

CANADA JETLINES OPERATIONS LTD.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021
(Expressed in Canadian Dollars)

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

	SEPTEMBER 30, 2021		DECEMBER 31, 2020	
ASSETS				
Current assets				
Cash	\$	5,209,535	\$	3,170
Receivables (note 5)		135,685		-
Prepaid expenses and deposits (note 4)		394,021		11,400
	\$	5,739,241	\$	14,570
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 5)	\$	295,612	\$	351,374
Long-term loan payable (note 6)		40,000		40,000
		335,612		391,374
Shareholders' equity				
Share capital (note 7)		8,345,123		2,879,895
Reserves (note 7)		2,016,858		10,932,488
Deficit		(4,958,352)		(14,189,187)
		5,403,629		(376,804)
	\$	5,739,241	\$	14,570

Nature of operations and going concern (note 1)

Subsequent events (note 12)

Approved on November 10, 2021 on behalf of the Board of Directors by:

"Ryan Goepel" Chairman
Ryan Goepel

"Margaret Gilmour" Director
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 SEPTEMBER 30,		NINE MONTH PERIODS ENDED SEPTEMBER 30,	
	2021	2020	2021	2020
OPERATING EXPENSES				
Aircraft launch, licensing and route network	\$ -	\$ -	\$ -	\$ 2,166
Consulting (note 5)	260,642	-	344,123	-
Director fees (note 5)	54,000	-	54,000	-
Interest income	(6,779)	(2)	(6,798)	(791)
Foreign exchange loss	1,747	(710)	1,906	1,836
Investor relations and marketing	73,641	-	73,641	9,234
Office and administration	112,598	2,429	118,641	9,787
Professional fees	244,811	346	254,811	2,754
Share-based payments (notes 5 and 7)	405,693	-	407,666	-
Transaction costs – spin-out	-	-	47,782	-
Travel	1,780	-	22,027	-
Salaries and benefits	-	-	-	760
	(1,148,134)	(2,063)	(1,317,645)	(25,746)
Gain on sale of computer equipment	-	-	-	195
Gain on extinguishment of debt (note 8)	273,802	-	273,802	222,004
Income (loss) and comprehensive income (loss) for the period	\$ (874,331)	\$ (2,063)	\$ (1,043,842)	\$ 196,453
Basic and diluted earnings (loss) per share	\$ (0.02)	\$ (0.00)	\$ (0.03)	\$ 0.01
Weighted average number of shares outstanding	43,481,439	33,403,145	36,762,576	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' EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Share Capital							
	Number of Shares	Amount						
Balance – December 31, 2019	33,403,145	\$ 2,879,895	\$	10,947,575	\$	(14,347,020)	\$	(519,550)
Distributions to former parent company	-	-		(15,362)		-		(15,362)
Income for the period	-	-		-		196,453		196,453
Balance – September 30, 2020	33,403,145	2,879,895		10,932,213		(14,150,567)		(338,459)
Balance – December 31, 2020	33,403,145	\$ 2,879,895	\$	10,932,488	\$	(14,189,187)	\$	(376,804)
Private placement (note 7)	16,985,329	6,745,365		-		-		6,745,365
Share issuance costs (note 7)	-	(549,770)		99,639		-		(450,131)
Warrants revaluation (note 7)	-	(730,367)		730,367		-		-
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 (note 7)	-	-		407,666		-		407,666
Loss for the period	-	-		-		(1,043,842)		(1,043,842)
Balance – September 30, 2021	50,388,474	\$ 8,345,123	\$	2,016,858	\$	(4,958,352)	\$	5,403,629

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 NINE MONTH PERIODS ENDED SEPTEMBER 30,
(Unaudited)
(Expressed in Canadian Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ (1,043,842)	\$ 196,453
Items not affecting cash:		
Gain on sale of computer equipment	-	(195)
Gain on extinguishment of debt	(273,802)	(222,004)
Foreign exchange gain	-	(610)
Share-based payments	407,666	-
Non-cash working capital item changes:		
Receivables	(135,685)	2,696
Prepaid expenses and deposits	(382,621)	54,839
Accounts payable and accrued liabilities	218,040	8,385
Net cash provided by (used in) operating activities	(1,210,244)	39,564
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		
Proceeds from private placement	6,745,365	-
Share issuance costs	(450,131)	-
Contributions from (distributions to) former parent company	121,375	(209,267)
Proceeds from loan payable	-	40,000
Net cash provided by (used in) financing activities	6,416,609	(169,267)
Net change in cash during the period	5,206,365	(100,908)
Cash, beginning of the period	3,170	104,823
Cash, end of the period	\$ 5,209,535	\$ 3,915

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. Until June 28, 2021, 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 September 30, 2021, the Company had a working capital \$5,443,629 and accumulated deficit of \$4,958,352. 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 September 30, 2021 were authorized by the Board of Directors for issuance on November 10, 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.

Critical accounting estimates

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

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.

Critical accounting judgments

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

Going concern

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

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 settling 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).

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the “Stock Option Plan”). The maximum price shall not be less than the closing price of the common shares on the last trading day preceding the date on which the grant of options is approved by the Board of Directors. Options have a maximum expiry period of ten years from the grant date. The number of options that may be issued under the Stock Option Plan is a fixed number equal to 6,680,000 shares.

Pursuant to the Stock Option Plan, options granted in respect of investor relations activities are subject to vesting restrictions, such that one-quarter of the options vest three months from the grant date and in each subsequent three-month period thereafter such that the entire option will have vested twelve months after the award date. Vesting restrictions may also be applied to certain other option grants, at the discretion of the directors.

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

4. PREPAID EXPENSES AND DEPOSITS

	September 30, 2021	December 31, 2020
Aircraft deposits	\$ 293,088	\$ -
Insurance	90,933	11,400
Professional fees	10,000	-
	<u>\$ 394,021</u>	<u>\$ 11,400</u>

5. RELATED PARTY TRANSACTIONS AND BALANCES

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, Chief Commercial Officer, and Vice Presidents.

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

	2021	2020
Short-term benefits ⁽¹⁾	\$ 344,578	\$ -
Share-based payments (note 7)	224,055	-
	<u>\$ 568,633</u>	<u>\$ -</u>

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

Related party balances

Receivables

As at September 30, 2021, receivables include the following amounts due from related parties:

Related Party	Role	September 30, 2021	December 31, 2020
Eddy Doyle	CEO and President	\$ 27,000	\$ -
Barbara Syrek	CFO	10,000	-
Brad Warren	VP Maintenance	27,000	-
Victor Charlebois	VP Flight Operations	24,450	-
		<u>\$ 88,450</u>	<u>\$ -</u>

The nature of these receivables relates to shares subscriptions receivable as part of a share purchase plan for executives, for shares these related parties subscribed to, but have vested as at September 30, 2021. The amounts due from related parties are unsecured and non-interest bearing. The stated terms of vesting are as follows:

Vesting Date	Eddy Doyle	Barbara Syrek	Brad Warren	Victor Charlebois
October 31, 2021	\$ 4,500	\$ 2,000	\$ 4,500	\$ 4,075
November 30, 2021	4,500	2,000	4,500	4,075
December 31, 2021	4,500	2,000	4,500	4,075
January 31, 2022	4,500	2,000	4,500	4,075
February 28, 2022	4,500	2,000	4,500	4,075
March 31, 2022	4,500	-	4,500	4,075
	<u>\$ 27,000</u>	<u>\$ 10,000</u>	<u>\$ 27,000</u>	<u>\$ 24,450</u>

5. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

Accounts payable and accrued liabilities

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

Related Party	Role	September 30, 2021	December 31, 2020
Beth Horowitz	Director	\$ 9,000	\$ -
Margaret Gilmour	Director	9,000	-
Ken McKenzie	Director	9,000	-
David Kruschell	Director	9,000	-
Ravinder Minhas	Director	9,000	-
Jean Charest	Director	9,000	-
Eddy Doyle	CEO and President	11,310	-
Duncan Bureau	CCO	10,000	-
Barbara Syrek	CFO	13,750	-
Brad Warren	VP Maintenance	10,547	-
Victor Charlebois	VP Flight Operations	10,178	-
		\$ 109,785	\$ -

The nature of these accounts payable and accrued liabilities relates to director fees and consulting fees payable as at September 30, 2021. 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 September 30, 2021, the Company had 28,015,419 common voting shares and 22,373,055 variable voting shares outstanding.

Common voting shares

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

7. SHARE CAPITAL AND RESERVES *(continued)*

Variable voting shares

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

- first, if required, a reduction of the voting rights of any single non-Canadian owner (inclusive of any single non-Canadian owner authorized to provide air service) carrying more than 25% of the votes (the "Stage 1 Reduction") to ensure that such non-Canadian owners never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders;
- second, if required and after giving effect to the Stage 1 Reduction, a further proportional reduction of the voting rights of all non-Canadian owners authorized to provide an air service to ensure that such non-Canadian owners authorized to provide an air service (the "Stage 2 Reduction"), in the aggregate, never carry more than 25% of the votes that holders of voting shares cast at any meeting of shareholders; and
- third, if required and after giving effect to the Stage 1 Reduction and the Stage 2 Reduction if any, a proportional reduction of the voting rights for all non-Canadian owners as a class (the "Stage 3 Reduction") to ensure that non-Canadians never carry, in aggregate, more than 49% of the votes that owners of voting shares cast at any meeting of shareholders.

Share issuances

In addition to the share transactions in Note 1, the following additional share issuances occurred during the nine month period ended September 30, 2021:

- On August 6, 2021, the Company issued 16,497,662 shares for gross proceeds of \$6,599,065, less share issuance costs of \$450,131.
- On September 10, 2021, the Company issued 487,667 shares for gross proceeds of \$146,300.

There were no share issuances during the year ended December 31, 2020.

CANADA JETLINES OPERATIONS LTD.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Unaudited)
(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES *(continued)*

Reserves

	September 30, 2021	December 31, 2020
Agent warrants issued	\$ 99,639	\$ -
Warrants revaluation	730,367	-
Net investment of former parent company	(10,153,302)	10,153,302
Share-based payments	407,666	779,186
	\$ 2,016,858	\$ 10,932,488

Agent warrants issued

On August 6, 2021, the Company closed a non-brokered private placement (the “Offering”). In connection with the Offering, the Company paid \$450,131 in share issuance costs and issued 1,125,328 agent warrants as finder’s fees for certain subscribers who participated in the Offering.

The fair value of agent warrants is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company’s shares, forfeiture rate, and expected life of the agent warrants. The following weight average assumptions were used to estimate the fair value of agent warrants issued:

	For the nine month period ended September 30, 2021	For the nine month period ended September, 2020
Risk-free interest rate	0.45%	-
Expected life (years)	2	-
Annualized volatility	99%	-
Dividend yield	0%	-

The fair value of agent warrants of \$99,639 was estimated at the issue date of the Offering and recorded in reserves.

Warrants revaluation

On August 6, 2021, the Company issued 8,248,831 warrants in connection with 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. The Company determined that these warrants are free standing financial instruments that are legally detachable and separately exercisable from the common stock included in the Offering.

7. SHARE CAPITAL AND RESERVES *(continued)*

Reserves *(continued)*

The fair value of warrants is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's shares, forfeiture rate, and expected life of the warrants. The following weight average assumptions were used to estimate the fair value of warrants issued:

	For the nine month period ended September 30, 2021	For the nine month period ended September, 2020
Risk-free interest rate	0.45%	-
Expected life (years)	2	-
Annualized volatility	99%	-
Dividend yield	0%	-

The fair value of warrants of \$730,367 was estimated at the issue date of the Offering and recorded in reserves.

Warrants continuity:

	Number of warrants	Weighted Average Exercise Price
Outstanding, December 31, 2020	-	-
Issued	9,374,159	\$0.70
Outstanding, September 30, 2021	9,374,159	\$0.70

There was no warrants activity during the nine month period ended September 30, 2020.

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 September 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 September 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 9,980,000, provided that issuances under the stock option plan are further limited by a cap of 6,680,000 from all the share-based payment arrangements.

Stock options

The Company may grant stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the "Stock Option Plan"). The maximum 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.

7. SHARE CAPITAL AND RESERVES (continued)

Reserves (continued)

Share-based payments (continued)

Stock options (continued)

The following is a summary of stock option activities during the nine month period ended September 30, 2021:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2020	-	-
Issued	250,000	\$0.40
Outstanding, September 30, 2021	250,000	\$0.40

There were no stock options granted during the nine month period ended September 30, 2020.

As at September 30, 2021, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
250,000	-	\$0.40	2.92	August 31, 2023
250,000	-			

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

During the nine month period ended September 30, 2021, the Company recognized a share-based payment expense with respect to stock options in the amount of \$1,301 (2020 – \$Nil).

The following weighted average assumptions were used to estimate the weighted average grant date fair value of stock options granted during the nine month periods ended September 30, 2021 and 2020:

	For the nine month period ended September 30, 2021	For the nine month period ended September, 2020
Risk-free interest rate	0.53%	-
Expected life (years)	3	-
Annualized volatility	121%	-
Dividend yield	0%	-

Restricted share units

The Company may grant RSUs to directors, officers, employees and consultants as compensation for services, pursuant to its RSU Plan (the "RSU Plan"). The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion. 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)*

Share-based payments *(continued)*

Restricted share units (continued)

During the period ended September 30, 2021, the Company granted 5,060,000 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 September 30, 2021, the Company cancelled 100,000 RSUs related to an individual who left the Company during the period.

The following is a summary of stock option activities during the nine month period ended September 30, 2021:

	Number of RSUs	Weighted average grant date fair value per RSU
Outstanding, December 31, 2020	-	-
Issued	5,060,000	\$0.40
Cancelled	(100,000)	\$0.40
Outstanding, September 30, 2021	4,960,000	\$0.40

There were no RSUs granted during the nine month period ended September 30, 2020.

During the period ended September 30, 2021, the Company recorded share-based payments expense with respect to RSUs of \$406,365 (2020 - \$Nil).

Performance share units

The Company may grant Performance Share Units (“PSUs”) to directors, officers, employees and consultants as compensation for services, pursuant to its Performance Share Unit Plan (“PSU Plan”). The number of PSUs awarded and underlying performance-based vesting conditions are determined by the Board of Directors in its discretion. 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 September 30, 2021 and 2020.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

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

Significant non-cash transactions during the period ended September 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.

The Company currently is not subject to externally imposed capital requirements; however, there are certain capital requirements associated with the airline licensing process that the Company is currently engaged in and such amounts have not yet been determined. There were no material changes in the Company's approach to capital management during the period ended September 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 September 30, 2021, the Company had a working capital of \$5,443,629 and accumulated deficit of \$4,958,352. 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. NEW SUBSIDIARY

During the period ended September 30, 2021, the Company incorporated a wholly owned subsidiary Canada Jetlines Vacations Ltd. ("CJV") in the province of British Columbia, with the purpose to act as a tour operator and travel agency. There have been no financial transactions since incorporation.

12. SUBSEQUENT EVENTS

The following events occurred subsequent to the period ended September 30, 2021:

- On October 7, 2021, the Board of Directors approved the issuance of 75,000 shares to various consultants for gross proceeds of \$22,500.
- On October 12, 2021, the Company entered into a Consulting Services Agreement (“CSA”) with Global Crossing Airlines Group Inc. (“GCA”), whereby GCA will provide the following services (“Services”) to the Company:
 1. Lead the effort to acquire adequate financing to meet the Canadian Transportation Act financial fitness requirements.
 2. For up to the first five aircraft, providing financial advice and assistance with the acquisition of aircraft through sublease at cost or direct lease with a guarantee from GCA.

In consideration for the Services received above, the Company granted 4,000,000 Restricted Share Units (“RSUs”) to GCA, that would vest according to the following vesting schedule:

Date	Vested RSUs
March 31, 2022	1,500,000
June 30, 2022	500,000
December 31, 2022	500,000
June 30, 2023	500,000
December 31, 2023	500,000
June 30, 2024	500,000
TOTAL	4,000,000

- Effective October 13, 2021, the Company’s common and variable voting shares commenced trading on the Neo Exchange Inc. under the ticker symbol “CJET”.