CANADA JETLINES OPERATIONS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2021

(Expressed in Canadian Dollars)

CANADA JETLINES OPERATIONS LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited)
(Expressed in Canadian Dollars)

		JUNE 30, 2021		DECEMBER 31, 2020
ASSETS				
Current assets				
Cash	$	**6,058**	$	3,170
Receivables		**2,642**		-
Prepaid expenses (note 4)		**18,867**		11,400
	$	**27,567**	$	14,570
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current liabilities				
Accounts payable and accrued liabilities	$	**410,534**	$	351,374
Long-term loan payable (note 6)		**40,000**		40,000
		450,534		391,374
Shareholders' deficiency				
Share capital (note 7)		**2,879,895**		2,879,895
Reserves (note 7)		**781,159**		10,932,488
Deficit		**(4,084,021)**		(14,189,187)
		(422,967)		(376,804)
	$	**27,567**	$	14,570

Nature of operations and going concern (note 1)
Subsequent event (note 11)

Approved on August 27, 2021 on behalf of the Board of Directors by:

"Ryan Goepel"	Chairman	*"Margaret Gilmour"*	Director
Ryan Goepel		Margaret Gilmour	

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

CANADA JETLINES OPERATIONS LTD.
CONDENSED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Expressed in Canadian Dollars)

	THREE MONTH PERIODS ENDED JUNE 30, 2021	THREE MONTH PERIODS ENDED JUNE 30, 2020	SIX MONTH PERIODS ENDED JUNE 30, 2021	SIX MONTH PERIODS ENDED JUNE 30, 2020
OPERATING EXPENSES				
Aircraft launch, licensing and route network	**$ -**	$ -	**$ -**	$ 2,166
Consulting (note 5)	**75,981**	-	**83,481**	-
Interest income	**(17)**	(179)	**(19)**	(789)
Foreign exchange loss	**543**	1,622	**159**	2,546
Investor relations and marketing	**-**	9,234	**-**	9,234
Office and administration	**3,990**	3,414	**5,888**	7,358
Professional fees	**10,000**	3,166	**10,000**	2,408
Share-based payments (notes 5 and 7)	**1,973**	-	**1,973**	-
Transaction costs – spin-out	**47,782**	-	**47,782**	-
Travel	**7,523**	-	**20,247**	-
Salaries and benefits	**-**	275	**-**	760
	(147,775)	(17,532)	**(169,511)**	(23,683)
Gain on sale of computer equipment	**-**	250	**-**	195
Gain on extinguishment of debt (note 8)	**-**	222,004	**-**	222,004
Income (loss) and comprehensive income (loss) for the period	**$ (147,775)**	$ 204,722	**$ (169,511)**	$ 198,516
Basic and diluted earnings (loss) per share	$ **(0.00)**	$ 0.01	**$ (0.01)**	$ 0.01
Weighted average number of shares outstanding	**33,403,145**	33,403,145	**33,403,145**	33,403,145

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

CANADA JETLINES OPERATIONS LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital								
	Number of Shares		Amount		Reserves		Deficit		Total
Balance – December 31, 2019	**33,403,145**	**$**	**2,879,895**	**$**	**10,947,575**	**$**	**(14,347,020)**	**$**	**(519,550)**
Distributions to former parent company	-		-		(14,693)		-		(14,693)
Income for the period	-		-		-		198,516		198,516
Balance – June 30, 2020	**33,403,145**		**2,879,895**		**10,932,882**		**(14,148,504)**		**(335,727)**
Balance – December 31, 2020	**33,403,145**	**$**	**2,879,895**	**$**	**10,932,488**	**$**	**(14,189,187)**	**$**	**(376,804)**
Contributions from former parent company	-		-		121,375		-		121,375
Reclassification of investment by former parent company (note 7)	-		-		(10,274,677)		10,274,677		-
Share-based payments	-		-		1,973		-		1,973
Loss for the period	-		-		-		(169,511)		(169,511)
Balance – June 30, 2021	**33,403,145**	**$**	**2,879,895**	**$**	**781,159**	**$**	**(4,084,021)**	**$**	**(422,967)**

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

CANADA JETLINES OPERATIONS LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30,
(Unaudited)
(Expressed in Canadian Dollars)

		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the period	$	**(169,511)**	$	198,516
Items not affecting cash:				
Gain on sale of computer equipment		**-**		(195)
Gain on extinguishment of debt		**-**		(222,004)
Foreign exchange gain		**-**		(610)
Share-based payments		**1,973**		-
Non-cash working capital item changes:				
Receivables		**(2,642)**		2,985
Prepaid expenses		**(7,467)**		53,273
Accounts payable and accrued liabilities		**59,160**		8,781
Net cash provided by (used in) operating activities		**(118,487)**		40,746
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sale of computer equipment		**-**		910
Proceeds on sale of spare parts of aircraft		**-**		27,885
Net cash provided by investing activities		**-**		28,795
CASH FLOWS FROM FINANCING ACTIVITIES				
Contributions from (distributions to) former parent company		**121,375**		(208,599)
Proceeds from loan payable		**-**		40,000
Net cash provided by (used in) financing activities		**121,375**		(168,599)
Net change in cash during the period		**2,888**		(99,058)
Cash, beginning of the period		**3,170**		104,823
Cash, end of the period	$	**6,058**	$	5,765

Supplemental disclosures with respect to cash flows (Note 8).

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Jetlines Operations Ltd. (the "Company" or "Jetlines") was amalgamated under the laws of British Columbia pursuant to the *Canada Business Corporations Act* ("CBCA") effective February 28, 2017. The Company's principal business activity is the start-up of a Canadian Low cost carrier airline that intends to begin operations, pending Canadian Transportation Agency approval, as a tour operator with flights into popular sun destinations in the USA, Mexico and the Caribbean. The address of the Company's registered office is #2400 – 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 3P3. The Company was a wholly owned subsidiary of Global Crossing Airlines Group Inc. ("GlobalX"), whose shares trade on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "JET".

On May 19, 2021, the Company entered into a Second Amended and Restatement Agreement with GlobalX to complete a plan of arrangement under the CBCA (the "Plan of Arrangement"), which was finalized on June 28, 2021. Pursuant to the Plan of Arrangement, the Company subdivided its issued and outstanding voting shares on a 1 to 2.1877 basis (the "Share Split") and distributed 25,052,359 voting shares to GlobalX shareholders, with the remaining 8,350,786 voting shares being retained by GlobalX. Upon completion of the Plan of Arrangement, the Company had 11,070,675 common voting shares and 22,332,470 variable voting shares issued and outstanding. All share and per share information within these condensed interim financial statements reflect the Share Split.

These condensed interim financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The continuing operations of the Company are dependent upon the Company's ability to raise adequate financing and to commence profitable operations in the future. The Company is evaluating financing its future requirements through a combination of debt, equity and/or other facilities. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

As at June 30, 2021, the Company had a working capital deficit of $382,967 and accumulated deficit of $4,084,021. At present, the Company has no current operating income or cash flows. Without additional financing, the Company will be unable to fund general and administrative expenses and working capital requirements for the next 12 months. In addition, the Company does not have the required financing to meet domestic licensing financial capability requirements, to complete the build-out of the airline and to secure aircraft. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. Changes in future conditions or anticipated future conditions could require material write-downs to the carrying values of the Company's assets. These adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

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

These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020, which includes the information necessary or useful to understanding the Company's business and financial statement presentation. In particular, except for the new accounting policy disclosed below, the Company's significant accounting policies are presented as Note 3 in the audited financial statements for the year ended December 31, 2020, and have been consistently applied in the preparation of these condensed interim financial statements.

These condensed interim financial statements for the period ended June 30, 2021 were authorized by the Board of Directors for issuance on August 27, 2021.

2. BASIS OF PRESENTATION *(continued)*

Basis of presentation

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

Significant accounting judgments and estimates

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

During the year ended December 31, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date, there have been significant wide-spread stock market declines and the movement of people and goods has become restricted, affecting the supply, demand and pricing for many products and services. The airline industry is expected to be impacted significantly as many local and regional governments have issued public health orders and travel restrictions in response to COVID-19. As the Company has no material operating income or cash flows, it is reliant on additional financing to fund ongoing operations. An extended disruption may affect the Company’s ability to obtain additional financing. The impact of these factors on the Company is not yet determinable; however, the Company’s financial position, results of operations and cash flows in future periods may be materially affected.

<u>Critical accounting estimates</u>

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

Valuation of restricted share units

The value of the restricted share units was based on the fair value of the of the Company’s shares on the date of grant. The determination of the fair value of the Company’s shares involved significant estimate as the Company’s shares were not publicly traded on the date the restricted shares units were granted.

<u>Critical accounting judgments</u>

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

Going concern

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

(Expressed in Canadian Dollars)

3. NEW ACCOUNTING POLICY ADOPTED

Share-based payments

Restricted share units

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

(a) If the Company elects to settle in cash, the cash payment is accounted for as the repurchase of an equity interest (i.e. as a deduction from equity), except as noted in (c) below.
(b) If the Company elects to settle by issuing shares, the value of RSUs initially recognized in reserves is reclassified to share capital, except as noted in (c) below.
(c) If the Company elects the settlement alternative with the higher fair value, as at the date of settlement, the Company recognizes an additional expense for the excess value given (i.e. the difference between the cash paid and the fair value of shares that would otherwise have been issued, or the difference between the fair value of the shares and the amount of cash that would otherwise have been paid, whichever is applicable).

4. PREPAID EXPENSES

		June 30, 2021		December 31, 2020
Insurance	$	8,867	$	11,400
Professional fees		10,000		-
	$	18,867	$	11,400

5. RELATED PARTY TRANSACTIONS

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

Key management personnel

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

Remuneration attributed to key management personnel for the six month periods ended June 30, 2021 and 2020 is summarized as follows:

		2021		2020
Short-term benefits (1)	$	83,481	$	-
Share-based payments (note 7)		1,141		-
	$	84,622		-

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

5. RELATED PARTY TRANSACTIONS *(continued)*

Related party balances

Accounts payable and accrued liabilities

As at June 30, 2021, accounts payable and accrued liabilities include the following amounts due to related parties:

- Eddy Doyle, CEO and President of the Company - $7,875 (December 31, 2020 - $Nil) with respect to consulting services.
- Victor Charlebois, VP Flight Operations - $6,882 (December 31, 2020 - $Nil) with respect to consulting services.

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

6. LONG-TERM LOAN PAYABLE

On May 28, 2020, the Company received an interest-free Canada Emergency Business Account ("CEBA") loan in the amount of $40,000 to help cover the Company's operating expenses, payroll and other non-deferrable expenses which are critical to sustain business continuity. The program has been implemented by the Government of Canada as part of the COVID-19 relief initiatives. If the Company repays 75% of the principal amount on or before December 31, 2022, the repayment of the remaining 25% of the principal amount will be forgiven. In the event that the Company does not repay the principal amount by December 31, 2022, the principal amount and all accrued and unpaid interest at the rate of 5% per annum from January 1, 2023 will be due and payable on December 31, 2025.

7. SHARE CAPITAL AND RESERVES

Authorized

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

As at June 30, 2021, the Company had 11,070,675 common voting shares and 22,332,470 variable voting shares outstanding.

Common voting shares

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

Variable voting shares

Under the Company's Articles, the variable voting shares carry one vote per variable voting share held, subject to an automatic reduction of the voting rights attached to variable voting shares in the event any of the applicable limits are exceeded. In such event, the votes attributable to variable voting shares will be affected as follows:

- first, if required, a reduction of the voting rights of any single non-Canadian owner (inclusive of any single non-Canadian owner authorized to provide air service) carrying more than 25% of the votes (the "Stage 1 Reduction") to ensure that such non-Canadian owners never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders;

- second, if required and after giving effect to the Stage 1 Reduction, a further proportional reduction of the voting rights of all non-Canadian owners authorized to provide an air service to ensure that such non-Canadian owners authorized to provide an air service (the "Stage 2 Reduction"), in the aggregate, never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders; and

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES *(continued)*

Variable voting shares *(continued)*

- third, if required and after giving effect to the Stage 1 Reduction and the Stage 2 Reduction if any, a proportional reduction of the voting rights for all non-Canadian owners as a class (the "Stage 3 Reduction") to ensure that non-Canadians never carry, in aggregate, more than 49% of the votes that owners of voting shares cast at any meeting of shareholders.

Share issuances

Except for the share transactions in Note 1, there were no share issuances during the periods ended June 30, 2021 and 2020.

Reserves

	June 30, 2021	December 31, 2020
Net investment of former parent company	-	10,153,302
Share-based payments	781,159	779,186
	781,159	10,932,488

Net investment of former parent company

The net investment of former parent company represents the accumulated net contributions from GlobalX.

Upon the completion of the Plan of Arrangement, the accumulated net contributions by GlobalX was extinguished during the period ended June 30, 2021. Accordingly, the net investment of former parent company of $10,274,677 was reclassified from reserves to accumulated deficit during the period ended June 30, 2021.

Share-based payments

The maximum number of Voting Shares issuable pursuant to the share-based payment arrangements, including stock options, RSUs and performance share units, is 6,680,629.

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the "Stock Option Plan"). The maximum price shall not be less than the closing price of the Company's shares on the last trading day preceding the date on which the grant of options is approved by the Board of Directors. Options have a maximum expiry period of 10 years from the grant date. Vesting conditions are determined by the Board of Directors in its discretion with certain restrictions in accordance with the Stock Option Plan.

There were no stock options granted during the periods ended June 30, 2021 and 2020.

Restricted share units

The Company grants RSUs to directors, officers, employees and consultants as compensation for services, pursuant to its RSU Plan (the "RSU Plan"). The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion. At the election of the Board of Directors, upon each vesting date, participants receive (a) Voting Shares equal to the number of RSUs that vested; (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Voting Share; or (c) a combination of (a) and (b).

7. SHARE CAPITAL AND RESERVES *(continued)*

Reserves *(continued)*

Restricted share units (continued)

During the period ended June 30, 2021, the Company granted 4,800,000 RSUs (2020 – Nil) to various officers, directors, and consultants of the Company, whereby 50% of the RSUs vest at the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date.

During the period ended June 30, 2021, the Company recorded share-based payments expense with respect to RSUs of $1,973 (2020 - $Nil).

Performance share units

The Company grants Performance Share Units ("PSUs") to directors, officers, employees and consultants as compensation for services, pursuant to its Performance Share Unit Plan ("PSU Plan"). The number of PSUs awarded and underlying performance-based vesting conditions are determined by the Board of Directors in its discretion. At the election of the Board of Directors, upon each vesting date, participants receive (a) Voting Shares equal to the number of PSUs that vested; (b) a cash payment equal to the number of vested PSUs multiplied by the fair market value of a Voting Share; or (c) a combination of (a) and (b).

There were no PSUs granted during the periods ended June 30, 2021 and 2020.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions during the period ended June 30, 2021 that were not disclosed elsewhere in the financial statements.

Significant non-cash transactions during the period ended June 30, 2020 that were not disclosed elsewhere in the financial statements are summarized below:

- Expenditures paid by GlobalX on behalf of the Company amounted to $2,251.
- GlobalX settled a severance payable of $32,833 to an employee on behalf of the Company by issuing 94,559 GlobalX shares valued at $47,279, resulting in a loss on extinguishment of debt of $14,446. In addition, GlobalX assumed withholding taxes of $9,233 relating to the severance payment.
- GlobalX settled a payable of $313,035 to a third party vendor on behalf of the Company by paying $104,345 and issuing 48,809 GlobalX shares valued at $24,405, resulting in a gain on extinguishment of debt of $184,285.
- GlobalX settled a payable of $6,000 to a third party vendor on behalf of the Company issuing 18,900 GlobalX shares valued at $9,450, resulting in a loss on extinguishment of debt of $3,450.
- The Company entered into a settlement agreement with a third party vendor that extinguished all outstanding liabilities for no consideration, resulting in a gain on extinguishment of debt of $55,615.

9. CAPITAL MANAGEMENT

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

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

9. CAPITAL MANAGEMENT *(continued)*

The Company currently is not subject to externally imposed capital requirements. There were no material changes in the Company's approach to capital management during the period ended June 30, 2021.

10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks as detailed below.

Credit risk

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

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

Liquidity risk

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

The Company manages liquidity risk through its capital management as outlined in Note 9. As at June 30, 2021, the Company had a working capital deficit of $382,967 and accumulated deficit of $4,084,021. At present, the Company has no current operating income or cash flows. In addition, the Company does not have the required financing to meet domestic licensing financial capability requirements, to complete the build-out of the airline and to secure aircraft.

Market risk

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

(a) Interest rate risk

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

The Company does not have any variable interest-bearing debt.

(b) Currency risk

At present, the Company's expenditures are predominantly in Canadian dollars. Future equity raised may be in either Canadian or US dollars. At this time, the Company does not have any currency hedges in place for fluctuations in the exchange rate between the Canadian dollar and the US dollar.

11. SUBSEQUENT EVENT

The following event occurred subsequent to the period ended June 30, 2021:

Private placement

On August 6, 2021, the Company closed a non-brokered private placement (the "Offering"). The Offering consisted of 16,497,662 units issued at $0.40 per unit (each a "Unit") for total gross proceeds of $6,599,065. Each Unit consists of one Voting Share and one half of one warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder thereof to purchase an additional Voting Share for $0.70 until August 6, 2023. In connection with the Offering, the Company paid $450,131 and issued 1,125,328 Warrants as finder's fees for certain subscribers who participated in the Offering.