# GLOBAL CROSSING AIRLINES, INC.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019 AND THE PERIOD OF INCORPORATION ON SEPTEMBER 7, 2018 TO DECEMBER 31, 2018

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Global Crossing Airlines, Inc.

We have audited the accompanying consolidated financial statements of Global Crossing Airlines, Inc. (the "Company"), a Delaware corporation and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficit for the year ended December 31, 2019 and for the period from September 7, 2018 (date of incorporation) to December 31, 2018, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Crossing Airlines, Inc. and its subsidiary as of December 31, 2019 and 2018, and the results of their operations and cash flows for the year ended December 31, 2019 and for the period from incorporation on September 7, 2018 to December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

**Substantial Doubt about the Company's Ability to Continue as a Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the consolidated financial statements, the Company had no operating income or cash flows during the year ended December 31, 2019 and during the period from incorporation on September 7, 2018 to December 31, 2018. As of December 31, 2019 and 2018, the Company had a working capital deficiency of $399,637 and $102,954 and an accumulated deficit of $399,642 and $102,959, respectively. As described more fully in Note 1 to the consolidated financial statements, 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. There is no assurance that the Company will be able to obtain such financing and management has stated that substantial doubt exists about the entity's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Other Matters**

The consolidated financial statements of Global Crossing Airlines, Inc. and its subsidiary as of December 31, 2019 and 2018 and for the period from incorporation on September 7, 2018 to December 31, 2018 were also prepared and presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. We completed an audit of the consolidated financial statements of Global Crossing Airlines, Inc. and its subsidiary as of December 31, 2019 and 2018 and for the period from incorporation on September 7, 2018 to December 31, 2018, as presented in accordance with IFRS, and issued our unmodified opinion thereon in our report dated March 23, 2020.

PAAST, PL

Certified Public Accountants
Coral Gables, Florida
September 22, 2020

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GLOBAL CROSSING AIRLINES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | DECEMBER 31, 2019 | DECEMBER 31, 2018 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Prepaid expenses | $ 1,620 | $ - |
| Other current assets | 2,654 | 2,654 |
| TOTAL CURRENT ASSETS | 4,274 | 2,654 |
| TOTAL ASSETS | $ 4,274 | $ 2,654 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 13,221 | $ 3,243 |
| Accrued expenses | 225,000 | 45,000 |
| Due to related party | 165,690 | 57,365 |
| TOTAL CURRENT LIABILITIES | 403,911 | 105,608 |
| TOTAL LIABILITIES | 403,911 | 105,608 |
| SHAREHOLDERS' DEFICIT | | |
| Common stock, $.01 par value, 1,000 shares authorized; 500 shares issued and outstanding | 5 | 5 |
| Accumulated deficit | (399,642) | (102,959) |
| TOTAL SHAREHOLDERS' DEFICIT | (399,637) | (102,954) |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT | $ 4,274 | $ 2,654 |

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

GLOBAL CROSSING AIRLINES, INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

| | YEAR ENDED DECEMBER 31, 2019 | PERIOD FROM INCORPORATION ON SEPTEMBER 7, 2018 TO DECEMBER 31, 2018 |
|---|---|---|
| REVENUE | $ - | $ - |
| OPERATING EXPENSES | | |
| Consulting fees | 29,689 | 17,102 |
| General and administrative | 23,945 | 13,534 |
| Legal and professional fees | 1,271 | 1,666 |
| Meals and entertainment | 1,876 | 45 |
| Rent and lease expense | 18,275 | 2,654 |
| Salaries and benefits | 180,000 | 45,000 |
| Travel | 41,627 | 22,958 |
| TOTAL OPERATING EXPENSES | 296,683 | 102,959 |
| NET LOSS AND COMPREHENSIVE LOSS | $ (296,683) | $ (102,959) |
| BASIC AND DILUTED LOSS PER SHARE | $ (593) | $ (206) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 500 | 500 |

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

GLOBAL CROSSING AIRLINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | YEAR ENDED DECEMBER 31, 2019 | PERIOD FROM INCORPORATION ON SEPTEMBER 7, 2018 TO DECEMBER 31, 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | $ (296,683) | $ (102,959) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | (1,620) | - |
| Other current assets | - | (2,654) |
| Accounts payable | 9,978 | 3,243 |
| Accrued expenses | 180,000 | 45,000 |
| TOTAL ADJUSTMENTS | 188,358 | 45,589 |
| NET CASH USED IN OPERATING ACTIVITIES | (108,325) | (57,370) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Common stock issued | - | 5 |
| Advances from related party | 108,325 | 57,365 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 108,325 | 57,370 |
| NET INCREASE IN CASH | - | - |
| CASH AT BEGINNING OF YEAR | - | - |
| CASH AT END OF YEAR | $ - | $ - |
| CASH PAID DURING THE YEAR FOR: | | |
| INTEREST | $ - | $ - |
| INCOME TAXES | $ - | $ - |

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

GLOBAL CROSSING AIRLINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2019 AND THE PERIOD FROM INCORPORATION ON SEPTEMBER 7, 2018
TO DECEMBER 31, 2018

| | Common Stock | | | |
|---|---|---|---|---|
| | Shares | Amount | Accumulated Deficit | Total |
| Beginning Balance, September 7, 2018 | - | $ - | $ - | $ - |
| Common stock | 500 | 5 | - | 5 |
| Net loss | - | - | (102,959) | (102,959) |
| Ending Balance, December 31, 2018 | 500 | 5 | (102,959) | (102,954) |
| Net loss | - | - | (296,683) | (296,683) |
| Ending Balance, December 31, 2019 | 500 | $ 5 | $ (399,642) | $ (399,637) |

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

## NOTE 1 - NATURE OF ORGANIZATION AND GOING CONCERN

Global Crossing Airlines, Inc. (the "Company") was incorporated in the State of Delaware on September 7, 2018. The Company is primarily involved in the startup of charter airline service. The Company's wholly owned subsidiary, Global Crossing Airlines, LLC, is a Florida Limited Liability Company formed on September 24, 2018 for the purpose of leasing office space for the Company.

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not commenced principal operations and has no current operating income or cash flows. As of December 31, 2019 and 2018, the Company had no cash, no revenues, a working capital deficiency of ($399,637) and ($102,954) and an accumulated deficit of ($399,642) and ($102,959), respectively. The Company intends to finance its future requirement through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financing or obtain them on favorable terms. The continuing operations of the Company are dependent upon the Company's ability to continue to raise adequate financing and to commence profitable operations in the future. These material uncertainties raise substantial doubt as to the Company's ability to continue as a going concern.

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

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

### A) Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated in consolidation.

### B) Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and improvements exceeding $5,000 are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. As of December 31, 2019 and 2018, the Company did not have any fixed assets and did not purchase or dispose of any fixed assets during the years then ended.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated assuming that outstanding share purchase options, with an average market price that exceeds the average exercise prices of the options and warrants for the period, are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the common shares for the period. As of December 31, 2019 and 2018, the Company had no potentially dilutive shares outstanding.

D) Leases

Effective from January 1, 2019, the Company adopted the guidance of ASC 842, *Leases*, which requires an entity to recognize a right-of-use asset and a lease liability for virtually all leases. The Company determines if a contract contains a lease at inception. The lease term represents the non-cancellable period for which the Company has the right to use an underlying asset, which may include periods covered by certain options to extend and/or terminate the lease. Lease liabilities and corresponding right-of-use ("ROU") assets are recognized at the commencement date of a lease. Leases with an initial lease term of 12 months or less are not recorded on the balance sheet.

At December 31, 2019 and 2018, the Company's lease agreements included a month-to-month lease for office space and lease for office equipment for a one-year term. Rent expense during the year ended December 31, 2019 and for the period from incorporation on September 7, 2018 to December 31, 2018 was approximately $18,000 and $3,000, respectively, and is included in the consolidated statements of loss and comprehensive loss.

E) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes and measures tax positions taken or expected to be taken on its tax return based on technical merit and assesses the likelihood that the positions will be substantiated upon examination based on the facts, circumstances and information available at the end of each year.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) Income Taxes (Continued)

Current income tax assets and liabilities for the current year are the amounts expected to be paid or received based on the taxable income or loss for the year and any adjustments pertaining to previous years. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are recognized for unused tax losses, used tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at the end of each year and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset only if certain criteria are met.

Management identifies and evaluates potential uncertain tax positions to determine whether the probability exists that a tax position taken in a tax return would be sustained upon examination by a taxing authority. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented.

The annual federal tax returns for the Company are generally subject to examination by respective taxing authorities for three years after the returns are filed. The income tax returns for 2018, and 2019 (when filed) remain open to possible examination.

F) Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements include:

*Going Concern*

As discussed in Note 1, the preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Significant Accounting Judgments and Estimates (Continued)

*Deferred tax assets and liabilities*

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

G) Fair Value of Financial Instruments

The Company's financial instruments consist of accounts payable, accrued expenses, and amounts due to related party. As of December 31, 2019 and 2018, the fair values of these financial instruments approximate their carrying values due to their current nature.

H) Recent Accounting Pronouncements

The Company evaluates new accounting pronouncements for relevance and impact on its financial statements. Management is currently evaluating the effect the pronouncements will have on its consolidated financial statements.

I) Subsequent Events

Management has evaluated subsequent events through September 22, 2020, the date on which the consolidated financial statements were available to be issued.

NOTE 3 - RELATED PARTY

AVi8 Air Capital, LLC is an entity owned by common stockholders. The Company from time to time receives monies from related parties for working capital purposes. These advances are non-interest bearing and have no repayment terms. As of December 31, 2019 and 2018, the amounts due to AVi8 Air Capital, LLC were $165,690 and $57,365, respectively.

The Company considers the officers of the Company as key management personnel. During the year ended December 31, 2019 and the period from incorporation on September 7, 2018 to December 31, 2018, compensation to key management personnel totaled $180,000 and $45,000, respectively. As of the year and the period then ended, outstanding amounts due to key management personnel were $225,000 and $45,000, respectively.

## NOTE 4 - INCOME TAXES

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery for the year ended December 31, 2019 and the period from incorporation on September 7, 2018 to December 31, 2018:

| | 2019 | 2018 |
|---|---|---|
| Loss before income taxes | $ (296,683) | $ (102,959) |
| Expected income tax recoverable at statutory rate | (72,752) | (25,247) |
| Non-deductible expenses | 230 | 5 |
| Change in unrecognized deductible temporary differences | 72,522 | 25,242 |
| Total income tax recovery | $ - | $ - |

The effective United States Federal and State of Florida corporate tax rates are 21% and 4.458%, respectively. The combined rate, net of the state income tax deduction allowable on the federal income tax return, is 24.522%.

Significant components of the company's deferred income tax assets are as follows:

| | 2019 | 2018 |
|---|---|---|
| Net operating losses | $ 42,590 | $ 14,207 |
| Accrued salaries and benefits | 55,174 | 11,035 |
| Tax assets not recognized | (97,764) | (25,242) |
| Net deferred income tax asset | $ - | $ - |

The Company has net operating losses available for deduction against future taxable income of $173,682 and $57,935 as of December 31, 2019 and 2018, respectively. The net operating losses do not expire and may be carried forward indefinitely. No deferred tax asset has been recognized with respect to the losses as it is not considered probable that sufficient future taxable profits will allow for these deferred tax assets to be recovered.

## NOTE 5 - SUBSEQUENT EVENTS

On January 16, 2020, the Company entered into a loan agreement with Canada Jetlines, LTD ("Jetlines"). Under the terms of the agreement, the Company has agreed to lend Jetlines up to an aggregate amount of $300,000. Jetlines has pledged all intellectual property and all proceeds of such intellectual property as collateral for the loan and has granted a license for the Company to use its intellectual property.

During March 2020, the World Health Organization identified COVID-19, a viral disease, a pandemic. This viral disease began to disrupt business operations in the United States and worldwide during the first quarter of 2020 including supply chains, closures of certain lines of business and/or full closure of business operations. 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. Accounting guidance requires companies to evaluate the impact this pandemic will have on its business operations including items such as loss contingencies, valuation of trade receivables and inventory, estimates and valuation of long-lived assets and leases. As the Company has no 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. The accompanying consolidated financial statements do not include the any adjustments for potential effects on the consolidated financial statements.

On February 5, 2020, the Company ("Global USA") and Canada Jetlines Ltd. ("Jetlines") entered into a Share Exchange Agreement. On June 23, 2020, the Company completed the reverse acquisition (the "Transaction") in accordance with the Share Exchange Agreement and Global USA took over the operations of the Company. On the closing of the Transaction, the consolidated entity changed its name to Global Crossing Airlines, Inc. ("Global X") and consolidated issued and outstanding common and variable voting shares (each a "Share") on the basis of one post-consolidation Share for every ten pre-consolidation shares. Upon closing the transaction, amounts payable to Global USA were eliminated. Global USA is now a wholly-owned subsidiary of GlobalX. The common shares of GlobalX will commence trading on the TSX Venture Exchange as a Tier 2 industrial issuer under the symbol "JET" on June 25, 2020.

In connection with the Transaction, GlobalX completed a financing for gross proceeds of $1,543,600 financing (the "Offering"). The Offering consisted of 6,174,400 units issued at US$0.25 per unit (each a "Unit"). Each Unit consists of one Share and one warrant (each a "Warrant"). Each Warrant entitles the holder thereof to purchase an additional Share for US$0.50 for a period of 24 months after closing of the Offering. GlobalX increased the size of its maximum offering by $43,600, with such additional proceeds being allocated to working capital.

In connection with the Transaction, GlobalX paid finder's fee consisting of $16,038 in cash and issued 64,150 finder's warrants exercisable to purchase a Share for $0.25 for a period of 24 months after closing of the Offering.

NOTE 5 - SUBSEQUENT EVENTS (CONTINUED)

As part of the Transaction, Global X issued 2,357,594 shares to settle Global USA liabilities of $589,400 pursuant to the exercise of 2,357,594 share purchase warrants issued upon the completion of the Transaction. The fair value of the share purchase warrants in the amount of $589,400 was credited to capital.

In connection with the Transaction, the Company issued 342,000 shares pursuant to the exercise of 344,000 restricted share units (“RSUs”) and 463,959 shares pursuant to the settlement of debt of $74,233 owing to various creditors. The fair value of the RSUs and the settlement of debt in the amounts of $54,720 and $74,233, respectively, was credited to capital. The Company also incurred share issue costs in the amount of $16,040 in connection with the issuance of shares.

All securities issued in the Offering are subject to a four-month hold period that expires on October 24, 2020.

During June 2020, the Company issued 1,387,000 stock options to directors, officers, employees and consultants as compensation for services. The fair value of the stock options, as determined by the Black-Scholes Option Pricing Model, of approximately $169,000 was recorded to capital.

On May 6, 2020, Global USA announced that it has signed an agreement with GEM Global Yield LLC SCS ("GEM"), the private alternative investment group, to provide Global USA with up to CAD 100 million over a 36-month term following the closing of the Transaction, which merges Global USA with Canada Jetlines, LTD. The initial CAD 100 Million will be in the form of a capital commitment that allows GlobalX to draw down funds during the 36-month term by issuing shares of GlobalX common shares to GEM (or such persons as it may direct) and subject to share lending arrangement(s) being in place. The amount that can be drawn is limited to 10 times the average trading volume over a 15-day period and the price is set at 90% of the average price over the subsequent period. GlobalX controls the timing and maximum amount of drawdown under this facility and has no minimum drawdown obligation. There is no interest rate associated with this product. Concurrent with the closing of the Transaction and upon receiving TSX Approval, GlobalX agreed to issue warrants to GEM to purchase six percent (6%) of the outstanding common shares of GlobalX on a fully diluted basis.

On July 8, 2020, the TSX Venture Exchange provided approval for the Facility. On July 10, 2020, pursuant to the terms of the Facility, the Company issued 2,106,290 warrants to GEM exercisable at a price of $0.50 per share until May 4, 2023.

On August 26, 2020, the Company issued 473,714 common voting and variable shares at a price of $0.8937 per share for gross proceeds of $423,358 in accordance with the GEM Agreement.