



VOLATUS AEROSPACE INC.
(Formerly Drone Delivery Canada Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

**Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025**

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management Discussion & Analysis ("MD&A") is intended to provide readers with the information that management believes is required to gain an understanding of the current results of Volatus Aerospace Inc. (the "Company" or "Volatus") and to assess the Company's prospects. The following MD&A is presented and dated as of March 30, 2026, and should be read in conjunction with the interim condensed consolidated financial statements and related notes for the year December 31, 2025. The Financial Statements presented herein include the accounts of the Company and all its subsidiaries. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and all amounts, unless otherwise indicated, are expressed in Canadian dollars.

NON-IFRS FINANCIAL MEASURES

In this MD&A we describe certain income and expense items that are unusual or non-recurring. There are terms not defined by International Financial Reporting Standards (IFRS). Our usage of these terms may vary from the usage adopted by other companies. Specifically, Gross margin, Gross profit, and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) are undefined terms by IFRS Accounting Standards. Management believes that gross profit, defined as revenue less cost of goods sold, is a useful supplemental measure of operations. Gross margin is defined as gross profit expressed as a percentage of revenue and provides insight into the proportion of revenue that exceeds direct costs. The Company defines Adjusted EBITDA as IFRS net loss excluding interest expense, depreciation and amortization expense, foreign exchange, share-based payments, income tax expense, integration, and due diligence costs, one time profit or loss (non-recurring), and impairment of goodwill, property, plant, and equipment and right-of-use assets (ROU). Adjusted EBITDA is a supplemental measure used by management and other users of Volatus' financial statements, including lenders and investors, to assess the financial performance of the Company's business without regard to financing methods or capital structure. Adjusted EBITDA is also a key metric that management uses prior to the execution of any strategic investing or financing opportunity. For example, management uses Adjusted EBITDA as a measure in determining the value of acquisitions, expansion opportunities, and dispositions. In addition, Adjusted EBITDA is utilized by financial institutions to measure borrowing capacity. The Company believes that Adjusted EBITDA is useful to management, lenders, and investors in assessing the underlying performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements.

We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

FORWARD-LOOKING STATEMENTS

This management's discussion and analysis (MD&A) may contain statements about expected future events and financial and operating results of the Company that are "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. All statements other than statements of historical fact may be forward-looking statements. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations, or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. For example, statements in this MD&A relating to the Company's mission, expected timing for the marketing and sale of the Company's products, the Company's intentions with respect to growth and future acquisitions, expectations as to timing to commence operations at various locations and the potential benefits to the Company from such new operations, expectations as to the timing and quantity of sales and recognition of revenues and expenses and expectations as to Company growth are all forward-looking statements. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Readers are cautioned not to place undue reliance on the forward-looking information contained in this MD&A, as a number of factors – many of which are beyond our control and the effects of which are difficult to predict – could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information. Certain risks included elsewhere in this MD&A under the heading "Business Risks" and in the Annual Information Form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedarplus.ca. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove to be incorrect, actual results may vary materially from those described in this MD&A as anticipated, believed, estimated or expected. Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty in them. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

BUSINESS OVERVIEW

Volatus Aerospace Inc. ("Volatus" or the "Company" or "we") (formerly Drone Delivery Canada Corp.) was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. The Company's manufacturing facility is located at 12405 Rue Services A-2 Mirabel QC and office is located at 6221 Highway 7, Unit 6, Vaughan, Ontario L4H 0K8. The Company's shares trade on the TSX (the "TSX") under the symbol "FLT" and on the OTCQX under the symbol "TAKOF".

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

On August 30, 2024, the Company acquired all issued and outstanding shares of Volatus Aerospace Corp. by way of a plan of arrangement and subsequently changed its name to Volatus Aerospace Inc. Under the terms of the arrangement, each shareholder of Volatus Aerospace Corp. received 1.785 common shares of the Company. The year ended December 31, 2025 represents the first full fiscal year of combined operations.

Volatus Aerospace is a Canadian-based global aerospace and defence company that designs, manufactures, and operates crewed and uncrewed aerial systems for commercial, public safety, and national security markets. Serving customers in energy, utilities, infrastructure, healthcare, and allied defence, the Company delivers end-to-end aerial capabilities, including intelligence gathering, inspection, logistics, surveillance, training, and counter-drone solutions, through a unified platform of piloted aviation, remotely piloted aircraft systems (RPAS), sovereign manufacturing, and proprietary software. The Company operates across Canada, the United States, and the United Kingdom, with expanding international reach.

The Company operates through three integrated business lines - aerial operations, equipment and systems, and training and data solutions - delivering mission-critical services across the energy, infrastructure, public safety, and defence sectors. During fiscal 2025, the Company significantly expanded its defence and security market presence, driven by a NATO-aligned ISR contract, the launch of the SKYDRA™ C-UAS software platform in early 2026, and growing government demand; defence now represents a meaningful and growing proportion of total revenue.

Our Mission

To deliver integrated aerial and defence solutions — spanning intelligence, inspection, logistics, surveillance, and counter-drone capability — through crewed and uncrewed systems, sovereign manufacturing, and proprietary software, serving commercial, government, and allied defence customers across Canada and internationally.

Core Offerings

The Company's operations are organized into the following business lines:

Defence and Security Solutions

Mission-critical aerial systems, ISR training platforms, and counter-unmanned aircraft system ("C-UAS") capabilities for government, public safety, and allied defence customers. This business line includes the SKYDRA™ SaaS platform for C-UAS operational planning and simulation, NATO-aligned training system delivery, and ongoing development of defence-grade RPAS platforms.

Aerial Intelligence Services

Comprehensive inspection, mapping, surveillance, and advanced data collection services across oil and gas, energy utilities, infrastructure, forestry, and agriculture, leveraging advanced sensor integration, GIS analytics, machine learning tools, and the Company's proprietary AIRS 3 Advanced Integrity Reporting System.

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

Cargo and Logistics Solutions

Drone-based cargo transportation for time-critical deliveries and remote-access operations, including medical supply logistics utilizing BVLOS-certified platforms. The Company's proprietary Canary RPAS and supporting DroneSpot™ infrastructure are purpose-built for scalable autonomous cargo delivery in regulated environments.

Equipment Sales and Maintenance

Distribution of drones, sensors, and related technology as a value-added reseller, with integration, customization, and post-sales support and maintenance services for commercial and public safety markets.

Training and Certification

Comprehensive drone operator training and certification programs across North America and the United Kingdom, including sector-specific data collection techniques, thermography, multispectral imaging, advanced sensor certification, and pilot certification programs aligned with evolving Transport Canada and CAA regulatory frameworks.

Market Reach

With operations across Canada, the United States, and the United Kingdom, and with expanding activity in European and international markets, Volatus serves clients across civilian, industrial, and government sectors. The Company's GTA-based Operations Control Centre ("OCC") supports scalable mission planning and remote BVLOS operations, underpinned by an extensive certified pilot network.

Technology Development

Drone Platforms:

V100, V200, and V300 — Long-Endurance Fixed-Wing UAS Platform Family

In October 2025, the Company acquired a suite of advanced RPAS technologies from Caliburn Holdings LLP, a U.K.-based aerospace engineering firm, for total consideration of CA\$1,842,105, paid in Volatus common shares. At the heart of the acquisition are three scalable UAS platforms ranging in maximum takeoff weight from 100 kg to 265 kg, capable of carrying or integrating sensors and payloads from 15 kg to 50 kg, with flight endurance ranging from 12 hours per mission to up to seven days of continuous operation.

The three platforms — designated the V100, V200, and V300 — form a scalable, modular family of long-endurance, fixed-wing uncrewed aircraft systems designed to address a broad spectrum of defence, security, and commercial mission profiles:

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

The **V100** is the entry-level platform in the family, with a maximum takeoff weight of approximately 100 kg and a payload capacity of up to 15 kg. Designed for tactical and operational flexibility, the V100 is suited for short-to-medium endurance missions including frontline ISR, border monitoring, and infrastructure right-of-way inspection.

The **V200** represents the mid-tier platform, offering an expanded payload envelope and extended endurance over the V100. Its design supports multi-sensor integration for persistent surveillance, search and rescue, and environmental monitoring operations, with modular payload bays enabling rapid reconfiguration between missions.

The **V300** is the flagship long-endurance platform in the family, with a maximum takeoff weight of up to 265 kg and a payload capacity of up to 50 kg. These strategic, multi-mission, ultra-long endurance UAS can cover the spectrum for border security, persistent surveillance, Arctic and maritime patrol, and critical infrastructure right-of-way inspection, and are modular enough to fulfil major military UAS roles individually and in squadron. The V300's endurance of up to seven days of continuous flight positions it as a persistent intelligence asset suited to sovereign and allied defence programs.

All three platforms are slated for manufacture and integration at the Volatus Innovation and Drone Manufacturing Facility at Mirabel, Québec - the cornerstone of the Company's Made-in-Canada sovereign manufacturing strategy. The facility will serve as the primary site for production, integration, and flight testing, supporting both Canadian Armed Forces programs and allied export opportunities under applicable Canadian and NATO export compliance frameworks.

Condor XL — Heavy-Lift RPAS

The Condor XL program was launched in July 2025, drawing on decades of helicopter operations experience and in-house avionics capabilities GlobeNewswire to deliver a next-generation heavy-lift remotely piloted helicopter platform. The Condor XL can carry payloads of up to 180 kg over 200 km, positioning it as one of the most capable Canadian-built RPAS platforms for industrial and defence applications. The platform has received Special Flight Operating Approval from Transport Canada for validation at the Company's Ontario test range, with flight testing and system validation ongoing. Initial commercial operations are planned for 2026. The Condor XL is also being developed for offshore cargo delivery, with a contract executed to commercialize cargo transfers of up to 100 kg for offshore wind operations. NRC-IRAP funding of up to \$320,000 has been secured to support avionics architecture, autonomy integration, and flight validation through early 2027.

Canary Remotely Piloted Aircraft

The Canary is Volatus' proprietary cargo drone, approved by Transport Canada for flight over people, and purpose-built for high-value, time-critical, and medical supply logistics. Key capabilities include an integrated weigh scale, automated cargo drop mechanism, LTE real-time connectivity, and centimetre-level GPS precision via Trimble integration. During fiscal 2025, the Company completed integration and testing of an updated autopilot system and an anti-coaxial motor configuration, materially improving platform stability and performance in high-wind and inclement weather

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

conditions. The Canary is being commercialized for both third-party sale and operator-managed deployment, with Transport Canada BVLOS approvals supporting expanded service reach.

Nesting Station

Volatus' drone nesting station, enabling fully autonomous drone operations by serving as a secure base for landing, recharging, and data transfer. This innovative infrastructure supports scalable and efficient aerial solutions, advancing Volatus' vision for autonomous operations while strengthening its position in aerial intelligence and logistics. The OCC operators and engineers have been trained on the system and are conducting regular flights for customer demonstrations and reliability testing.

DroneSpot™:

Our proprietary and patented infrastructure solution is designed to facilitate efficient and secure drone delivery operations. Serving as a designated takeoff and landing zone, DroneSpot™ locations are strategically established to optimize route planning and ensure compliance with aviation regulations. During Q3, the Company began the process of commercializing the DroneSpot™ as a stand along product with a monitoring service offered by our Operations Control Center.

AIRS 3 (Advanced Integrity Reporting System):

AIRS 3 is a proprietary software platform designed to revolutionize the data gathering, analysis and reporting of oil and gas client infrastructures. The system integrates data from aerial inspections with advanced reporting and analytics tools, enabling oil and gas operators to ensure pipeline integrity, operational efficiency, and regulatory compliance. The Company continued to work on customized features for specific customer requirements and ongoing improvements to support scalability to launch AIRS4.

SKYDRA™ — C-UAS SaaS Platform

Launched in early 2026, SKYDRA™ is Volatus' first proprietary Software-as-a-Service platform, designed to support counter-unmanned aircraft system operational planning, simulation, and threat response readiness. The platform provides a secure virtual environment for structured planning, table-top exercises, and simulation-based training prior to operational deployment. Backed by patent-pending intellectual property, SKYDRA™ is offered under subscription-based licensing including enterprise and evaluation programs, targeting armed forces, public safety agencies, and operators of sensitive infrastructure such as airports, energy facilities, and ports. The platform establishes a recurring software revenue stream within the Company's defence strategy and is expected to complement its broader C-UAS hardware and services portfolio.

Regulatory Achievements

The Company obtained multiple Special Flight Operating Certificates (SFOCs) from Transport Canada for BVLOS operations. These approvals bolster the Company's ability to scale operations across urban environments.

Operational Synergies

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

Integration of the Company's technology platforms and the OCC began the introduction of significant operational efficiencies, aimed at reducing response times and enabling more precise mission planning. Consolidation of internal training programs across the combined organization streamlined certifications and improved resource allocation.

Strategic Focus

The Company's strategy is anchored in four priorities:

Scaling Defence and Security Revenue: Volatus is actively expanding its presence in government, public safety, and allied defence markets, leveraging its NATO-aligned ISR capabilities, SKYDRA™ C-UAS platform, and sovereign manufacturing infrastructure at Mirabel to address growing domestic and international demand.

Commercializing Proprietary Technology: The Company is advancing commercialization of the Canary RPAS, DroneSpot™ infrastructure, SKYDRA™ SaaS platform, and AIRS 3/4 reporting system - building recurring and scalable revenue streams beyond project-based service delivery.

Deepening Core Vertical Markets: Volatus continues to deepen penetration in its established verticals - energy, utilities, and infrastructure inspection - while expanding into adjacent markets including agriculture, forestry, wildfire monitoring, and environmental services.

Achieving Profitability: The Company remains committed to reaching sustained profitability through operational efficiency, cost structure optimization, long-term contract growth, and an increasing proportion of higher-margin services, software, and defence revenue.

Future Focus

- Continued development and commercialization of heavy-lift and BVLOS technologies.
- Deepening of advanced data collection in existing markets and continued expansion of aerial intelligence services into emerging markets, such as agriculture.
- Strengthening of global training programs, in both e-learning and in person, to meet growing market demand for advanced sensor certifications and training (such as thermography, multispectral, and mapping) along with continued support with drone operator certifications, especially in regions where regulations are changing.

Forward-Looking Context

Unmanned aerial systems and RPAS are increasingly displacing traditional methods of inspection, surveillance, survey, and cargo transportation across both commercial and defence sectors, driven by structural advantages in cost, safety, and operational efficiency. Regulatory frameworks in Canada, the United States, and the United Kingdom continue to mature, with expanded BVLOS approvals and evolving defence procurement creating significant near-term opportunity for companies with certified operational capacity, sovereign manufacturing,

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

and proprietary technology - the combination Volatus has assembled through its merger and organic development activity.

BUSINESS HIGHLIGHTS

Executive Overview

Fiscal 2025 was a transformative year for Volatus Aerospace — the Company's first full fiscal year as a combined entity following the August 2024 merger with Drone Delivery Canada. Revenue grew to \$34,204,035, representing 26% growth over fiscal 2024, while the Company achieved a blended gross margin of 32% for the full year. The defence business scaled materially representing 25% of overall 2025 revenue, commercial contract momentum accelerated across energy, utility, and autonomous operations, and the Company executed equity financings that brought year-end cash to approximately \$41 million — the strongest balance sheet in Company history. The Company closed fiscal 2025 having delivered strong quarterly revenue and gross profit, secured landmark multi-year contracts with NATO defence partners and a major North American power utility, established sovereign manufacturing infrastructure at Mirabel, and positioned its proprietary technology portfolio — including the Condor XL, V-series UAS family, and SKYDRA™ — for commercial and defence deployment in 2026 and beyond.

Financial Performance

Full-year revenue of \$34,204,035 represents 26% growth over fiscal 2024 revenue of \$27,147,414, driven primarily by a significant expansion in defence equipment supply and continued strength in services across energy, utilities, and infrastructure. Gross profit for the year was \$11,100,956 at a 32% blended margin, compared to \$9,556,299 at 35% in fiscal 2024. The modest margin compression reflects a higher proportion of defence equipment revenue in the mix — consistent with management's expectation — while services margins remained within the Company's 40–50% target range throughout the year. The Company's loss from operations was (\$14,853,184), compared to (\$10,887,514) in fiscal 2024, with the increase driven primarily by higher personnel costs reflecting the full-year impact of the combined organization, higher depreciation on expanded capital assets, and increased external partner costs associated with defence contract execution. Adjusted EBITDA improved progressively through the year, with the Company reducing its operating loss per share to (\$0.01) per share across all four quarters of fiscal 2025.

Financing

The Company equity financings during fiscal 2025, transforming the Company's liquidity position:

- In May 2025, a private placement raised gross proceeds of \$3.0 million at \$0.12 per unit, each comprising one common voting share and one-half warrant.
- In June 2025, a private placement raised gross proceeds of \$5.0 million at \$0.20 per unit, each comprising one common voting share and one-half warrant.

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

- In July 2025, a private placement raised gross proceeds of \$10.0 million at \$0.52 per unit, each comprising one common voting share and one-half warrant.
- In August 2025, an institutionally led bought deal raised gross proceeds of \$4.83 million at \$0.52 per unit on the same terms.
- In November 2025, a bought deal combined with a non-brokered private placement raised gross proceeds of \$26.39 million — the largest single financing in Company history.

These transactions materially enhanced liquidity, enabled pre-financing of larger government contracts, supported strategic investments in proprietary platform development, and provided runway to advance the Company's sovereign manufacturing and defence growth initiatives without reliance on operating cash flow.

Defence and Government

Defence emerged as the Company's fastest-growing segment in fiscal 2025. The Company delivered multiple tactical ISR drone systems to NATO member countries during the year, with repeated orders confirming the Company's growing role as a reliable supplier of field-proven, commercially derived uncrewed systems.

In December 2025, the Company was awarded a defence contract valued at up to CA\$9 million to supply a NATO-allied defence organization with a next-generation interim ISR training system, structured over two years with an initial tranche of approximately \$4.5 million. While initial delivery was anticipated in Q1 2026, heightened geopolitical tensions in the Middle East have created supply chain disruptions affecting the availability of certain components required for fulfillment. As a result, delivery of the initial tranche is now anticipated in Q2 2026. The Company does not anticipate any change to the overall contract value, scope, or customer relationship as a result of this timing adjustment. The second tranche, at the customer's option, remains exercisable through the end of 2027.

The Company also renewed its National Master Standing Offer with the Government of Canada, maintaining its status as a qualified UAV service provider across all five federal service streams. In December 2025, retired Lieutenant-General Christopher J. Coates was appointed to the Board of Advisors, bringing NORAD and joint military operations expertise to strengthen defence procurement relationships and strategic advisory capacity.

Utilities and Infrastructure

In September 2025, the Company secured a major multi-year agreement with one of North America's largest electricity transmission and distribution utilities, covering RPAS inspection, mapping, and data services across approximately 100,000 miles of transmission and distribution lines through August 2028, with an option for a two-year extension. Services under the agreement include line inspections, vegetation management, substation assessments, emergency storm response, and advanced data acquisition. This contract establishes the largest single long-term recurring services engagement in the Company's history and anchors its commercial services pipeline in its highest-value sector.

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

Proprietary Platform Development

The Company advanced development and commercialization of multiple proprietary platforms during fiscal 2025. The **Condor XL** heavy-lift RPAS program was launched in July 2025, with Transport Canada Special Flight Operating Approval obtained for test range validation and flight testing progressing through year-end. The **V100/V200/V300** long-endurance fixed-wing UAS family was acquired from Caliburn Holdings LLP (U.K.) in October 2025 for CA\$1.8 million, adding three defence-grade platforms capable of 12-hour to seven-day continuous endurance for border surveillance, Arctic patrol, maritime monitoring, and critical infrastructure inspection. Centimetre-level GPS precision via Trimble PX-1 RTX integration was deployed into commercial drone delivery operations, enabling reliable BVLOS medical supply flights from Edmonton International Airport to the Montana First Nations Clinic.

Sovereign Manufacturing

The Volatus Innovation and Drone Manufacturing Facility in Mirabel, Québec was established as the anchor of the Company's Made-in-Canada manufacturing strategy. The facility within the Innovation Zone is designed for serial production of the V-series UAS family and licensed manufacture of NATO-aligned systems, with full configuration control and export compliance. A domestic battery supply partnership was secured to enhance platform endurance, cold-weather capability, and supply chain resilience for next-generation RPAS programs.

Forestry, Environmental and New Verticals

A strategic partnership with Ki Reforestation was established for large-scale aerial seeding using the Condor XL in support of Canada's 2 Billion Trees Program, with flight validation progressing through year-end and commercial deployment planned for 2026. The Company also executed a contract with a major offshore wind power company to develop and commercialize ship-to-nacelle cargo drone deliveries of up to 100 kg, opening a new market in offshore energy logistics.

Highlights Subsequent to Year End

The following material events occurred after December 31, 2025 and prior to the date of this MD&A:

- **February 2026** — Additional NATO-aligned RPAS training contract awarded, extending the Company's defence training contract cluster.
- **February 2026** — Krish Srinivasan appointed as Chief Technology Officer, bringing experience across EU-funded defence and AI programs (~€40 million) and UAS/C-UAS programs (~US\$35 million).
- **February 2026** — Named to the 2026 TSX Venture 50, ranking 16th overall and top 3 in technology, reflecting 279% share price appreciation and 441% market capitalization growth during fiscal 2025.
- **February 2026** — Canada's first Defence Industrial Strategy launched, committing over \$81.8 billion in defence investment with explicit identification of drone and autonomous systems as sovereign capability priorities, and establishment of a Drone Innovation Hub in the Mirabel area.
- **February 2026**, — The Company entered into a lease agreement for a facility located in Mirabel, Québec, used for the manufacturing, storage and assembly of drones and related operations.

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

- **March 2026** — SKYDRA™ launched as the Company's first proprietary SaaS platform for C-UAS operational planning and simulation, backed by patent-pending IP under subscription-based licensing.
- **March 2026** — Full ownership of Synergy Aviation completed, enabling complete consolidation of crewed aircraft operations across the integrated aerospace platform.
- **March 2026** — Common shares listed on the Toronto Stock Exchange under symbol "FLT," with voluntary delisting from the TSX Venture Exchange.

BUSINESS OUTLOOK & STRATEGY

On February 17, 2026, Prime Minister Mark Carney launched Canada's first-ever Defence Industrial Strategy ("DIS"), titled Security, Sovereignty and Prosperity, committing to transform Canada's defence industries by prioritizing Canadian suppliers and materials, investing in Canadian innovation and commercialization, and streamlining procurement to give businesses consistent and predictable demand. Prime Minister of Canada The total investment associated with the DIS, including defence procurement, infrastructure, and related industrial activity, is projected to exceed half a trillion dollars by 2035.

The DIS introduces a "Build–Partner–Buy" framework that prioritizes domestic manufacturing across sectors defined as sovereign capabilities — including aerospace platforms and avionics, sensors, training and simulation environments, and uncrewed autonomous platforms. "Buy Canadian" is not a slogan — it is the stated guiding principle of a new approach to defence acquisitions, with the Defence Investment Agency ("DIA") established as the central procurement body with a mandate to prioritize Canadian suppliers and products, streamline processes, and accelerate delivery.

DIS explicitly identifies the growth of domestic capacity in drone and aerospace technologies as a national priority, including the creation of a Drone Innovation Hub, with the NRC investing over \$500 million to advance next-generation aerospace technologies and support the development of autonomous systems. The NRC's new Drone Innovation Hub will be established in Ottawa and in the Mirabel area — the same location as Volatus' Innovation and Drone Manufacturing Facility — to advance research, development, and commercialization of drone technologies for Canada's defence, security, and dual-use sectors. Initial investments under the DIS contribute to Canada spending 2% of GDP on defence in 2025–2026, with a pathway toward the NATO Defence Investment Pledge of 5% of GDP by 2035.

Volatus is directly aligned with the DIS framework across multiple dimensions: it is a Canadian-controlled company with sovereign manufacturing infrastructure at Mirabel, an active portfolio of dual-use RPAS platforms in development and production, demonstrated delivery to NATO-aligned defence customers, and an established relationship with the Government of Canada and Canadian Armed Forces through active procurement engagement. The Company's Mirabel facility, V-series long-endurance UAS family, SKYDRA™ C-UAS platform, and training capabilities position it as a potential national champion in the uncrewed systems segment of Canada's emerging defence industrial base. Management believes the DIS represents the most significant structural tailwind in the Company's history and is actively positioning Volatus to capture a meaningful share of the domestic and allied procurement opportunities it will generate.

**Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025**

Strategic Positioning and Operating Context

Volatus is advancing its strategy against a backdrop of significant geopolitical change and accelerating domestic defence investment. Canada's federal government has made multi-year commitments to expand defence budgets toward the NATO target of 2% of GDP, with explicit policy emphasis on building Canadian industrial capacity, repatriating defence procurement dollars historically spent abroad, and developing sovereign capabilities in uncrewed systems, Arctic surveillance, and border protection. These national priorities align directly with Volatus' platform, proprietary technology portfolio, and manufacturing infrastructure at Mirabel.

The Company has engaged actively with the Government of Canada and the Canadian Armed Forces, submitting proposals under active procurement programs and retaining government relations advisory support to ensure Volatus' solutions are represented in national discussions on defence modernization, border protection, and Arctic sovereignty. The Company's graduation to the Toronto Stock Exchange in March 2026 reflects the maturation of its aerospace platform and strengthens its institutional profile and access to capital markets as it scales.

2025 RESULTS

	For the year ended December 31	
	2025	2024
Total Revenue	34,204,035	27,147,414
Gross profit (as a % of revenues)	32%	35%
Net loss from operations	(14,853,184)	(10,887,514)
Net loss and comprehensive Loss	(21,800,009)	(13,310,324)
Adjusted EBITDA loss	(7,243,454)	(3,784,115)
Net loss and comprehensive loss per share, basic and diluted		
- Basic	(0.04)	(0.04)
- Diluted	(0.04)	(0.04)
Change in cash and cash equivalents	39,128,068	302,166

Revenue Overview

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

The Company generated total revenue of \$34,204,035 for the year ended December 31, 2025, representing growth of 26% over revenue of \$27,147,414 in fiscal 2024. This was the Company's first full fiscal year of combined operations following the August 2024 merger of equals with Drone Delivery Canada Corp.

Revenue growth was driven primarily by a significant expansion in product and equipment sales, which increased to \$16,255,712 in fiscal 2025 from \$7,890,916 in fiscal 2024 — an increase of 106%. This growth reflects the scaling of the Company's defence equipment business, including tactical ISR drone system deliveries to NATO member countries throughout the year, as well as continued strength in commercial equipment distribution through the Volatus Drones business line.

Provision of services revenue was \$17,948,323 in fiscal 2025, compared to \$19,256,498 in fiscal 2024, a decrease of 7%. This reflects a deliberate shift in resource allocation and capacity toward higher-value defence equipment fulfillment during the year, as well as the timing of multi-year service contract execution. Services continue to represent a significant gross profit contribution given their higher margin profile relative to equipment sales and remain a strategically important complement to the Company's growing defence equipment business through sustainment, training, and operational services.

Geographically, Canada remained the Company's largest market at \$19,258,543 (56% of total revenue), growing 10% from \$17,581,356 in fiscal 2024. Europe and the United Kingdom represented \$10,018,915 (29% of revenue), more than doubling from \$4,014,112 in fiscal 2024, reflecting the growth of the Company's European defence and ISR business.

Revenue from the United States was \$4,926,577 (14% of revenue), compared to \$5,551,946 in fiscal 2024. The decline reflects a combination of factors: expanding federal restrictions on Chinese-manufactured UAS platforms under the American Security Drone Act, "Made in America" procurement priorities accelerated under the current U.S. administration, and the impact of broad tariff measures on cross-border equipment supply chains. These dynamics created near-term headwinds for equipment-based revenue in the U.S. market as customers deferred purchasing decisions or sought to transition to compliant platforms. The Company's U.S. service revenue remained stable through the period, anchored by pipeline inspection and utility programs, and management expects U.S. revenue to recover as the Company's domestically sourced platform offerings mature and the North American power utility inspection agreement begins contributing recurring service revenue at scale.

Strategic Revenue Outlook and Margin Profile

Management's long-term revenue strategy is centred on defence as the primary growth vertical, with the Company targeting a future revenue mix of approximately 60% to 65% equipment — dominated by defence system sales — and 35% to 40% services and software. This represents a deliberate and structural evolution of the Company's revenue model, reflecting the significant scale of defence procurement opportunities the Company is pursuing relative to its commercial services base, and the strategic decision to expand Volatus into a defence systems supplier while sustaining its established commercial services operations.

Within the equipment segment, defence system sales carry margins consistent with commercial defence hardware supply at initial delivery. However, the strategic and financial value of each defence equipment

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

contract extends well beyond the point of sale. Defence procurement programmes typically generate long-term sustainment revenue — comprising training, maintenance, lifecycle support, spare parts, platform upgrades, and operational services — over multi-year to decade-long periods following initial system delivery. This sustainment layer carries materially higher margins than the initial equipment transaction and compounds on the Company's revenue base as its portfolio of delivered NATO-aligned systems grows. As the Company scales its deliveries of tactical ISR systems, ISR training platforms, and ultimately the V-series long-endurance UAS family, the associated sustainment and training conversion revenue is expected to progressively improve blended gross margins from within the equipment segment itself.

The remaining 35% to 40% of revenue — comprising commercial inspection and utility services, cargo logistics, training programs, and recurring software subscriptions including the SKYDRA™ C-UAS SaaS platform — operates at significantly higher gross margins than initial equipment sales, providing a structural blended margin uplift as this base grows alongside the defence equipment portfolio. Taken together, management expects the Company's blended gross margin to improve materially over the medium term as the sustainment component of defence revenue matures, new system deliveries accumulate, and the software and services mix expands.

Gross Margin

Gross profit for fiscal 2025 was \$11,100,956, representing a blended gross margin of 32%, compared to \$9,556,299 at 35% in fiscal 2024. The increase in gross profit of \$1,544,657 reflects the benefit of higher revenue volume, partially offset by a shift in revenue mix toward equipment sales, which comprised 48% of total revenue in fiscal 2025 compared to 29% in fiscal 2024, driven primarily by the scaling of the defence equipment business.

The near-term margin profile is consistent with the Company's strategic positioning during an active phase of defence customer acquisition and initial system delivery. First-delivery defence contracts represent the entry point into customer relationships that are expected to generate significantly higher-margin sustainment, training, and software revenue over their full programme lifecycle. As the Company's defence portfolio matures and sustainment revenue accumulates alongside new system deliveries, management expects blended gross margins to improve progressively toward the Company's long-term targets.

Product Mix and Strategic Focus

In fiscal 2025, the Company's revenue composition was 48% equipment and 52% services, compared to 29% equipment and 71% services in fiscal 2024. This shift reflects the successful execution of the Company's strategic expansion into defence, with equipment growth driven almost entirely by the scaling of defence system sales and ISR platform deliveries to NATO-aligned customers.

This transition is intentional and directional. Management's long-term target revenue mix is approximately 60% to 65% equipment, dominated by defence system sales, and 35% to 40% services and software — a structural evolution from the Company's historical profile as it expands into defence systems supply. This reflects the Company's assessment that defence equipment procurement represents the largest addressable opportunity in its target markets, particularly given Canada's Defence Industrial Strategy, growing NATO allied demand for

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

Canadian-sovereign uncrewed systems, and the scale of the V-series platform family and SKYDRA™ portfolio now in development and early commercialization.

The expansion toward a defence equipment-led revenue model does not diminish the importance of the services and software segment. Rather, the two are strategically interdependent: equipment deliveries create the installed base that drives sustainment, training, and software subscription revenue over time, while commercial services in energy, utilities, and infrastructure provide recurring cash generation, operational credibility, and the regulatory infrastructure, including BVLOS approvals and OCC capability, that underpins the Company's ability to operate and support complex mission systems for government and defence customers. Together, these segments are expected to produce a blended gross margin profile that improves materially as the defence portfolio scales and the sustainment layer builds.

Adjusted EBITDA

Adjusted EBITDA loss was (\$7,243,454) in fiscal 2025, compared to (\$3,784,115) in fiscal 2024. The year-over-year increase in Adjusted EBITDA loss of (\$3,459,339) is primarily attributable to the full-year consolidation of the combined organization's operating cost base in fiscal 2025. The fiscal 2024 comparative reflects only approximately four months of combined operations following the August 30, 2024 merger closing — the pre-acquisition period from January 1 to August 29, 2024 captures only the standalone Volatus Aerospace Corp. cost base, not the full combined entity. This structural timing difference is the primary driver of the apparent year-over-year deterioration and does not reflect a decline in the underlying operating performance of the combined business. A full reconciliation of Adjusted EBITDA to Net Loss is provided in the Reconciliation of Adjusted EBITDA section of this MD&A.

A detailed reconciliation of Adjusted EBITDA is provided in the subsequent section of this document.

Liquidity and Cash Position

The Company ended fiscal 2025 with cash and cash equivalents of \$41,114,832, compared to \$1,558,909 at December 31, 2024 - an increase of \$39,555,923. This transformation in liquidity reflects the equity financings completed during fiscal 2025, partially offset by operating cash outflows and debt service obligations.

Management remains focused on maintaining a prudent capital structure and ensuring adequate liquidity to support growth while progressing toward positive cash flow generation.

Q4 2025 RESULTS

The following is selected financial data for the fourth quarter ended December 31:

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

	Three months ended December 31	
	2025	2024
Total Revenue	7,298,364	6,783,176
Gross Profit (as a % of revenues)	33%	38%
Loss from operations	(5,737,790)	(2,160,462)
Net loss and comprehensive Loss	(6,271,183)	(3,028,025)

The Company generated revenue of \$7,298,364 in Q4 2025, representing growth of 8% over \$6,782,526 in Q4 2024. The quarter reflected a meaningful shift in revenue composition relative to the prior year comparative period: equipment revenue increased 80% year-over-year from \$1,694,155 to \$3,057,079, driven by continued defence equipment deliveries to NATO-aligned customers, while services revenue was \$4,241,284 compared to \$5,088,371 in Q4 2024, reflecting the timing of multi-year service contract execution and seasonal patterns in the inspection business. Services represented 58% of Q4 2025 revenue compared to 75% in Q4 2024, with equipment comprising the remaining 42%.

Gross margin was 33% in Q4 2025, compared to 38% in Q4 2024. The compression is attributable directly to the shift in revenue mix — equipment sales, which carry lower gross margins than services, represented a significantly higher proportion of revenue in Q4 2025 than the comparative period. Service gross margins remained within the Company's 40% to 50% target range. The Q4 2024 comparative benefited from an unusually high services weighting at 75% of revenue, which is above the Company's long-term target mix and is not expected to be representative of future quarters as the defence equipment business scales.

Loss from operations was (\$5,737,790) in Q4 2025, compared to (\$2,160,462) in Q4 2024. The increase in operating loss reflects several factors: the full-year cost base of the combined organization including higher personnel costs associated with defence business development and engineering investment; increased depreciation and amortization on intangible assets; and elevated share-based payment expense of \$262,934 in the quarter following the broad equity incentive grants made to 136 employees and directors during fiscal 2025. These cost increases were partially offset by a significant reduction in external partner costs year-over-year, reflecting the Company's internalization of capabilities previously delivered through third parties.

Net loss and comprehensive loss was (\$6,271,183) in Q4 2025, compared to (\$3,028,025) in Q4 2024. Beyond the operating loss, the increase reflects higher finance costs associated with the full-year impact of the Investissement Québec and Export Development Canada institutional debt facilities and an impairment of PPE of (\$178,175) recorded in the quarter, partially offset by foreign exchange gains of \$109,779.

As at	December 31, 2025	December 31, 2024
Total Assets	92,655,765	57,804,071
Non-Current Assets	43,120,412	45,829,000
Goodwill	20,739,606	20,739,606

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

Total non-current Liabilities	11,899,257	11,099,860
Total Liabilities	24,951,892	31,467,306
Working Capital	36,482,718	(8,392,375)
Shareholder's Equity	67,703,873	26,336,765
Distribution or Cash Dividends	-	-

As at December 31, 2025, the Company held total assets of \$92,655,765, an increase of \$34,851,694 or 60% from \$57,804,071 at December 31, 2024. The increase was driven primarily by the transformation of the Company's cash position, which grew from \$1,558,909 to \$41,114,832 following the equity financings completed during fiscal 2025. The addition of intangible assets arising from the Caliburn Holdings technology acquisition also contributed to the increase in total assets. These increases were partially offset by depreciation and amortization of property, plant and equipment and right-of-use assets through the year.

Non-current assets decreased modestly from \$45,829,000 to \$43,120,412, reflecting the net effect of depreciation and amortization on the existing asset base offset by intangible asset additions. Goodwill of \$20,739,606 was unchanged from December 31, 2024, with no impairment identified following management's annual assessment at year-end.

Total liabilities decreased to \$24,951,892 from \$31,467,306 at December 31, 2024, a reduction of \$6,515,414 or 21%, reflecting the repayment of borrowings, the conversion and extinguishment of convertible debentures, the elimination of contingent consideration liabilities, the settlement of other short-term liabilities, and a significant reduction in trade payables as the combined organization optimized its vendor and supplier relationships through integration.

As at December 31, 2025, the Company's term loan with Export Development Canada ("EDC") remains classified as a current liability as a result of a breach of the EBITDA covenant under the loan agreement as at the balance sheet date. In accordance with IFRS, where a covenant breach exists at the reporting date and the lender has not granted a waiver prior to that date, the associated debt is required to be classified as current regardless of its contractual repayment schedule. Subsequent to December 31, 2025, the Company received a formal waiver from EDC with respect to the covenant breach. Had the waiver been obtained prior to December 31, 2025, a portion of the EDC debt would have been classified as a non-current liability. The waiver does not affect the carrying value of the debt or the Company's obligations under the loan agreement, and management does not anticipate any disruption to the Company's financing arrangements as a result of this matter.

The combined effect of the increase in current assets and the reduction in current liabilities produced a working capital surplus of \$36,482,718 at December 31, 2025, compared to a working capital deficit of (\$8,392,375) at December 31, 2024 — an improvement of \$44,875,093 and the strongest working capital position in the Company's history. This transformation in financial flexibility is a direct result of the equity capital raised during fiscal 2025 and provides the Company with the runway to execute on its defence growth strategy, pre-finance larger government contracts, and invest in sovereign manufacturing infrastructure at Mirabel.

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

RESULTS OF OPERATIONS

	Twelve months ended December 31	
	2025	2024
Revenue	34,204,035	27,147,414
Direct costs	23,103,079	17,591,115
Gross Profit	11,100,956	9,556,299
OPERATING EXPENSES		
Advertising & marketing	1,158,403	1,123,337
IT & tech	1,254,814	884,437
Personnel	10,817,374	7,458,005
R&D	251,848	41,279
Office cost	2,453,184	2,308,002
Travel	516,596	213,733
External partner cost	2,078,418	3,134,312
Depreciation and amortization	6,144,872	4,824,680
Share based Payments	1,278,631	456,028
	25,954,140	20,443,813
(Loss) from Operations	(14,853,184)	(10,887,514)
OTHER ITEMS - INCOME/(EXPENSE)		
Finance cost	(5,208,855)	(2,935,917)
Loss on extinguishment of financial liabilities	(1,558,758)	-
FV changes in contingent consideration	-	247,661
Other income (expense)	127,264	(146,568)
Loss on modification of convertible debenture	(672,444)	
Gain on disposal of property and equipment	3,013	115,657
Impairment loss on property and equipment	(178,175)	
Foreign exchange	193,473	12,900
Net loss before income tax	(22,147,666)	(13,593,781)
Deferred tax income/ (expense)	152,389	283,457
Net loss after income tax	(21,995,277)	(13,310,324)
OTHER COMPREHENSIVE LOSS		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Foreign currency translation adjustment	195,268	-
Net loss and comprehensive loss	(21,800,009)	(13,310,324)
Net loss attributable to		
Owners of Volatus Aerospace Inc.	(21,364,227)	(13,141,604)
Non-controlling interest	(631,050)	(168,720)
	(21,995,277)	(13,310,324)
Total Comprehensive loss attributable to		
Owners of Volatus Aerospace Inc.	(21,188,735)	(13,141,604)
Non-controlling interest	(611,274)	(168,720)
	(21,800,009)	(13,310,324)
Loss per share attributable to ordinary shareholders	(0.04)	(0.04)
Basic and diluted	543,912,520	302,699,537

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

Revenue and Gross Margin

Total revenue for fiscal 2025 was \$34,204,035, an increase of \$7,056,621 or 26% from \$27,147,414 in fiscal 2024, and broadly in line with fiscal 2023 revenue of \$34,872,815. The recovery to 2023 revenue levels is particularly significant given that fiscal 2025 represents the first full year of the combined Volatus and Drone Delivery Canada organization — a materially larger and more capable entity than either predecessor on a standalone basis — operating with a defence equipment-led revenue model that did not exist in fiscal 2023.

Revenue growth from fiscal 2024 to fiscal 2025 was driven primarily by the expansion of the defence equipment business, including tactical ISR drone system deliveries to NATO member countries, which drove product and equipment revenue to \$16,255,712 in fiscal 2025 from \$7,890,916 in fiscal 2024 — an increase of 106%. Services revenue was \$17,948,323 in fiscal 2025, compared to \$19,256,498 in fiscal 2024, reflecting a deliberate reallocation of operational capacity toward higher-value defence equipment fulfillment and the timing of multi-year service contract execution.

Gross profit for fiscal 2025 was \$11,100,956, representing a blended gross margin of 32%, compared to \$9,556,299 at 35% in fiscal 2024. Absolute gross profit in fiscal 2025 is higher than 2024, reflecting the benefit of higher revenue volume. The gross margin of 32% in fiscal 2025 reflects the higher proportion of defence equipment sales in the revenue mix relative to fiscal 2024. The 35% margin achieved in fiscal 2024 resulted from an unusually high services weighting in that year and is not representative of the Company's long-term target revenue composition. As the Company executes its strategy of growing defence equipment sales to 60% to 65% of total revenue over the medium term, blended gross margins are expected to improve as sustainment, training, and software revenue associated with delivered defence programmes accumulates at structurally higher margins.

Operating Expenses

Total operating expenses were \$25,954,140 in fiscal 2025, compared to \$20,443,813 in fiscal 2024 increase of \$5,510,327 or 27% from fiscal 2024 reflects the full-year impact of the combined organization following the August 2024 merger, as well as targeted investments in people, technology, and platform development to support the Company's defence and commercial growth initiatives.

Personnel costs of \$10,817,374 represent the largest operating expense category, increasing from \$7,458,005 in fiscal 2024. The increase reflects the full-year consolidation of the combined workforce, targeted additions in engineering, defence sales, and operations, and the carrying of the integrated team through the post-merger rationalization period. Personnel costs are expected to generate increasing operating leverage as revenue scales against a more stable headcount base.

Depreciation and amortization of \$6,144,872 increased from \$4,824,680 in fiscal 2024, reflecting the full-year amortization of intangible assets — including customer relationships, technology, and trade names — recognized on the DDC merger, and additions to the intangible asset base from the Calburn Holdings technology acquisition completed in October 2025.

Share-based payments of \$1,278,631 increased from \$456,028 in fiscal 2024, reflecting the grant of 5,607,030 stock options and RSUs to 136 full-time employees and directors during fiscal 2025 to align incentives with long-term shareholder value creation. This is a non-cash expense with no impact on operating cash flow.

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

IT and technology costs of \$1,254,814 increased from \$884,437 in fiscal 2024, reflecting investments in the Operations Control Centre, cybersecurity infrastructure, and platform systems to support BVLOS and remote operations at scale. The upward trend across all three years reflects deliberate technology infrastructure investment as the Company builds the operational backbone for national-scale aerial and defence operations.

External partner costs of \$2,078,418 declined from \$3,134,312 in fiscal 2024 — a reduction of \$1,055,894 or 34% — reflecting three factors: the absence of merger advisory and transaction-related consulting costs that elevated the fiscal 2024 figure in connection with the DDC plan of arrangement; the internalization of capabilities previously delivered through third-party contractors as the combined organization matured post-integration; and the consolidation of service provider relationships across the merged entity. The fiscal 2025 figure of \$2,078,418, reflects the larger scale of the combined organization and is expected to decline further as a proportion of revenue as integration benefits continue to be realized.

R&D expenditure increased to \$251,848 in fiscal 2025 from \$41,279 in fiscal 2024, reflecting the commencement of Condor XL and V-series platform development programs.

Travel costs of \$516,596 increased from \$213,733 in fiscal 2024, reflecting higher business development activity in defence markets, customer engagement across North America and Europe, and the operational requirements of an expanded geographic footprint. Fiscal 2024 travel was suppressed by cost containment measures implemented during the merger transition period.

Advertising and marketing of \$1,158,403 was broadly flat with fiscal 2024 at \$1,123,337,

Office costs of \$2,453,184 increased modestly from \$2,308,002 in fiscal 2024, reflecting the expanded facility footprint of the combined organization,

Loss from Operations

The Company reported a loss from operations of (\$14,853,184) in fiscal 2025, compared to (\$10,887,514) in fiscal 2024. The increase in operating loss reflects the full-year cost base of the combined organization in fiscal 2025, which was only partially captured in fiscal 2024 following the August 30, 2024 merger closing. The operating loss has widened across the three-year period as the Company has scaled its combined organization and invested in the people, technology, and infrastructure required to execute its defence and commercial growth strategy. Management expects operating losses to narrow as revenue growth increasingly leverages the fixed cost base and as the Company's higher-margin defence sustainment, training, and software revenue builds.

Net Loss

Net loss and comprehensive loss after tax was (\$21,800,009) in fiscal 2025, compared to (\$13,310,324) in fiscal 2024. Of the fiscal 2025 net loss, (\$21,188,735) is attributable to owners of Volatus Aerospace and (\$611,274) to non-controlling interest. The increase in net loss across the three-year period reflects the scaling of the combined organization, the full-year impact of institutional debt financing costs, and the non-cash and transaction-specific items described above — including the extinguishment loss, debenture modification loss, and PPE impairment totaling (\$2,409,377) in fiscal 2025. Excluding these transaction-specific and non-cash items, the underlying operating trajectory reflects a business investing in the infrastructure and capability required to execute on a significant defence and commercial growth opportunity.

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

SUMMARY OF QUARTERLY RESULTS

The following selected unaudited quarterly financial data has been extracted from the financial statements prepared in accordance with IFRS Accounting Standards:

	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	7,298,364	10,605,438	10,587,075	5,713,158	6,783,176	6,618,504	7,121,993	6,623,741
Direct costs	4,873,412	7,134,827	7,211,655	3,883,185	4,209,577	4,366,107	4,617,447	4,397,985
Gross Profit	2,424,952 33%	3,470,611 33%	3,375,420 32%	1,829,973 32%	2,573,599 38%	2,252,397 34%	2,504,546 35%	2,225,757 34%
OPERATING EXPENSES								
Advertising & marketing	273,142	321,558	428,128	135,575	100,878	331,763	397,357	293,339
IT & tech	369,988	521,629	118,017	245,180	157,851	210,328	259,456	256,802
Personnel	3,444,560	2,574,798	2,147,111	2,650,905	1,958,572	1,787,175	1,515,536	2,196,722
R&D	234,868	834	4,390	11,756	25,429	4,011	-	11,840
Office cost	644,280	395,516	795,819	617,569	673,047	497,706	554,050	583,199
Travel	277,446	101,097	73,765	64,288	38,959	77,011	40,143	57,621
External partner cost	1,004,383	399,524	473,874	200,637	386,259	2,117,840	430,141	200,072
Depreciation and amortization	1,651,141	1,334,223	1,663,083	1,496,425	1,315,544	1,294,350	1,116,698	1,098,088
Share based Payments	262,934	670,844	179,399	165,454	77,523	124,861	126,822	126,822
	8,162,742	6,320,023	5,883,586	5,587,789	4,734,061	6,445,045	4,440,202	4,824,504
(Loss) from Operations	(5,737,790)	(2,849,412)	(2,508,166)	(3,757,816)	(2,160,462)	(4,192,648)	(1,935,656)	(2,598,748)
OTHER ITEMS - INCOME/(EXPENSE)								
Finance cost	(944,859)	(1,874,601)	(1,743,710)	(645,685)	(1,072,341)	(992,806)	(491,664)	(379,106)
Other income (expense)	129,788	42,803	17,104	(62,431)	113,777	(2,669)	153	(10,168)
Impairment Loss – PPE	(178,175)	-	-	-	-	-	-	-
Loss on extinguishment of financial liabilities	-	-	(1,558,758)	-	-	-	-	-
Gain (Loss) on disposal of property and equipment	2,416	597	-	-	(1,541)	(194,662)	319,044	(7,184)
Loss on redemption	-	-	(672,444)	-	-	-	-	-
Foreign exchange translation	109,779	140,881	(58,413)	1,225	92,541	(109,037)	25,508	3,887
Net Loss	(6,618,840)	(4,539,732)	(6,524,387)	(4,464,707)	(3,028,025)	(5,491,822)	(2,082,615)	(2,991,319)
Deferred Tax Income/(Expense)	152,389	-	-	-	283,457	-	-	-
Net Loss	(6,466,451)	(4,539,732)	(6,524,387)	(4,464,707)	(2,744,568)	(5,491,822)	(2,082,615)	(2,991,319)



Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

OTHER COMPREHENSIVE LOSS

Foreign currency translation adjustment	195,269	-	-	-	-	-	-	-
Net loss and comprehensive loss	(6,271,183)	(4,539,732)	(6,524,387)	(4,464,707)	(2,744,568)	(5,491,822)	(2,082,615)	(2,991,319)

Total Comprehensive loss attributable to

Owners of Volatus Aerospace	(6,016,955)	(4,545,679)	(6,509,690)	(4,116,411)	(2,715,484)	(5,440,827)	(2,070,150)	(2,915,143)
Non-controlling interest	(254,228)	5,947	(14,697)	(348,296)	(29,085)	(50,994)	(12,465)	(76,176)
	(6,271,183)	(4,539,732)	(6,524,387)	(4,464,707)	(2,744,568)	(5,491,822)	(2,082,615)	(2,991,319)

Loss per share

Basic and Diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
-------------------	--------	--------	--------	--------	--------	--------	--------	--------

Fiscal 2025 demonstrated a clear revenue growth trajectory on a year-over-year basis across all four quarters, with total annual revenue of \$34,204,035 representing 26% growth over fiscal 2024. The quarterly progression reflects both the seasonal nature of the Company's inspection and services business and the growing contribution of defense equipment revenue, which is not subject to the same weather-driven seasonality as the core services operations.

Q1 2025 revenue of \$5,713,158 represented a modest decline from Q1 2024 of \$6,623,741, reflecting the expected seasonal trough in inspection and service activity during winter months, as well as the early-stage nature of the defence equipment pipeline at the start of the fiscal year. The Company maintained a gross margin of 32% in Q1 2025, consistent with its full-year profile, and began executing on the cost rationalization and integration activities that would generate operating leverage through the balance of the year.

Q2 and Q3 2025 were transformational quarters. Revenue reached \$10,587,075 in Q2 and a record \$10,605,438 in Q3 — representing year-over-year growth of 49% and 60% respectively — driven by the scaling of defence equipment deliveries to NATO-aligned customers and seasonal strength in commercial inspection and utility services. Gross margins stabilized at 32% to 33% across both quarters, reflecting the growing proportion of defence equipment in the revenue mix offset by continued strength in higher-margin services. Q3 2025 represented the highest revenue quarter in the Company's history and established Volatus as an organization capable of executing at material scale across both commercial and defence verticals simultaneously.

Q4 2025 revenue of \$7,298,364 reflected the normal seasonal reduction in service activity as outdoor inspection operations wound down through the autumn, partially offset by continued defence equipment deliveries. On a year-over-year basis, Q4 2025 revenue grew 8% over Q4 2024, with equipment revenue increasing 80% from \$1,694,155 to \$3,057,079, confirming the structural growth in the defence equipment business independent of seasonal service patterns. Gross margin of 33% in Q4 2025 compared to 38% in Q4 2024 reflects the higher proportion of equipment in the revenue mix relative to the prior year comparative, which was unusually services-weighted.

**Volatus Aerospace Inc.
Management’s Discussion & Analysis
For the year ended December 31, 2025**

Operating expenses increased across fiscal 2025 relative to fiscal 2024, reflecting the full-year cost base of the combined organization. The most significant quarterly anomaly in the two-year dataset is the Q3 2024 external partner cost of \$2,117,840, which included one-time advisory fees incurred in connection with the DDC plan of arrangement and is not representative of the underlying run-rate. Excluding this item, the operating cost structure was broadly stable across the comparable periods, with increases in personnel, depreciation, and share-based payments reflecting deliberate investment in the combined organization rather than cost inefficiency.

Two non-recurring below-the-line items recorded in Q2 2025 — the loss on extinguishment of financial liabilities of (\$1,558,758) and the loss on redemption of convertible debentures of (\$672,444) — are the primary driver of the elevated Q2 2025 net loss of (\$6,524,387) and should be considered in the context of the balance sheet strengthening program executed during that quarter, which eliminated legacy debenture obligations and materially improved the Company's forward cash flow profile.

Loss per share improved from (\$0.02) per share across Q1 through Q3 2024 to (\$0.01) per share in every quarter of fiscal 2025, and remained at (\$0.01) in Q4 2024, reflecting the increase in weighted average shares outstanding following the equity financings completed through the year. The consistency of the per share loss across all four quarters of fiscal 2025, despite the variation in quarterly revenue and net loss, reflects the stable share count through the year following the completion of the major financings.

The Company expects the quarterly revenue profile to continue evolving as the defence business grows as a proportion of total revenue. As defence equipment deliveries — which are driven by contract timing rather than seasonality — increase relative to inspection and service revenue, the pronounced Q1 trough that has historically characterized the Company's quarterly results is expected to diminish, producing a more consistent quarterly revenue distribution through the year.

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary of working capital as of December 31, 2025 and December 31, 2024:

	As at	
	December 31 2025	December 31, 2024
Current Assets	49,535,353	11,975,071
Current Liabilities	13,052,635	20,367,446
Working Capital	36,482,718	(8,392,375)

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

Current Assets

Current assets as at December 31, 2025 were \$49,535,353, compared to \$11,975,071 at December 31, 2024. The increase of \$37,560,282 was driven primarily by the growth in the Company's cash position, which increased to \$41,114,832 from \$1,558,909 at December 31, 2024, reflecting equity capital raised during fiscal 2025. The current asset balance also comprised trade and other receivables of \$3,368,470 (December 31, 2024 — \$4,502,679), prepaid expenses and deposits of \$1,756,129 (December 31, 2024 — \$2,564,898), and inventories of \$3,266,550 (December 31, 2024 — \$3,103,677). The decline in trade receivables reflects improved collections and lower outstanding balances at year-end relative to the prior period.

Current Liabilities

Current liabilities as at December 31, 2025 were \$13,052,635, a decrease of \$7,314,811 or 36% from \$20,367,446 at December 31, 2024. The balance was primarily comprised of the current portion of long-term borrowings of \$8,652,631, trade payables and accrued liabilities of \$3,433,728, and the current portion of lease liability of \$888,174.

As at December 31, 2025 and 2024, the Company's term loan with Export Development Canada ("EDC") is classified as a current liability as a result of a breach of the EBITDA covenant under the loan agreement as at the balance sheet date. In accordance with IFRS, where a covenant breach exists at the reporting date without a lender waiver obtained prior to that date, the associated debt is required to be classified as current regardless of its contractual repayment schedule. Subsequent to December 31, 2025, the Company received a formal waiver from EDC with respect to the covenant breach. The waiver does not affect the carrying value of the debt or the Company's obligations under the loan agreement, and management does not anticipate any disruption to the Company's financing arrangements as a result of this matter. The Company remains in active dialogue with EDC with respect to ongoing covenant compliance.

The decrease in total current liabilities from fiscal 2024 reflects the conversion and extinguishment of convertible debentures totalling \$2,435,375 at December 31, 2024, the elimination of other short-term liabilities of \$952,614, the settlement of deferred and contingent consideration of \$144,078, and a significant reduction in trade payables as the combined organization optimized its supplier relationships through integration.

Working Capital

The Company's working capital position improved from a deficit of (\$8,392,375) at December 31, 2024 to a surplus of \$36,482,718 at December 31, 2025 — an improvement of \$44,875,093. This transformation reflects the equity capital raised during fiscal 2025 and the debt restructuring activities completed through the year, and represents the strongest working capital position in the Company's history. Management believes the current working capital position provides adequate liquidity to support near-term operating requirements, pre-financing of larger government and defence contracts, continued investment in platform development and Mirabel manufacturing infrastructure, and the execution of the Company's defence growth strategy through fiscal 2026.

**Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025**

Cash Flow and Capital Management

The Company's primary sources of liquidity during fiscal 2025 were equity capital raised through financings completed during the year and revenue generated from operations. Cash was deployed in operating activities, capital expenditures related to platform development and technology assets, and debt service obligations including scheduled repayments and the extinguishment of convertible debentures.

Management intends to finance operating costs over the next twelve months predominantly with cash on hand, supplemented where appropriate by proceeds from the exercise of outstanding warrants, revenue growth from defence and commercial contracts, and access to capital markets should the Board of Directors determine it is in the best interests of the Company and its shareholders. The Company is not subject to externally imposed capital requirements.

The Company's ability to sustain and grow its operations is dependent upon the continued execution of its operating and strategic plan, including the conversion of its defence and commercial pipeline into contracted revenue, the scaling of recurring service and software revenue streams, and continued progress toward operational profitability. Management believes the Company's current cash position, combined with its growing revenue base and active pipeline of defence and commercial opportunities, provides a sufficient foundation to execute on these objectives. As with all growth-stage aerospace and defence companies, there can be no assurance that these plans will be realized as anticipated, and the Company may require additional capital to fund operations or strategic investments beyond its current planning horizon.

Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency, or credit risks arising from its financial instruments beyond those described in the notes to the consolidated financial statements.

CASH FLOW:

	Twelve months ended December 31	
	2025	2024
Net cash used in Operating Activities	(7,503,669)	(12,434,845)
Net cash used in Investment Activities	(1,671,337)	(664,714)
Net Cash provided by Financing Activities	48,576,023	13,401,725
Net change in cash	39,401,017	302,166

Operating Activities

Net cash used in operating activities was (\$7,503,669) for fiscal 2025, compared to (\$12,434,845) for fiscal 2024. The reduction in operating cash outflow reflects the full-year cost base of the combined organization in fiscal 2025, partially offset by improvements in working capital and increased revenue activity. The primary drivers of operating cash outflow were the operating loss for the period, partially offset by non-cash charges

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

including depreciation and amortization of \$6,144,872 and share-based payments of \$1,458,631. Working capital movements during the year included a significant reduction in trade payables and the settlement of other short-term liabilities as the Company optimized its supplier relationships and extinguished legacy obligations through integration. Revenue growth and the ramp of defence contract deliveries are expected to progressively reduce operating cash outflow as the Company scales toward profitability.

Investing Activities

Net cash used in investing activities was (\$1,671,337) for fiscal 2025, compared to (\$664,714) for fiscal 2024. The increase reflects capital investments made during the year in support of the Company's defence and commercial growth strategy, investments in platform development assets, and capital expenditures on property and equipment to support expanded operational capability. The investing outflows relative to fiscal 2024 is consistent with the Company's deliberate investment in sovereign manufacturing infrastructure and proprietary platform development, and is expected to generate returns over multiple years as the V-series UAS family and Condor XL program progress toward commercial and defence deployment.

Financing Activities

Net cash provided by financing activities was \$48,576,023 for fiscal 2025, compared to \$13,401,725 for fiscal 2024. The fiscal 2025 financing inflows reflect equity capital raised during the year and the net proceeds from debt and warrant activity, partially offset by scheduled debt repayments and the cash cost of debenture restructuring activities. The fiscal 2024 comparative reflects the closing of the Investissement Québec convertible debenture and Export Development Canada term loan in October 2024, partially offset by debt repayments through the year.

The Company's principal debt instruments as at December 31, 2025 are as follows:

Investissement Québec Convertible Debenture

On October 21, 2024, the Company issued a \$7,500,000 secured convertible debenture to Investissement Québec (the "IQ Debenture"). The IQ Debenture bears interest at 12.5% per annum, maturing October 21, 2029. Interest during the first three years is non-cash, capitalized semi-annually, and convertible at the holder's option at the then market price of the common shares as permissible under applicable securities regulations and the rules of the TSX. Interest during the final two years is payable in cash semi-annually at maturity unless the IQ Debenture is otherwise converted.

The IQ Debenture includes the following material terms:

- **Conversion:** The holder may convert the outstanding principal into common shares at any time before maturity at \$0.202 per share, with accrued and unpaid interest convertible at the prevailing market price at the time of conversion.

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

- **Prepayment:** The Company may prepay the IQ Debenture at any time after October 21, 2027 at 100% of principal plus accrued and unpaid interest, provided the 40-day VWAP of the common shares equals or exceeds \$0.303.
- **Change of control:** Upon a change of control, the holder may require the Company to repurchase the IQ Debenture at 120% of the principal amount plus accrued and unpaid interest.
- **Default:** Upon an event of default, the Company is required to repay the principal plus an additional amount representing a semi-annual compounded 30% internal rate of return.

Export Development Canada Term Loan

The Company holds a term loan with Export Development Canada ("EDC") of \$6,750,000, bearing interest at a variable rate, with scheduled repayments through the loan term. As described in the Liquidity and Capital Resources section above, the EDC term loan is classified as a current liability at December 31, 2025 due to an EBITDA covenant breach at the balance sheet date. A formal waiver was received from EDC subsequent to December 31, 2025, and management does not anticipate any disruption to the Company's financing arrangements as a result of this matter.

Liquidity Risk and Capital Management

Liquidity risk arises when financial obligations exceed available financial assets at a given point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital to meet its obligations as they fall due. As at December 31, 2025, the Company held cash of \$41,114,832 and working capital of \$36,482,718, which management believes is sufficient to meet near-term obligations and to fund operating and strategic activities through the current planning horizon.

The Company however has not yet achieved profitable operations and is dependent upon the successful execution of management's operating and strategic plan which includes, amongst other things, securing additional financing to meet its ongoing operating requirements to fund inventory levels and fulfil new service contracts and, ultimately, the attainment of future profitable operations.

The Company considers shareholders' equity and long-term debt as its capital base. The Company manages its capital structure on an ongoing basis and will adjust it where necessary — through the issuance of equity, incurrence of debt, or adjustment of operating activities — to ensure sufficient capital is available to support its corporate objectives. The Company is not subject to externally imposed capital requirements.

Management expects to evaluate, from time to time, the acquisition of businesses, intellectual property, platforms, and technologies aligned with the Company's defence and aerospace strategy. Such investments would be assessed against the Company's capital allocation priorities and their expected impact on the Company's financial position and future cash flows. There can be no assurance that any such investment will generate the anticipated returns, and acquisitions or strategic investments carry the inherent risk of adversely affecting future cash flows if not executed as planned.

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

RECONCILIATION OF ADJUSTED EBITDA TO NET LOSS

Adjusted EBITDA is a non-GAAP financial measure. The Company defines Adjusted EBITDA as net loss adjusted to exclude interest, depreciation and amortization, share-based payments, and other non-cash or non-operating items. Management uses Adjusted EBITDA to evaluate the Company's operating performance and believes it provides useful information to investors by removing the effect of financing costs, non-cash charges, and items that are not reflective of the Company's underlying operational results. Adjusted EBITDA does not have a standardized meaning under IFRS, may not be comparable to similarly titled measures used by other issuers, and should not be considered in isolation or as a substitute for financial measures prepared in accordance with IFRS.

Comparability — Merger Timing

On August 30, 2024, the Company completed the acquisition of Drone Delivery Canada Corp. ("DDC") by way of a plan of arrangement. The Company's IFRS-reported consolidated financial statements for fiscal 2024 include the combined operations of Volatus and DDC only from August 30, 2024 through December 31, 2024 — approximately four months. The pre-acquisition period from January 1, 2024 to August 29, 2024 reflects only the standalone operations of the then-existing Volatus Aerospace Corp. Accordingly, the fiscal 2024 comparative Adjusted EBITDA of (\$3,784,115) does not reflect a full year of the combined organization's cost base, and the year-over-year comparison should be read in this context. Fiscal 2025 is the first full year in which the combined organization's complete cost base is reflected in the reported results.

The following table reconciles Adjusted EBITDA to Net Loss, as reported under IFRS, for the years ended December 31, 2025 and 2024:

	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Adjusted EBITDA (loss)	(7,243,454)	(3,784,115)
Interest	5,208,855	2,935,917
Depreciation	6,144,872	4,824,680
Share-based Payments	1,278,631	456,028
Other (Income) Expense	58,963	-
FV changes in Contingent Consideration		(247,661)
(Gain) or Loss on Disposal of Property & Equipment	(3,013)	(115,657)
Impairment Loss – PPE	178,175	-
Foreign Exchange translation (Gain)	(193,474)	(12,900)
Loss on extinguishment of financial liabilities	1,558,758	-
Loss on redemption	672,444	-
M&A Related Transaction Cost	-	1,969,259
Net Loss before Taxes	(22,147,666)	(13,593,781)

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

Year-over-Year Performance

Adjusted EBITDA loss was (\$7,243,454) in fiscal 2025, compared to (\$3,784,115) in fiscal 2024. As described above, the fiscal 2024 comparative reflects only approximately four months of the combined organization's cost base following the August 30, 2024 merger closing. The year-over-year increase in Adjusted EBITDA loss is therefore primarily a function of this structural timing difference rather than a deterioration in underlying operational performance. On an indicative basis, the eight months of DDC operating expenses not captured in the fiscal 2024 comparative represent a material portion of the apparent year-over-year movement, and management believes the fiscal 2025 result is the first meaningful full-year measure of the combined organization's Adjusted EBITDA performance.

The primary addback items in the fiscal 2025 reconciliation are non-cash in nature. Depreciation and amortization of \$6,144,872 reflects full-year amortization of intangible assets recognized on the merger and from the Caliburn Holdings technology acquisition. Interest of \$5,208,855 reflects the full-year cost of the Investissement Québec and Export Development Canada institutional debt facilities, convertible debenture interest, and lease finance charges. Share-based payments of \$1,278,631 represent the non-cash cost of equity incentives granted to 136 employees and directors. The loss on extinguishment of financial liabilities of \$1,558,758 and the loss on redemption of convertible debentures of \$672,444 are specific to the debenture restructuring activities completed in fiscal 2025 and are not expected to arise from the same instruments in future periods as the underlying obligations have been extinguished.

The M&A related transaction cost addback of \$1,969,259 in fiscal 2024 represents merger advisory, legal, and transaction fees directly attributable to the DDC plan of arrangement. These costs are excluded from Adjusted EBITDA as they relate to a specific corporate transaction and are not reflective of the Company's ongoing operational cost structure. There are no equivalent costs in fiscal 2025.

Adjusted EBITDA improved sequentially through the first three quarters of fiscal 2025, with Q3 2025 representing a record revenue quarter at \$10,605,438. Management expects Adjusted EBITDA to continue improving through fiscal 2026, driven by growth in defence equipment and systems revenue, accumulation of higher-margin sustainment and training revenue from delivered programmes, expansion of recurring commercial services under long-term contracts, and the progressive contribution of proprietary software at structurally higher margins.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources.

RELATED PARTY TRANSACTIONS

Volatus Aerospace Inc.
Management’s Discussion & Analysis
For the year ended December 31, 2025

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amount approximates fair market value.

Trade payables and accrued liabilities:

On August 31, 2022, the Company entered into an independent consultant agreement (“Consultant Agreement”) with GripFast Solutions Inc., a company controlled by an independent director, to provide consulting services to the Company for scaling in the defense sector. The costs of all charges are based on the fees set in the Consultant Agreement and are settled on a monthly basis. The Company records these charges under External Partner Cost in the consolidated statement of loss and comprehensive loss. For the year ended December 31, 2025, the Company incurred fees of \$96,000 (2024- \$96,000). As at December 31, 2025, the Company was indebted to this company in the amount of \$8,000 (2024 - \$16,000).

During the year, the Company entered into financing arrangements with its Chief Financial Officer (“CFO”), who is a member of key management personnel. In order to support short-term working capital requirements, the CFO advanced funds to the Company to finance operating expenditures. Total advances amounted to \$938,442 and were outstanding for a period of ranging between 3 and 6 months. The advances were unsecured and were non-interest bearing. The amount outstanding as at December 31, 2025 is \$78,465.

Management has determined that these transactions were conducted in the normal course of operations and were necessary to bridge the Company’s short-term liquidity needs prior to obtaining external financing.

Share Capital:

The Company has outstanding preferred shares valued at \$206,188 that are non-redeemable and have no coupon interest payment and have a face value of \$1 to a company controlled by a director of the Company (2024 – \$206,188).

Promissory notes:

The Company has entered into promissory notes with the directors of the Company in 2024, at interest rates ranging between 0% and 15.50% per annum. The amount of \$1,095,850 is outstanding as at December 31, 2025 (2024 - \$1,111,627) and repayable in full between August 2026 and June 2029. This amount is included in long term liabilities in the consolidated balance sheet.

Key management compensation

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 consist of members of the Company’s Board of Directors and corporate officers.

Compensation awarded to key management for the year ended December 31, 2025 and 2024 is summarized as follows:

	2025	2024
Salaries	1,261,707	945,178
Share-based payments	521,595	364,271
	1,783,302	1,309,449

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 18 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 18 months' salary, at \$350,000 per annum, is payable. If the termination had occurred on December 31, 2024, the amount payable under this agreement would be \$525,000.

The Company has an employment agreement with its CFO which provides that in the event the CFO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 12 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 12 months' salary, at \$190,000 per annum, is payable. If the termination had occurred on December 31, 2024, the amount payable under this agreement would be \$190,000.

SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Common shares

On January 2, 2024, Volatus acquired from an Unmanned Aerial Motion Pictures Ltd. (UAV Hub) and Open Sky Consulting International Ltd. (Drone Mentor), drone training companies based in the UK. Under the terms of the agreement the Company purchased 100% of the company for a consideration £150,000 (CAD \$252,000) on Closing by issuing 1,680,000 common shares at \$0.15 price per share.

On August 30, 2024, the Company completed the acquisition of all outstanding shares in Volatus Aerospace Corp. The consideration resulted in a merger of equals between Volatus Aerospace Corp. and Drone Delivery Canada Corp ("DDC") and the Company was renamed from Volatus Aerospace Inc. Under the terms of the Arrangement, each former Volatus Aerospace Corp shareholder was entitled to receive 1.785 (the "Exchange Ratio") common voting shares of the Company for each Volatus Share held immediately prior to the effective time of the Arrangement (the "Consideration"). A total of 224,344,723 shares were issued to Volatus shareholders. The Merger was structured as a 50/50 merger of equals with shareholders of both companies owning approximately 50% of the Company upon completion of the Arrangement.

On May 1, 2025, the Company closed its oversubscribed \$3 million non-brokered listed issuer financing exemption ("LIFE") private placement (the "May LIFE Offering"). The Company issued 25,000,000 units of the Company ("May LIFE Units") at a price of \$0.12 per May LIFE Unit for gross proceeds of \$3,000,000. Each May LIFE Unit is comprised of one common voting share of the Company ("Common Share") and one warrant to purchase one Common Share of the Company (a "May LIFE Warrant"). Each May LIFE Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.20 per share for a period of 36 months following the date of issuance.

On May 14, 2025, the Company issued a total of 20,174,280 Common Shares and 17,640,000 Common Share purchase warrants (each a "Debenture Warrant") settling an aggregate principal and accrued and unpaid interest in the amount of \$2,759,089 owing to holders of unsecured convertible debentures of the Company issued pursuant to a debenture indenture dated May 11, 2023. The Common Shares were issued at a deemed price of \$0.15 per Common Share. Each Debenture Warrant is exercisable into one Common Share at an

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

exercise price of \$0.20 per Common Share for a period of three years from the date of issuance, subject to acceleration if, at any time following the date that is 4 months and one day following the date of issuance.

On June 19, 2025, the Company completed its share-for-debt conversion and issued a total of 3,720,000 units of the Company (the "Debt Settlement Units"), settling the principal and accrued and unpaid interest in the amount of \$446,400 owing to holders of unsecured non-convertible debentures of the Company. Each Debt Settlement Unit is comprised of one Common Share and one Common Share purchase warrant of the Company (each a "Debt Settlement Warrant"), with each Debt Settlement Warrant exercisable to purchase one additional Common Share at an exercise price of \$0.20 per Common Share for a period of 36 months from the date of issuance, subject to acceleration if, at any time following the date that is 4 months and one day following the date of issuance.

On June 27, 2025, the Company announced closing of its non-brokered LIFE private placement (the "June LIFE Offering"). The Company issued 25,000,000 units of the Company (the "June LIFE Units") at a price of \$0.20 per June LIFE Unit for gross proceeds of \$5,000,000. Each June LIFE Unit is comprised of one Common Share and one-half of one warrant to purchase one Common Share of the Company (each whole warrant, a "June LIFE Warrant"). Each June LIFE Warrant entitles the holder thereof to purchase one Common at an exercise price of \$0.30 per share for a period of 36 months following the date of issuance.

As disclosed above, the Company entered into an agreement with debt holders to settle the outstanding convertible debentures and unsecured non-convertible debentures through the issuance of common shares and warrants to purchase common shares of the Company. The transactions are accounted for in accordance with *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*.

The carrying amount of the financial liability extinguished for convertible debentures and unsecured non-convertible debenture amounted to \$2,759,089 and \$446,400, respectively. The common shares and warrants issued as consideration were measured at their fair value at the date of settlement, determined to be \$3,641,336 and \$1,123,440, respectively, based on the quoted market price and fair value assessed through the Black Scholes Model. As a result, a loss on extinguishment of financial liabilities of \$881,718 and \$677,040, respectively, were recognized in the consolidated statement of loss for the period.

These issuance of equity instruments were recognized directly in equity, net of applicable transaction costs.

On July 17, 2025, the Company announced closing of its non-brokered LIFE private placement (the "July LIFE Offering"). The Company issued 19,230,770 units of the Company ("July LIFE Units") at a price of \$ 0.52 per July LIFE Unit for gross proceeds of approximately \$10,000,000. Each July LIFE Unit is comprised of one Common Share and one-half of one warrant to purchase one Common Share of the Company (each whole warrant, a "July LIFE Warrant"). Each July LIFE Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.76 per share for a period of 36 months following the date of issuance.

On August 14, 2025, the Company announced closing of its brokered bought deal of LIFE private placement (the "August LIFE Offering"). The Company issued a total of 9,288,462 units of the Company (the "August LIFE Units") at a price of \$0.52 per August LIFE Unit for gross proceeds of \$4,830,000, including the August LIFE Units

Volatus Aerospace Inc.
Management’s Discussion & Analysis
For the year ended December 31, 2025

issued pursuant to the underwriters’ over-allotment option. Each August LIFE Unit consists of one Common Share and one-half of one warrant to purchase one Common Share of the Company (each whole warrant, an “August LIFE Warrant”), with each August LIFE Warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$0.76 per share at any time on or before August 14, 2028. The Company also issued to the underwriters 557,308 non-transferable broker warrants (the “Broker Warrants”). Each Broker Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.76 per share at any time on or before August 14, 2026.

On July 3, 2025, the Company issued 1,313,092 common shares to a director of Empire Drone LLC, a subsidiary of the Company, amounting to \$367,666, which is included in the total share-based payment expenses of \$1,278,631 in the consolidated statement of loss for the period. As part of the purchase agreement, the seller was entitled to earn-out clause and the arrangement involved the direct issuance of common shares rather than equity instruments granted under an option-based plan, the related amount was recognized in equity through capital stock, rather than through the share-based payment reserve.

On November 26, 2025, the Company closed a brokered bought-deal public offering, issuing 38,352,000 common shares at \$0.60 per share, including 5,002,500 common shares issued pursuant to the full exercise of the over-allotment option, for aggregate gross proceeds of approximately \$23,011,500.

In addition, the Company completed a non-brokered private placement of 5,633,333 common shares at \$0.60 per share, for aggregate gross proceeds of \$3,380,000

Preferred shares

	Number of Shares	Amount
Outstanding, December 31, 2024	286,188	\$286,188
Conversion to Common Shares	(80,000)	(80,000)
Outstanding, December 31, 2025	206,188	\$206,188
Outstanding, December 31, 2023	286,188	\$286,188
Conversion to Common Shares	-	-
Outstanding, December 31, 2024	286,188	\$286,188

The preferred shares are non-redeemable and have a face value of \$1 pre share. The preferred shares outstanding at December 31, 2024, held in UAViation Aerial Solutions Limited, a wholly owned subsidiary of the Company, have been settled in full through the issuance of common shares during the year-ended December 31, 2025.

Stock Options

The continuity of stock options during the period were as follows:

December 31, 2025	December 31, 2024
-------------------	-------------------

**Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025**

	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of period	16,566,515	0.30	14,623,953	0.25
Forfeited	(269,719)	0.14	(5,372,438)	0.56
Exercised	(1,349,820)	0.29	-	-
Granted	1,977,000	0.14	-	-
Expired	(942,334)	0.34	-	-
Options – acquisition	-	-	7,315,000	0.58
Outstanding, end of period	15,981,643	0.28	16,566,515	0.30

The weighted average share price (at the date of exercise) of options exercised during the year was \$0.47 (2024 - \$nil).

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2025:

Range of price (C\$)	Options Outstanding		Options Exercisable			
	Number of Stock Options outstanding	Weighted Average remaining contractual life (years)	Weighted Average Exercise Price	Number of Stock Options exercisable	Weighted Average remaining contractual life (years)	Weighted Average Exercise Price
\$0.10 - \$0.19	6,401,831	3.01	0.13	2,030,438	2.61	0.13
\$0.20 - \$0.35	2,182,312	1.64	0.21	1,778,000	1.67	0.21
\$0.36 - \$0.50	6,247,500	1.00	0.36	6,247,500	1.00	0.36
\$0.50- \$0.75	1,150,000	1.48	0.56	1,150,000	1.48	0.56
	15,981,643	1.93	0.26	11,874,244	1.37	0.32

On January 2, 2025, the Company granted 1,977,000 additional options at an exercise price of \$0.14. The Company uses the Black-Scholes option pricing model to determine the fair value of stock rewards granted. The weighted average fair value at date of grant for the options granted was \$0.106 per option. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.14, risk-free interest rate of 3.22%, expected life of 5 years, expected volatility of 100% and expected dividends of Nil.

On August 30, 2024, the Company did a reverse acquisition with Drone Delivery Canada Corp. and acquired 7,315,000 stock options with an average exercise price of \$0.58. The Company replaced the acquired DDC options with Volatus options with no changes to any terms of the options.

Restricted Stock Units ("RSUs")

On January 2, 2025, the Company granted 5,546,000 RSUs that will be vested over four years and will expire five years from grant date. On April 28, 2025, the Company granted 1,500,000 RSUs that will vest in one year and will expire five years from grant date. On June 19, 2025, the Company granted 2,900,000 additional RSUs that will vest over three years and will expire five years from grant date.



Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

	December 31, 2025		December 31, 2024	
	Number of RSUs	Weighted Average Exercise Price	Number of RSU	Weighted Average Exercise Price
Outstanding, beginning of period	-	-	-	-
Granted	9,946,000		-	-
Forfeited	(382,000)			
Outstanding, end of period	9,564,000	-	-	-

The following table summarizes information about RSUs outstanding and exercisable as at December 31, 2025:

	RSUs Outstanding			RSUs Exercisable		
	Number of RSUs outstanding	Weighted Average remaining contractual life (years)	Weighted Average Exercise Price	Number of RSUs exercisable	Weighted Average remaining contractual life (years)	Weighted Average Exercise Price
2025 Issuance	9,564,000	4.20	-	-	-	-
Total	9,564,000	4.20	-	-	-	-

Warrants

The following table outlines the details of each warrant outstanding as at December 31, 2025 and 2024:

Series	Issuance Date	As at December 31, 2025		As at December 31, 2024			
		Number of warrants outstanding	Grant date Fair Value	Number of warrants outstanding	Grant date Fair Value	Exercise Price	Expiry Date
1	06-May-23	-	-	753,020	20,587	\$0.28	06-May-25
2	06-May-23	-	-	4,723,110	107,437	\$0.28	06-May-25
3	06-Nov-24	5,846,000	227,994	19,760,000	770,874	\$0.20	06-Nov-26
4	06-Nov-24	337,552	17,553	1,383,620	71,948	\$0.14	06-Nov-26
5	01-May-25	7,666,666	375,667	-		\$0.20	01-May-28
6	14-May-25	7,833,319	407,333	-		\$0.20	14-May-28
7	19-Jun-25	3,720,000	379,440	-		\$0.20	19-Jun-28
8	27-Jun-25	10,899,000	1,547,658	-		\$0.30	27-Jun-28
9	17-Jul-25	9,615,385	2,730,769	-		\$0.76	17-Jul-28
10	14-Aug-25	4,624,231	1,026,579	-		\$0.76	14-Aug-28
11	14-Aug-25	557,308	10,032	-		\$0.76	14-Aug-26

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

51,099,461	6,723,024	26,619,750	970,846
------------	-----------	------------	---------

As of December 31, 2025, the following warrants were outstanding and exercisable:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2024	26,619,750	\$0.22
Issued	73,676,924	0.28
Expired	(5,476,130)	0.28
Exercised	(43,721,083)	0.20
Outstanding, December 31, 2025	51,099,461	\$0.38
Outstanding, December 31, 2023	28,003,739	\$0.28
Issued	21,143,620	0.20
Exercised	(99,166)	0.28
Forfeited	(22,428,443)	0.27
Outstanding, December 31, 2024	26,619,750	\$0.22

On November 6, 2024, the Company granted 19,760,000 and 1,383,620 additional warrants at an exercise price of \$0.20 and \$0.14, respectively that will be expire after two years.

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The fair value at date of warrants granted was \$0.039 and \$0.052 per warrant, respectively. The following weighted average assumptions were used for the Black-Scholes valuation of warrant: market price of \$0.125, risk-free interest rate of 3.26%, expiry after 2 years, expected volatility of 80% and exercise price of \$0.20 and \$0.14, respectively, and expected dividend yield of Nil.

On May 1, 2025, Volatus issued 25,000,000 units as part of its \$3 million financing with an exercise price of \$0.20 and expiry after 36 months.

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was \$0.049 (2024 - \$0.039 and \$0.052) per warrant. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.13 (2024 - \$0.125), risk-free interest rate of 2.53% (2024 – 3.26%), expected life of 5 years (2024 – 2 years), expected volatility of 72% (2024 – 80%) and expected dividends of Nil.

On May 14, 2025, Volatus issued 20,174,281 common shares and 17,640,000 warrants settling an aggregate debt of \$2,646,000. The warrants have an exercise price of \$0.20 and expiry after 36 months.

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was \$0.052 per warrant. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.135, risk-free interest rate of 2.89%, expected life of 3 years, expected volatility of 72% and expected dividends of Nil.

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

On June 19, 2025, Volatus issued 3,720,000 units to settle aggregate debt of \$446,400. The warrants have an exercise price of \$0.20 and expiry after 36 months.

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was \$0.102 per warrant. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.20, risk-free interest rate of 2.89%, expected life of 3 years, expected volatility of 76% and expected dividends of Nil.

On June 27, 2025, Volatus issued 25,000,000 units as part of its \$5 million LIFE Offering financing. Each Unit is comprised of one common voting share in the capital of the Company and one-half of one warrant to purchase one Common Share of the Company. The warrants have an exercise price of \$0.30 and expiry after 36 months.

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was \$0.142 per warrant. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.285, risk-free interest rate of 2.65%, expected life of 3 years, expected volatility of 76% and expected dividends of Nil.

On July 17, 2025, Volatus issued 19,230,770 units as part of its \$10 million LIFE Offering financing. Each Unit is comprised of one common voting share in the capital of the Company and one-half of one warrant to purchase one Common Share of the Company. The warrants have an exercise price of \$0.76 and expiry of 36 months.

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was \$0.284 per warrant. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.61, risk-free interest rate of 2.82%, expected life of 3 years, expected volatility of 78% and expected dividends of Nil.

On August 14, 2025, Volatus issued 9,288,462 units as part of its \$4.83 million bought deal LIFE Offering financing. Each Unit is comprised of one common voting share in the capital of the Company and one-half of one warrant to purchase one Common Share of the Company. The Company also issued 557,308 agent warrants as part of the financing. The warrants have an exercise price of \$0.76 and expiry of 36 months.

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was \$0.222 per warrant and \$0.144. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.48, risk-free interest rate of 2.69%, expected life of 3 years and 1 year respectively, expected volatility of 80% and 111% respectively, and expected dividends of Nil.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgement based on various assumptions and other factors

**Volatus Aerospace Inc.
Management’s Discussion & Analysis
For the year ended December 31, 2025**

such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Critical accounting estimates and assumptions as well as critical judgements in applying the Company's accounting policies are detailed in Notes 2 and 3 of the audited consolidated financial statements for the year ended December 31, 2025.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks through its financial instruments. The following analysis provides a summary of the Company’s exposure to and concentrations of risk at December 31, 2025:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Company’s main credit risk related to its cash and trade and other receivables. The maximum exposure to credit risk is the carrying amount as reported on the financial statements. The Company's cash is held in reputable banks in Canada and management believes the risk of loss to be remote. Credit risk on trade and other receivables is minimized because of the constant review and evaluation of the account balances.

The Company also maintains an allowance for credit losses at an estimated amount, allocating sufficient protection against losses resulting from collecting less than full payments from its receivables. There is no indication, as at this date, that the debtors will not meet their obligations, except as has been provided for as bad debts during the reporting periods. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all sales. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible.

Aging	Under 30 days	31days - 60 days	61 days – 90 days	Over 90 days	Total
CAD	1,829,421	748,519	504,085	286,445	3,368,470

Foreign Currency Risk

The Company has operations in Canada, the UK, the U.S., and Norway, therefore, has exposure to foreign currency risk. There is exposure to foreign exchange fluctuations on transactions between the Company’s entities and upon the consolidation of the Company’s foreign subsidiaries. The consolidated financial statements are presented in Canadian dollars, which is also the parent company’s functional currency. Each entity within the consolidated group determines its own functional currency. While the Company also has operations in Norway, exposure to Norwegian krone (NOK) is not considered material and is therefore not included in the sensitivity analysis below.

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. As of December 31, 2025, the Company did not have any foreign currency hedges in place.

The summary quantitative data about the Company’s exposure to currency risk is as follows:

**Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025**

	2025		2024	
	USD	GBP	USD	GBP
Cash	3,450,792	535,010	173,197	192,539
Trade and other receivables	322,799	203,889	560,555	193,832
Trade payables and other accrued liabilities	(250,360)	(245,173)	(353,805)	(41,976)
Long-term borrowings	(448,913)	(33,498)	(928,847)	(75,432)
Net assets	3,074,318	460,228	(548,900)	268,963

Concentration Risk

The Company is not exposed to customer concentration risk as the Company's revenue are widely distributed across multiple customers and revenue streams.

Interest Rate Risk

The Company is subject to the risks associated with debt financing, including the risk of interest rates on floating-rate debt.

The Company's objective of managing interest rate risk is to minimize the volatility of interest expense which impacts earnings.

The Company is also exposed to interest rate risk on its Credit Facility which fluctuates based on prime or floating bankers' acceptance rates.

Liquidity Risk

The Company is exposed to liquidity risk to the extent that it is required to meet its financial obligations as these become due. The Company's approach to managing liquidity risk is to ensure that it has sufficient cash and other current financial assets to meet its obligations when due, without incurring unacceptable losses or damage to the Company's reputation. Management forecasts cash flows to identify financing requirements. These requirements are then addressed through a combination of cash management and access to additional capital.

As at December 31, 2025, the Company's cash balance of \$41,114,832 is expected to be sufficient to meet its obligations as they fall due for at least the next twelve months from the reporting date of these consolidated financial statements.

The Company however has not yet achieved profitable operations and is dependent upon the successful execution of management's operating and strategic plan which includes, amongst other things, securing additional financing to meet its ongoing operating requirements to fund inventory levels and fulfil new service contracts and, ultimately, the attainment of future profitable operations.

The following summarizes the Company's contractual commitments as at December 31, 2025:

**Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025**

	Less than 1 Year	2-5 Years	Over 5 years	Total
Trade Payables and Accrued Liabilities	3,433,728		-	3,433,728
Leases	959,887	863,004	-	1,822,891
Borrowings	4,679,690	9,861,115	161,495	14,702,300
Convertible Debenture	-	18,492,389	-	18,492,389
	9,073,306	29,216,508	161,495	38,451,309

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes that a 10% movement in interest rates and foreign exchange rates will not have a significant impact on the Company.

Capital Management

The Company's objectives when managing capital are to:

- Safeguard its ability to continue as a going concern;
- Provide financial flexibility to support its strategic growth initiatives;
- Maintain a capital structure that optimizes the cost of capital while supporting the long-term interests of shareholders.

The Company's capital structure consists of:

- Shareholders' equity,
- Short-term and Long-term borrowings,
- Convertible debentures, and
- Lease liabilities.

The Company manages its capital structure and makes adjustments 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:

- Issue new shares,
- Adjust capital spending,
- Take on new debt or repay existing debt,
- Renegotiate credit terms, or
- Sell assets.

Fair Value

Financial assets and liabilities recognized or disclosed at fair value are classified in the fair value hierarchy based upon the nature of the inputs used in the determination of fair value. The levels of the fair value hierarchy are:

**Volatus Aerospace Inc.
Management’s Discussion & Analysis
For the year ended December 31, 2025**

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs)

The following table summarizes the carrying value of the Company’s financial instruments:

	December 31, 2025	December 31, 2024
Cash	41,114,832	1,558,909
Restricted cash	29,372	244,908
Trade and other receivables	3,368,470	4,502,679
Trade payables and accrued liabilities	3,433,728	6,331,383
Lease liability	1,898,850	2,005,075
Other short-term liabilities	-	745,614
Long-term borrowings	11,656,106	14,870,464
Convertible Debenture	7,885,106	6,449,218
Contingent Consideration	-	442,055

Due to the short-term maturities of cash, trade and other receivables, trade payables and accrued liabilities and other short-term liabilities, the carrying amounts of these financial instruments approximate fair value at the respective balance sheet date.

The carrying value of long-term borrowings and convertible debenture approximate fair value based upon a discounted cash flows method using discount rates that reflects current market interest rate for similar financial instruments with comparable terms and remaining maturities at the end of year.

Contingent consideration is a level 3 financial liability that is recognized at fair value with changes in fair value recorded in the consolidated statement of loss and comprehensive loss at each reporting period end date.

There were no transfers of assets or liabilities during the year ended December 31, 2025 (2024 - \$nil) between any levels within the fair value hierarchy.

SUBSEQUENT EVENTS

Management has evaluated subsequent events as of March 30, 2026, the date the consolidated financial statements.

On March 04, 2026, the Company announced the acquisition of the remaining 41.53% interest of Synergy Aviation Limited through the issuance of 2,443,494 common shares valued at \$1,630,054.

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

On February 26, 2026, the Company entered into a new lease agreement for a standalone facility located in Mirabel, Québec, with a commencement date of March 1, 2026 and a term of ten years ending February 28, 2036. The leased premises comprise approximately 50,526 square feet and will be used for the manufacturing, storage and assembly of drones and related operations. Under the terms of the agreement, the Company is required to pay base rent that escalates annually over the lease term, with annual net rent of approximately \$412,800 in the first year, increasing to approximately \$791,100 by the final year, in addition to operating costs, including estimated additional rent of approximately \$176,832 per annum, subject to annual adjustments and applicable sales taxes. This lease represents a significant long-term commitment for the Company and will result in the recognition of a right-of-use asset and corresponding lease liability upon commencement in accordance with IFRS 16. As the agreement was entered into after the reporting date, this event is considered a non-adjusting subsequent event and no adjustments have been made to the consolidated financial statements as at December 31, 2025.

On March 20, 2026, the Common shares of the Company listed on the Toronto Stock Exchange under symbol "FLT", with voluntary delisting from the TSX Venture Exchange.

BUSINESS RISKS

An investment in the Company's Common Shares is highly speculative and involves significant risks. **In addition to the other information contained in this MD&A and the documents incorporated by reference herein and therein, you should review and carefully consider the risks described herein.** The risks described herein are not the only risk factors facing us and should not be considered exhaustive. Additional risks and uncertainties not currently known to us, or that we currently consider immaterial, may also materially and adversely affect our business, operations and condition, financial or otherwise.

I. Business and Strategic Risks

Operating History and Evolving Business Model

While the Company and its predecessor entities have been carrying on business in the aviation sector for many years, the Company's current operating model — spanning commercial aerial intelligence services, defence systems supply, sovereign manufacturing, and proprietary software — has evolved materially through the August 2024 merger with Drone Delivery Canada Corp. and subsequent strategic initiatives. The Company's combined history in its current form is limited. Growth in each of the Company's business lines is subject to risks common to companies operating in rapidly evolving and competitive markets, including capital requirements, personnel constraints, and uncertainty around the pace of market development. There is no assurance that the Company will be successful in achieving a return on shareholders' investment.

Difficulty to Forecast and Pipeline Conversion

The Company maintains an active sales pipeline across defence, commercial services, and training markets. However, there can be no assurance that pipeline opportunities will be realized on the timelines or terms anticipated. Customer funding availability, regulatory approvals, evolving procurement priorities, supplier performance, and broader geopolitical or economic conditions may materially influence the conversion of

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

opportunities into contracted revenues. The Company must rely to a significant extent on its own market research to forecast demand, as detailed third-party forecasts for many of its targeted verticals — particularly defence ISR and long-endurance UAS — are not readily available. Actual results may differ materially from management's expectations and forward-looking statements.

Industry Growth

There can be no assurance that the Company's targeted vertical and geographic markets — including defence and security, energy and utilities, cargo logistics, and environmental monitoring — will grow as anticipated, or that the Company will be successful in establishing or sustaining its presence in these markets. If targeted markets fail to grow, grow more slowly than anticipated, or if competitors capture a disproportionate share of available opportunities, the Company's growth plans could be materially adversely affected.

Competition

The industries in which the Company operates are highly competitive. The Company may face intense competition from other companies, some of which have longer operating histories, greater financial resources, stronger brand recognition, and more established relationships with target customers — particularly in defence procurement. Larger or better-financed competitors may adopt more aggressive pricing or offer more attractive terms. In the defence sector specifically, the Company competes against established prime contractors and international UAS manufacturers with greater scale and established procurement relationships. The Company's ability to compete effectively depends on continued investment in technology, platform development, regulatory capability, and customer relationships.

Rapid Technology Developments

The industries in which the Company operates are characterized by rapid technological change, evolving industry standards, frequent new product introductions, and short product life cycles. The Company will need to continue developing and upgrading its offerings — including RPAS platforms, ISR systems, autonomous capabilities, and the SKYDRA™ software platform — to remain relevant to customers and competitive against other providers. The development and application of new technologies involves time, substantial costs, and uncertainty. There can be no assurance that the Company will be able to develop new offerings in a timely manner, that such offerings will achieve market acceptance, or that they will be reliable and not susceptible to failure.

New Business Models and Revenue Streams

The Company is pursuing new revenue models including proprietary SaaS software licensing, defence sustainment contracts, autonomous cargo delivery services, and sovereign manufacturing. Forecasting revenue and profitability for these new business models is inherently uncertain. Actual revenues may be significantly less than management's forecasts, and new business models may fail to produce expected financial returns. The opportunity cost of investing management attention and capital in new revenue streams that do not perform as anticipated could adversely affect the Company's overall financial performance.

Future Acquisitions

As part of the Company's business strategy, the Company may pursue acquisitions of businesses, intellectual property, platforms, or technologies that are strategically aligned with its operations. Acquisitions may result

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

in unforeseen operating difficulties, integration challenges, and expenditures that absorb significant management attention. Costs associated with acquisitions may outweigh the value realized, and any acquisition could result in issuances of equity securities that dilute shareholders' ownership, the incurrence of additional debt, contingent liabilities, or significant write-offs. There can be no assurance that any acquisition will be completed on favourable terms or will generate the anticipated strategic or financial benefits.

II. Defence and Government Sector Risks

Defence Sector Risk

The Company's growing participation in the defence sector introduces several inherent risks. Defence procurement cycles are often lengthy and subject to shifts in government priorities, budget appropriations, and policy changes that are outside the Company's control. Sales to NATO-aligned and allied defence customers require strict compliance with export controls and technology-transfer regulations, and any restriction or delay in obtaining necessary approvals may affect the Company's ability to deliver products or access specific markets. Development and certification of larger RPAS, ISR, and fixed-wing endurance platforms involve complex technical and regulatory processes that may extend timelines or increase costs beyond those anticipated. The Company also faces supply-chain risks related to specialized sensors, communications systems, and other controlled components, where sourcing constraints or disruptions could impact delivery schedules.

Defence Contract Concentration and Procurement Cycle Risk

A growing proportion of the Company's revenue is derived from a relatively small number of defence contracts with government and NATO-aligned customers. The delay, modification, or cancellation of a significant defence contract could have a material adverse effect on the Company's revenue, cash flow, and operating results. The Company's defence revenue is currently concentrated in the initial equipment-delivery phase of programme lifecycles. The transition to sustained recurring sustainment and training revenue depends on successful execution of initial deliveries and the customer's ongoing commitment to each programme. There can be no assurance that initial contract awards will lead to the anticipated downstream sustainment, training, and software revenue.

Export Controls and Technology Transfer

The Company's defence business involves the supply of ISR systems, training platforms, and uncrewed aerial systems to customers outside Canada. These activities are subject to the Export and Import Permits Act (Canada) and associated regulations, as well as the export control regimes of allied jurisdictions. Obtaining and maintaining the necessary export permits and end-use certificates is a complex and time-consuming process. Any delay, restriction, or revocation of export authorizations could materially affect the Company's ability to fulfill defence contracts on schedule. Changes in government policy, deterioration of diplomatic relations with customer nations, or the classification of the Company's technologies under more restrictive control categories could limit the Company's ability to export its products and may require costly compliance program enhancements.

Middle East and Global Geopolitical Supply Chain Risk

The Company's defence equipment supply chain — including specialized sensors, communications systems, avionics, and controlled components — is exposed to disruption arising from heightened geopolitical tensions,

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

particularly in the Middle East and the broader Indo-Pacific region. Restrictions on the movement of goods, sanctions regimes, export control changes, or logistics disruptions arising from regional conflict have the potential to delay the sourcing and delivery of critical components required to fulfill defence contracts. The Company experienced supply chain delays in connection with its initial NATO ISR training contract delivery, resulting in the deferral of the initial tranche delivery. There can be no assurance that similar disruptions will not affect future contract deliveries.

Canada's Defence Industrial Strategy — Policy and Execution Risk

The Company's defence growth strategy is aligned with Canada's Defence Industrial Strategy ("DIS"), announced in February 2026, which commits over \$81.8 billion in defence investment and establishes a "Build Canadian First" procurement mandate. While these policy commitments represent a significant market opportunity, there can be no assurance that the DIS will be implemented on the timelines or terms currently anticipated, that the Company will be selected for programmes to which it submits proposals, or that government procurement priorities will not shift in a manner that reduces or redirects defence spending. The DIS framework and the Defence Investment Agency's ("DIA") procurement decisions remain subject to political, budgetary, and parliamentary processes that are outside the Company's control.

Trade Policy and Geopolitical Risks

The Company operates in multiple international markets and is exposed to risks arising from evolving global trade dynamics. Changes in trade policies — including the imposition of tariffs or trade restrictions, particularly by the United States — can have a material impact on the cost structure, supply chain, and competitiveness of the Company's products. The ongoing uncertainty around global trade agreements and geopolitical developments introduces volatility in demand patterns, currency exchange rates, and procurement strategies. Any escalation in protectionist measures may adversely affect the Company's cross-border operations, increase compliance costs, and impact profitability.

Russia-Ukraine Conflict and Global Instability

The ongoing conflict between Russia and Ukraine, combined with heightened tensions in the Middle East and other regions, continues to affect the global security environment. While increased defence spending in NATO member countries creates commercial opportunities for the Company, geopolitical instability also introduces risks to the Company's supply chains, international business development activities, and the operating environments of the Company's customers. Sanctions regimes, trade restrictions, and restrictions on the movement of certain technologies may affect the Company's ability to source components or access certain markets. The long-term impacts of these conflicts and associated policy responses remain uncertain.

III. Manufacturing and Platform Development Risks

UAS Manufacturing Risk

The Company's expansion into the manufacturing of unmanned aircraft systems introduces risks distinct from those associated with its services and equipment distribution operations. Manufacturing activities require significant investment in facilities, tooling, engineering talent, and quality-assurance processes, creating both financial and operational exposure. Scaling production of advanced RPAS platforms involves precision assembly, rigorous testing, and certification requirements that may increase costs or extend production

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

schedules. The Company is dependent on a stable supply chain for critical components such as avionics, sensors, power systems, and composite structures. Any disruptions, shortages, or delays in sourcing these components may affect production throughput and customer delivery commitments. Failure to manage these risks effectively could impact margins, programme timelines, and overall platform viability.

Sovereign Manufacturing — Mirabel Facility Execution Risk

The Company has established a manufacturing facility at in Mirabel, Québec for the production of its V-series long-endurance UAS family and NATO-aligned systems. The development and scale-up of this facility involves significant capital investment, engineering complexity, regulatory qualification, and supply chain development. There can be no assurance that the facility will achieve production capacity on the anticipated timeline or within budget, that production will meet the quality and throughput required to fulfill defence programme timelines, or that the sovereign supply chain required for defence-grade manufacturing will be established as planned. Delays or cost overruns could adversely affect the Company's ability to fulfill contracts, damage customer relationships, and impair the carrying value of assets and intellectual property associated with the V-series platform family.

Intellectual Property — SKYDRA™ and Proprietary Platforms

The Company holds patent-pending intellectual property in respect of the SKYDRA™ C-UAS software platform and has acquired engineering documentation and designs associated with the V-series UAS family and Canary RPAS. There can be no assurance that pending patent applications will be granted, that granted patents will provide meaningful competitive protection, or that third parties will not assert intellectual property claims against the Company. In the defence sector, intellectual property disputes can have particularly significant consequences, including injunctions that prevent the delivery of contracted systems. The Company's IP protection strategy relies in part on trade secrets and confidentiality obligations, which may not provide adequate protection if key personnel depart or if confidential information is disclosed without authorization.

Ownership and Protection of Intellectual Property

The intellectual property used by the Company in its business is not fully protected by patents or registered design rights across all jurisdictions in which it operates, which means that the Company cannot preclude competitors from developing the same or similar technology independently. The Company relies on copyright, trade secret protection, and confidentiality agreements with employees, consultants, and suppliers to protect its intellectual property rights. If the Company fails to register, renew, or enforce intellectual property rights, or if there is unauthorized use or significant impairment of its intellectual property, the value of its products and services could be diminished, the Company's competitive position could be adversely affected, and its business may suffer.

IV. Operational Risks

Product Liability

As a manufacturer and service provider in the unmanned aerial vehicle sector, claims could be brought against the Company if use or misuse of one of its products causes, or appears to have caused, personal injury, death, or property damage. Defects in the Company's products may also lead to health and property risks. Any claims against the Company, regardless of their merit, could severely harm its financial condition and strain

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

management and other resources. The Company may not be able to obtain or maintain adequate product liability insurance for its products on acceptable terms.

Risk of Accidents

An accident involving a drone or UAS operated by the Company or another manufacturer could cause regulatory agencies to tighten restrictions on drone operations, particularly over populated areas or in sensitive airspace, and could cause the public and procurement agencies to lose confidence in the Company's products. There are inherent risks associated with unmanned systems, including risks related to flight control, communications, autonomous navigation, and payload management. Should a high-profile accident occur — whether involving the Company's products or third-party products — public and regulatory confidence in RPAS operations could deteriorate, which could have a material adverse effect on the Company's reputation, results of operations, and financial condition.

Defects in Offerings

The Company's product and service offerings are highly complex and sophisticated and may contain design defects or errors that are difficult to detect and correct. Errors or defects may be found in new or existing offerings, and the Company may not be able to correct such errors in a timely manner. The occurrence of errors or failures could result in loss of customer acceptance, harm to the Company's reputation, and significant remediation expenditures. In the defence context, defects in delivered systems could result in contract penalties, reputational damage with government customers, and liability exposure.

Supplier and OEM Risk

The Company acquires products it sells and components for the manufacture of its platforms from a concentrated group of suppliers and subcontractors. Such suppliers may not be committed or obligated to continue selling to the Company. Certain components require long lead-times, and any lack of working capital or supply chain disruption may result in delays in procurement and delivery. The Company may not be able to obtain required components from alternative sources on acceptable terms, and any disruption to its supply chain could have a material adverse effect on its ability to fulfill contracts and its financial results.

Regulatory Risks — BVLOS and RPAS Operations

There is currently a developing legislative and regulatory framework in place for beyond visual line-of-sight ("BVLOS") operations of commercial drones in Canada and the United States. While Transport Canada's new BVLOS regulatory framework came into effect in November 2025 and the Company has obtained national approvals for nighttime long-distance BVLOS operations, the ongoing evolution of regulations introduces uncertainty. There can be no assurance that the regulatory framework will develop in a manner that supports the Company's business plans, or that the Company will qualify to operate under future regulatory requirements in all jurisdictions in which it seeks to operate.

Regulatory Approvals — Transport Canada and International

Transport Canada is responsible for establishing and managing safety standards for civil aviation in Canada, including unmanned civil aviation. Failure to obtain or maintain necessary regulatory approvals — including Special Flight Operating Certificates, BVLOS authorizations, and type approvals for new platforms including the Condor XL and V-series family — may prevent the Company from testing, operating, or commercializing its

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

aircraft. Limitations on RPAS use imposed in response to public safety concerns, or changes in regulatory policy, could adversely affect the Company's business, financial condition, and results of operations.

Operating Risk and Insurance Coverage

The Company maintains liability insurance coverage for its products and business operations. However, the Company may not be able to secure adequate coverage on acceptable terms for all of its activities, particularly as it expands into defence-related operations and large-scale BVLOS programmes. A successful liability claim against the Company could materially and adversely affect its financial condition, reputation, and results of operations. Changes in insurance market conditions may increase premiums or reduce available coverage.

Volatus Aviation — Licensed Aviation Operations

Volatus Aviation's operations are dependent on the CAR 704 commercial licence granted by Transport Canada, which permits the operation of a domestic and international air taxi and charter service. The loss, suspension, or restriction of this licence would have a material adverse effect on the Company's crewed aviation operations. Volatus Aviation's operations are also subject to fuel price volatility, as significant quantities of fuel are required for its aircraft fleet. Extreme fuel cost increases could adversely affect customer demand and operational profitability. Additionally, severe weather conditions may cause flight cancellations or operational disruptions that affect the Company's ability to meet customer commitments.

V. People and Organizational Risks

Key Talent and Expertise Risk

The Company's ability to execute its strategy depends on access to specialized expertise across all business lines, including commercial inspection services, utility programs, cargo operations, training, and defence. Demand for qualified RPAS pilots, systems engineers, data analysts, software developers, manufacturing technicians, and regulatory specialists continues to exceed supply in the broader aerospace and technology labour markets. Difficulty attracting or retaining skilled personnel, or delays in filling highly technical roles, may affect operational delivery, platform development, regulatory compliance, and customer commitments across both commercial and defence lines of business.

Dependence on Key Personnel

The Company's future success depends in part on the continued services of its executive officers and other key employees, including those with specialized expertise in defence procurement, RPAS engineering, autonomous systems, and regulatory affairs. Competition for qualified personnel in the aerospace and defence sector is intense. The loss of one or more key personnel could have a significant adverse effect on the Company's sales, operations, platform development programmes, and customer relationships. The Company's ability to attract and retain key personnel will depend on its compensation structures, equity incentive programs, and culture, each of which may need to evolve as the Company scales.

Succession and Leadership Continuity Risk

The Company's operational performance and strategic execution rely on continuity within leadership, programme management, and technical oversight roles. Unplanned departures of key leaders or individuals

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

with deep institutional knowledge may disrupt ongoing projects, delay integration of new technologies, and affect customer relationships. As the Company scales its operations across services, manufacturing, cargo logistics, and training, effective succession planning and knowledge transfer remain essential to maintaining stability and long-term execution capability.

Workforce Availability and Labour Market Risk

The Company competes in labour markets where qualified personnel are limited, including experienced drone operators, composite and manufacturing technicians, GIS and data-processing specialists, and safety and compliance professionals. Tight labour conditions, certification requirements, wage inflation, and regional skill shortages may limit the Company's ability to hire at the pace required to support growth. Any sustained labour constraints could slow project execution, reduce training capacity, extend delivery timelines, or restrict the Company's ability to scale services across North America and international markets.

Human Capital Integration and Retention Risk

As the Company grows through expansion of service lines, manufacturing programmes, remote operations, and training offerings, effective integration and retention of employees is critical. The Company must maintain consistent quality systems, operational standards, and training frameworks across multiple business segments and geographies. Challenges in aligning teams, integrating new hires, or retaining high-performing employees may impact productivity, programme delivery, and customer satisfaction. High turnover or onboarding delays could increase costs and reduce the Company's ability to meet growing demand across its commercial and defence portfolios.

VI. Financial and Capital Risks

Operating Losses

The Company has incurred net losses in each year since the formation of its current operating model. The Company cannot assure that it will become profitable or avoid net losses in future periods. The Company expects that its operating expenses will continue to increase as it grows its defence business, scales manufacturing operations, and develops proprietary software and platform capabilities. Any decrease or delay in generating revenues could result in material operating losses.

Future Capital Requirements

The Company may need to raise additional capital through public or private debt or equity financings to fund ongoing operations, advance platform development programmes, scale manufacturing capacity, or respond to competitive pressures. Any additional capital raised through the sale of equity may dilute shareholders' ownership. Capital raised through debt financing would require periodic interest payments and may impose restrictive covenants. Additional financing may not be available on favourable terms or at all. A failure to obtain additional funding could prevent the Company from making the expenditures required to execute its growth strategy.

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

Covenant Compliance and Debt Obligations

The Company's term loan with Export Development Canada contains financial covenants, including minimum EBITDA requirements. The Company was in breach of its EBITDA covenant as at December 31, 2025, and received a formal waiver from EDC subsequent to year-end. There can be no assurance that the Company will satisfy its financial covenants in future measurement periods, or that lenders will continue to provide waivers if breaches occur. A covenant breach that is not waived would constitute an event of default, giving the lender the right to demand immediate repayment of the outstanding loan balance. The occurrence of such an event could have a material adverse effect on the Company's liquidity, financial condition, and ability to continue operations as planned.

Variable Revenues and Earnings

The Company's revenues and earnings may fluctuate from quarter to quarter as a result of the seasonal nature of its inspection and services business, the timing of defence equipment deliveries, customer procurement cycles, and the ramp-up of new programmes. Operating expenses are largely fixed in the short term and therefore difficult to rapidly adjust to different levels of business activity. These factors may cause significant variations in the Company's revenues, gross margins, and earnings in any given quarter, which could affect the market price of the Company's common shares.

Foreign Currency Risk

The Company engages in significant transactions and activities in currencies other than its Canadian dollar functional currency, including the U.S. dollar and British pound sterling. Depending on the timing of transactions and applicable currency exchange rates, conversions to the Company's functional currency may positively or negatively impact revenues, costs, and reported financial results. The Company does not currently maintain a comprehensive currency hedging program, and currency fluctuations could adversely affect financial performance.

Interest Rate Risk

The Company is subject to interest rate risk on its floating-rate debt obligations. Market fluctuations in interest rates could increase the cost of the Company's existing and future debt financings and adversely affect its cash flow and financial condition. The Company's ability to access capital at acceptable rates may also be affected by broader market conditions and the Company's credit profile.

Internal Controls

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. However, internal controls over financial reporting are not guaranteed to provide absolute assurance. As the Company scales its operations, integrates new business activities, and expands internationally, maintaining adequate internal controls across a growing and complex organization requires ongoing investment and management attention. Deficiencies in internal controls could result in material misstatements in the Company's financial statements.

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

VII. Technology and Cybersecurity Risks

SKYDRA™ SaaS Platform Risk

The Company launched its first proprietary SaaS platform, SKYDRA™, for counter-unmanned aircraft system operational planning and simulation. The development and commercialization of software products involves risks distinct from those associated with hardware and services, including the risk that the platform does not achieve market acceptance among target customers — armed forces, public safety agencies, and critical infrastructure operators — within the anticipated timeframe. Subscription-based software revenue depends on customer retention and contract renewal, and the failure to convert evaluation programs into commercial agreements could adversely affect the recurring revenue stream the platform is intended to generate. The platform operates in defence and security contexts and is subject to heightened cybersecurity risks, including the risk of unauthorized access or exploitation that could damage the Company's reputation and expose it to liability.

Cyber Threats

The Company and its customers are subject to cyber-attacks from cybercriminals and state-sponsored actors. Information technology security breaches could lead to shutdowns or disruptions of the Company's systems — including its Operations Control Centre — and the potential unauthorized disclosure of confidential information, including personal data and proprietary defence-related information. The Company may be required to expend significant capital to protect against security breaches or to remediate problems caused by such breaches. In the defence context, a cybersecurity incident affecting the Company's systems or those of its customers could have consequences beyond financial loss, including reputational damage with government and allied customers that would be difficult to recover.

Privacy Laws Compliance

The Company collects and stores personal information about its users, employees, and partners and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural failure, information technology malfunction, or deliberate unauthorized intrusion. In addition to operational risks, the Company is subject to the Personal Information Protection and Electronics Documents Act (Canada) ("PIPEDA") and similar legislation in other jurisdictions in which it operates. If the Company was found to be in violation of applicable privacy laws, it could be subject to sanctions, civil or criminal penalties, reputational harm, and material adverse effects on its business and financial condition.

VIII. Market and External Risks

Geographical Expansion

The Company currently operates primarily in Canada, the United States, and the United Kingdom, with expanding activities in European and international markets including Norway, Nigeria, and NATO-allied jurisdictions. International expansion exposes the Company to risks relating to cross-border operations management, increased costs of protecting intellectual property and sensitive data, tariffs and trade barriers, differing tax regimes, regulatory compliance requirements, cultural and language differences, exchange rate risk, and political instability. There can be no assurance that the Company's international expansion will be successful, which could limit the Company's ability to grow its business.

Volatus Aerospace Inc. Management's Discussion & Analysis For the year ended December 31, 2025

Foreign Political and Legal Risk

A significant portion of the Company's business opportunities and defence engagements lie outside Canada. Operating in foreign countries and relying on suppliers in foreign countries — including countries in Asia for certain components — exposes the Company to political risks, country risks, and currency risks. Changes in government investment policies, intellectual property regimes, or taxation in jurisdictions in which the Company operates or sources materials may adversely affect the Company's operations or profitability. Inherent risks of foreign operations include extreme currency fluctuations, military instability, organized crime, terrorism, expropriation, and changing governmental regulations.

Catastrophic Events and Pandemics

Events beyond the Company's control — including fires, earthquakes, terrorist attacks, pandemics, or natural disasters — may damage the Company's ability to operate, fulfill contracts, and serve customers. System interruptions and delays from natural disasters could harm the Company's ability to run its business and cause lengthy disruptions. The outbreak of epidemics or pandemics could affect the Company's operations, its suppliers' operations, and its customers' operations through forced closures, travel restrictions, supply shortages, and reduced demand.

Tax Risks

The Company is a resident of Canada for purposes of the Income Tax Act (Canada). Since the Company operates in a developing industry across multiple jurisdictions, there is a risk that governments may introduce additional taxes or levies that adversely affect the Company's cost structure. There is no guarantee that governments will not impose additional adverse taxes in the future, and changes in tax policy in Canada or in foreign jurisdictions could materially affect the Company's financial condition and results of operations.

IX. Capital Markets and Governance Risks

TSX Listing and Increased Disclosure Obligations

The Company's graduation to the Toronto Stock Exchange in March 2026 subjects it to the continuous disclosure, governance, and investor relations obligations of a senior exchange-listed issuer. These obligations are more extensive than those applicable to TSX Venture Exchange issuers and include more stringent requirements relating to insider reporting, material change disclosure, audit committee composition, and shareholder communication. Failure to meet these obligations in a timely and accurate manner could result in regulatory sanctions, trading restrictions, or reputational harm. The Company may need to invest additional resources in legal, compliance, and governance infrastructure to meet these requirements as it scales.

Brand Development

The brand identities that the Company has developed — including the Volatus Aerospace brand in commercial and defence markets, and the emerging brand recognition of SKYDRA™ and the V-series platform family — significantly contribute to the success of the Company's business. Maintaining and enhancing these brands is critical to expanding the Company's customer base in both commercial and defence markets. The Company's brand may be negatively impacted by product malfunctions, data security incidents, regulatory non-compliance, or adverse publicity. If the Company fails to maintain and enhance its brand, or incurs excessive

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

expenses in this effort, it could have a material adverse effect on the Company's business and financial condition.

Reputational Risk

The Company is exposed to the risk of allegations which, whether true or not, could damage the Company's standing and reputation among shareholders, partners, government customers, defence organizations, and other stakeholders. In the defence context, reputational damage arising from a failed delivery, a product defect, or a compliance failure could result in disqualification from future procurement programmes or the loss of security clearances required to bid on or execute classified work. Negative publicity may also affect the Company's relationships with regulators, causing regulatory authorities to take a more restrictive approach to the Company's operational authorizations.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its operations and financial condition. Should any litigation be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price of the Company's common shares. Even if the Company prevails in litigation, defending claims requires significant management time and legal expenditure.

Future Capital Requirements and Dilution

The Company may need to raise additional capital in the future through public or private equity or debt financings to fund operations, platform development, manufacturing scale-up, or strategic opportunities. Any additional equity financing may result in dilution to existing shareholders. Debt financing may impose restrictive covenants and increase interest costs. There can be no assurance that additional financing will be available on terms favourable to the Company, or at all, and the inability to raise capital when required could limit the Company's ability to execute its growth strategy.

The foregoing risks are not exhaustive. The Company's business, financial condition, and results of operations could be adversely affected by risks not described above, including risks that management currently considers immaterial or that are not currently known to the Company.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to Volatus, including our consolidated subsidiaries, is made known to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Control over Financial Reporting ("ICFR")

Volatus Aerospace Inc.
Management's Discussion & Analysis
For the year ended December 31, 2025

Our management, with the participation of our CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the CEO and CFO, our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Our internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Volatus;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS Accounting Standards and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

Limitations on the Effectiveness of Disclosure Controls and the Design of ICFR:

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures and ICFR will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system objectives will be met. The likelihood of achievement is affected by limitations inherent in all internal control systems. These inherent limitations include the realities that judgments or decision making can be faulty, and that breakdowns occur because of simple errors or mistakes. Controls can also be circumvented in numerous ways including collusion, overrides and deception. In addition to the inherent limitations, the design of a control system must reflect that there are resource constraints, and the expected benefit of controls must be considered relative to the expected costs. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Further, no evaluation of controls can provide absolute assurance that all control issues within a company will be detected.

Additional Information

Additional information relating to the Company is available on the SEDAR website www.sedar.com.