$887,200 U.S., note repayable matured February 1998	–	–	164,347
$112,800 U.S., note payable matured February 1998	–	–	10,718
	30,404,301	25,911,536	7,574,316
Less current portion	4,792,058	4,050,769	1,441,188
	$ 25,612,243	$ 21,860,767	$ 6,133,128

Future scheduled repayment of long-term debt on a calendar year basis is as follows:

1999	$ 4,050,769
2000	4,401,379
2001	4,782,345
2002	5,042,427
2003	2,462,862
Thereafter	5,171,754
	$ 25,911,536

Interest on long-term debt paid during the four months ended April 30, 1999 was $785,509 (Four months ended April 30, 1998 - $211,052, years ended December 31, 1998 - $1,156,865, December 31, 1997 - $91,402, ten months ended December 31, 1996 - $101,913, and year ended February 26, 1996 - Nil)

WestJet Airlines Ltd.
Notes to Financial Statements

The years ended December 31, 1998 and 1997, the ten months ended December 31, 1996 and the year ended February 28, 1996
(The Information for the 4 months ended April 30, 1999 and 1998 is unaudited)

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4. Obligation under capital lease:

Future payments under capital lease obligation on a calendar year basis are as follows:

1999		106,979
2000		106,979
2001		106,979
2002		106,979
2003		53,490
		481,406
Less imputed interest at 9.9%		81,516
Net minimum lease payments		399,890
Current portion of obligations under capital lease		77,984
	$	321,906

5. Share capital:

The non-voting common shares and the non-voting preferred shares are subject to limitations to be fixed by the directors of the Company.

a. Authorized:

Unlimited number of voting common shares
700,000 non-voting performance shares
Unlimited number of non-voting shares
Unlimited number of non-voting first preferred shares
Unlimited number of non-voting second preferred shares
Unlimited number of non-voting third preferred shares.

WestJet Airlines Ltd.
Notes to Financial Statements

The years ended December 31, 1998 and 1997, the ten months ended
December 31, 1996 and the year ended February 28, 1996
(The Information for the 4 months ended April 30, 1999 and 1998 is unaudited)

5. Share capital (continued):

b. Issued:

	April 30, 1999		December 31, 1998		December 31, 1997	
	Number	Amount	Number	Amount	Number	Amount
		(Unaudited)				
Common shares:						
Balance, beginning of period	23,337,530	$39,523,442	22,665,398	$ 37,513,033	19,482,266	$ 27,445,547
Rights offering	–	–	–	–	2,783,181	8,349,543
Employee share purchase	239,408	957,636	554,184	2,061,623	399,951	1,180,943
Exercise of stock option	238,906	656,599	–	–	–	–
Issuance costs	–	(65,645)	–	(87,072)	–	–
Conversion of performance shares	–	–	119,990	120	–	–
Cancellation of shares	(1,638)	(3,276)	(2,042)	(3,262)	–	–
Tax benefit of issue costs	–	28,990	–	39,000	–	537,000
	23,814,206	41,097,746	23,337,530	39,523,442	22,665,398	37,513,033
Less: due from shareholder	–	(575,599)	–	–	–	–
Balance, end of period	23,814,206	40,522,147	23,337,530	39,523,442	22,665,398	37,513,033
Performance shares:						
Balance, beginning of period	437,146	12,780	542,500	543	670,000	670
Issued	–	–	38,000	12,380	7,500	8
Converted to common shares	–	–	(119,990)	(120)	–	–
Surrendered	–	–	(23,364)	(23)	(135,000)	(135)
Balance, end of period	437,146	12,780	437,146	12,780	542,500	543
		$ 40,534,927		$ 39,536,222		$ 37,513,576

	December 31, 1996		February 28, 1996	
	Number	Amount	Number	Amount
Common shares:				
Balance, beginning of period	19,482,266	$ 27,327,392	–	$ –
Private placements for cash	–	–	17,505,788	24,449,800
Exercise of convertible warrants	–	–	1,976,478	4,200,000
Issuance costs	–	(31,845)	–	(1,172,408)
Share subscription receipts (receivable)	–	150,000	–	(150,000)
Balance, end of period	19,482,266	27,445,547	19,482,266	27,327,392
Performance shares:				
Balance, beginning of period	690,000	690	–	–
Issued	–	–	690,000	690
Surrendered	(20,000)	(20)	–	–
Balance, end of period	670,000	670	690,000	690

	$ 27,446,217	$ 27,328,082

5. Share capital (continued):

c. Performance shares:

The performance shares are held by management and key employees of the Company. These performance shares are convertible at the option of the holder, into common shares of the Company on the basis of one performance share for each $1.86 of convertible amount. The convertible amount is calculated as being 5% of the net earnings of the Company up to maximum net earnings of $25,668,000. Net earnings is defined as net income after tax for each fiscal year as per the audited financial statements in accordance with generally accepted accounting principles, less an imputed interest charge on all new equity invested.

The interest charge is calculated as the aggregate of 20% times each amount of the new equity invested, times the number of days that new equity was available to the Company divided by the number of days in the year. The holders of the performance shares shall, on a cumulative basis, be entitled to convert to a maximum of one-third of the performance shares following each of the three fiscal years, beginning with the completion of the 1997 fiscal year. The cumulative convertible amount is to be allocated in proportion to the holders' percentage of outstanding performance shares. The right to convert expires 90 days following issuance of audited financial statements on the third fiscal year from the commencement date, termination of employment or the death of the shareholder.

As at April 30, 1999, 118,252 (December 31, 1998 – 118,252; December 31, 1997 – 119,990; December 31, 1996 - nil and February 28, 1996 - nil) performance shares are eligible for conversion.

d. Share option plan:

The Company has a share option plan, whereby up to a maximum of 2,650,000 common shares may be issued to directors, officers and employees of the Company subject to the following limitations:

(1) the number of common shares reserved for issuance to any one optionee will not exceed 5% of the issued and outstanding common shares at anytime;

(2) the number of common shares, reserved for issuance to insiders shall not exceed 10% of the issued and outstanding common shares;

(3) the number of common shares issuable under the Plan which may be issued within a one year period shall not exceed 10% of the issued and outstanding common shares at anytime.

At April 30, 1999, the Company has outstanding options to purchase 2,650,000 (December 31, 1998 - 2,239,253; December 31, 1997 - 1,775,500) common shares as follows:

Number	Price	Vesting	Expiry
283,761	2.50	1999	2000
1,156,833	3.00	One-third per year	One year after vesting to 2001
559,753	4.00	2001	2002
50,000	4.00	1999	2003
494,083	6.00	2002	2003
105,570	10.00	2002	2003

During 1999, 50,000 options at $4.00 per share, 494,083 options at $6.00 per share and 105,570 at $10.00 per share were issued and 238,906 options at prices ranging from $2.50 to $3.00 were exercised.

5. Share capital (continued):

During 1998, 567,920 options at $4.00 per share were issued and 154,167 options at prices ranging from $2.50 to $4.00 were cancelled.

Notwithstanding any provision above relating to the expiry of options, in the event that shares issuable on the exercise of options after vesting shall not be listed on a stock exchange and free trading, the expiry date for exercise of such options shall be extended to a period of 60 days following the time at which such shares would be free trading and listed, provided that such period shall extend no longer than five years from the date of initial grant of such options.

e. Employee share purchase plan:

Under the terms of the Employee Share Purchase Plan employees may contribute up to a maximum of 20% of their gross pay and acquire common shares of the Company at the current fair market value of such shares. The Company matches the employee contributions and shares may be withdrawn from the Plan after being held in trust for one year. Employees may offer to sell common shares at any time to the Company for 50% of the then current market price.

As at April 30, 1999, $232,247 (December 31, 1998 - $209,325; December 31, 1997 - $123,506; December 31, 1996 - $108,549 and February 28, 1996 - $nil) was held in trust representing employee and employer contributions under the Plan and the Company has an obligation to issue 38,708 common shares at $6 per share (December 31, 1998 - 52,331 common shares at $4.00 per share; December 31, 1997 - 41,169 common shares at $3.00 per share; December 31, 1996 - 43,419 common shares at $3.00 per share and February 28, 1996 - nil).

f. Due from shareholder:

The advance to purchase common shares of the Company consists of promissory notes of $575,599 as at April 30, 1999 due from a shareholder who is an officer of the Company. The amount repayable on or before May 10, 2000 is $300,598. The amount repayable on the earlier of the following dates (i) six months after the issuance of a (final) receipt by the Alberta Securities Commissions for the prospectus relating to the WestJet Airlines Ltd. initial public offering; and (ii) one year from the date March 31, 1999 is $275,001.

WestJet Airlines Ltd.
Notes to Financial Statements

The years ended December 31, 1998 and 1997, the ten months ended
December 31, 1996 and the year ended February 28, 1996
(The Information for the 4 months ended April 30, 1999 and 1998 is unaudited)

6. Income taxes:

Income taxes vary upon the amount that would be computed by applying the basic federal and provincial tax rate of 44.6% to income (loss) before taxes as follows:

	Four months ended April 30, 1999	Four months ended April 30, 1998	Year ended December 31, 1998	Year ended December 31, 1997	Ten months ended December 31, 1996	Year ended February 28, 1996
	(Unaudited)	(Unaudited)				
Expected tax provision (recovery)	$ 2,563,000	$ 1,066,000	$ 5,544,572	$ 4,026,000	$ 404,400	$ (1,737,000)
Non-deductible items	4,000	7,000	34,342	15,800	19,700	6,900
Large corporate and capital taxes	92,213	78,000	335,382	120,000	36,000	39,000
Benefit of prior years' losses	–	–	–	(1,297,000)	(424,100)	–
Benefit of loss not recognized	–	–	–	–	–	1,730,100
	$ 2,659,213	$ 1,151,000	$ 5,914,296	$ 2,864,800	$ 36,000	$ 39,000

7. Commitments:

a. The Company is committed to make the payments under operating leases for aircraft, buildings, computer hardware, and software licences through 2003. The obligations on a calendar year basis, are as follows:

1999	6,544,161
2000	6,736,119
2001	5,965,735
2002	5,855,649
2003	4,222,023

b. Employee profit share:

The Company has an employee profit sharing plan whereby eligible employees will participate in the pre-tax operating income of the Company on an annual basis. The profit share ranges from a minimum of 10% to a maximum of 20% of earnings before employee profit share and income taxes. The amounts paid under the plan are subject to annual approval by the Board of Directors.

7. Commitments (continued):

c. In accordance with Canadian Aviation Regulations (C.A.R.s) requirements, the Company is required to install Hushkits on its aircraft fleet in order to conform to noise emission standards. The C.A.R.s requirement to Hushkit Boeing 737 aircraft are as follows:

	Percentage of fleet to be Hushkitted (rounded down)
December 31, 1998	50%
December 31, 1999	75%
October 1, 2001	85%
April 1, 2002	100%

As at April 30, 1999, the Company had 6 of its 12 aircraft (December 31, 1998 - five of eleven) equipped with Hushkits and was in compliance with C.A.R.'s requirements. The Company anticipates being in compliance with C.A.R.'s requirements for the year ended December 31, 1999. The Company has an agreement to purchase three additional Hushkits during 1999 for $1.075 million U.S. each.

d. Under existing aircraft purchase agreements, as at December 31, 1998 the Company had an obligation to purchase one Boeing 737-200 advanced aircraft for an approximate purchase price of $4.8 million U.S. The Company intends to satisfy the costs of the acquisition through its previously arranged credit facilities. Included in cash and short-term investments at December 31, 1998 is $5,446,864 held as a deposit by the vendor under the terms of the agreement.

8. Contingencies:

a. At April 30, 1999, the Company has available operating credit facilities with a chartered bank aggregating approximately $11.5 million. Letters of guarantee totalling $868,000 (December 31, 1998 - $705,000) have been issued under these facilities. The credit facilities are secured by a fixed first charge on four aircraft, a general security agreement and an assignment of insurance proceeds.

b. On December 4, 1998, the Company filed a complaint against a California corporation (the "defendant") in the amount of $10 million to recover costs incurred by the Company as a result of the inability of the defendant to properly complete contracted aircraft maintenance. On March 12, 1999, the defendant filed a cross-complaint against the Company alleging non-payment for services provided in the amount of U.S. $495,643, as well as other unlawful acts. It is anticipated by the Company that successful aspects of its suit against the defendant will exceed the claim advanced by the defendant's cross-complaint, but the outcome is currently not determinable.

9. Risk management:

The Company does not currently use derivative financial instruments to manage risks associated with credit exposure and exposure to foreign currency and interest rate fluctuations. The fair value of the Company's financial assets and liabilities approximate their carrying value at April 30, 1999. The Company manages its exposure to jet fuel price volatility through the use of a fixed price purchase arrangement.

10. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which would affect an entity's ability to conduct normal business operations. The Company has developed and is implementing a process involving a phased approach designed to mitigate the expected effects of the Year 2000 issue on the Company. However it is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. Subsequent events:

a. On June 28, 1999, the Company entered into an underwriting agreement whereby the Company will issue 2,500,000 Common Shares at a price of $10.00 per share for aggregate consideration of $25,000,000 pursuant to the Company's initial public offering. Estimated costs in connection with the offering are $600,000.

b. Subsequent to the year ended December 31, 1998 the Company entered into two lease agreements for Boeing 737-200 aircraft. The aggregate payments under these lease agreements were included in the Company's commitments as at December 31, 1998 (see note 7). The first aircraft was delivered on June 4, 1999. The delivery conditions for the other aircraft were not met on the originally scheduled delivery date. The lessor is attempting to rectify lease deficiencies and, if these deficiencies are rectified to the Company's satisfaction, it is anticipated the second aircraft will be delivered in October 1999. Given that the lessor has not fulfilled the delivery requirements under the terms of the original agreements, the Company does not consider there to be an outstanding obligation under these agreements until each of the aircraft are delivered. As a result, the Company's commitments under operating lease agreements for calendar 1999 have been reduced by $1,856,250 (2000 - $2,025,000, 2001 - $2,025,000, 2002 - $2,025,000, 2003 - $2,025,000).

c. The Company entered into a letter agreement for the acquisition of three Boeing 737-200 aircraft. The delivery dates for these aircraft must be agreed to between the Company and the seller, but the purchase price has been fixed on a declining balance basis depending on the actual delivery date. The maximum purchase price for the three aircraft will be in aggregate US $14.3 million with a minimum purchase price of US $12.7 million. It is currently anticipated that the delivery dates for the aircraft will be in the second half of the year 2000.

d. On May 25, 1999 the Company signed a letter of intent to acquire one Boeing 737-200 aircraft for a purchase price of US $4.6 million with an anticipated delivery date of July 31, 1999.

e. On March 25, 1999 the Company entered into an agreement for a $6.5 million term loan with a chartered bank. The purpose of this facility was to replace a $6.0 million demand operating line. The term loan was advanced to the Company on May 28, 1999. The term loan is repayable in monthly instalments of $133,019 including interest at bank prime plus 0.25%, maturing May 28, 2004, secured by two aircraft.

f. On May 11, 1999 the board of directors of the Company declared a special one-time distribution of the accrued first quarter 1999 employee profit share to eligible employees. The amount distributed was $539,946.

CERTIFICATES OF WESTJET AND PROMOTER

Dated: June 28, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by section 13 of the *Securities Fraud Prevention Act* (New Brunswick) and the respective regulations thereunder and by Part XIV of the *Securities Act* (Newfoundland). This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) Stephen C. Smith
Stephen C. Smith
Chief Executive Officer

(signed) Alexander J. Campbell
Alexander J. Campbell
Chief Financial Officer

On Behalf of the Board of Directors

(signed) Thomas W. Morgan
Thomas W. Morgan
Director

(signed) Murph Hannon
Murph Hannon
Director

PROMOTER

(signed) Clive J. Beddoe
Clive J. Beddoe

CERTIFICATE OF THE UNDERWRITERS

Dated: June 28, 1999

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by section 13 of the *Securities Fraud Prevention Act* (New Brunswick) and the respective regulations thereunder and by Part XIV of the *Securities Act* (Newfoundland). To our knowledge this prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

CIBC WORLD MARKETS INC.

"Christopher G. Blackwell"

By: (signed) Christopher G. Blackwell

HSBC SECURITIES (CANADA) INC.	RBC DOMINION SECURITIES INC.	YORKTON SECURITIES INC.
"Christopher M. Burley"	"Timothy W. Watson"	"Marshal Stearns"
By: (signed) Christopher M. Burley	By: (signed) Timothy W. Watson	By: (signed) Marshal Stearns

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than 5% in the capital of:

CIBC WORLD MARKETS INC.: a majority owned subsidiary of a Canadian chartered bank;

HSBC SECURITIES (CANADA) INC.: a wholly-owned subsidiary of a Canadian chartered bank;

RBC DOMINION SECURITIES INC.: an indirect wholly-owned subsidiary of a Canadian chartered bank; and

YORKTON SECURITIES INC.: G. Scott Paterson and Yorkton Holdings Limited.