



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

**Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2025**

These consolidated financial statements are presented in Canadian Dollars unless otherwise noted.

**Volatus Aerospace Inc.**  
**Condensed Consolidated Interim Statements of Financial Position - Unaudited**  
*(Expressed in Canadian Dollars)*

	Notes	31-Mar-25	31-Dec-24
<b>Assets</b>			
Current			
Cash		924,793	1,558,909
Restricted Cash		257,818	244,908
Trade and other receivables	5	3,301,931	4,502,679
Prepaid expenses, deposits, and other current assets	6	2,068,001	2,564,898
Inventories	10	3,219,893	3,103,677
<b>Total current assets</b>		<b>9,772,436</b>	<b>11,975,071</b>
Property, plant and equipment	7	8,773,210	9,715,359
Intangible assets	8	13,300,856	13,538,692
Right-of-use asset	19	2,093,912	1,835,343
Goodwill	9	20,739,606	20,739,606
<b>Total non-current assets</b>		<b>44,907,584</b>	<b>45,829,000</b>
<b>Total Assets</b>		<b>54,680,020</b>	<b>57,804,071</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Trade payables and accrued liabilities	11	8,566,289	6,331,383
Deferred revenue		230,983	623,497
Current portion of lease liability	20	825,187	765,498
Other short-term liabilities	13	927,774	952,614
Current portion of convertible debt	18	2,435,375	2,435,375
Current portion of long-term borrowings	12	9,045,637	9,115,001
Deferred/ Contingent consideration		-	144,078
<b>Total current liabilities</b>		<b>22,031,245</b>	<b>20,367,446</b>
Long-term borrowings	12	4,551,635	5,548,463
Convertible Debentures	17	4,013,843	4,013,843
Lease Liability	20	1,379,240	1,239,577
Contingent Consideration		-	297,977
<b>Total non-current liabilities</b>		<b>9,944,718</b>	<b>11,099,860</b>
<b>Total Liabilities</b>		<b>31,975,963</b>	<b>31,467,306</b>
<b>Shareholders' Equity</b>			
Common equity	16	47,183,323	46,615,125
Warrants reserve	16	7,025,578	7,026,618
Share-based payment reserve	16	3,119,761	2,954,307
Convertible Debenture - Options	17	2,760,433	2,760,433
Preferred shares	16	206,188	286,188
Deficit		(36,820,510)	(32,578,867)
Contributed Surplus		211,831	211,831
Non-controlling interest		(982,547)	(938,870)
<b>Total Shareholders' Equity</b>		<b>22,704,057</b>	<b>26,336,765</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>54,680,020</b>	<b>57,804,071</b>

Going concern (note 2)

Subsequent event (note 21)

Approved and authorized to issue by the Board of Directors

"Glen Lynch" \_\_\_\_\_

Director

"Andrew Leslie" \_\_\_\_\_

Director

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

**Volatus Aerospace Inc.**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss - Unaudited**  
*(Expressed in Canadian Dollars)*

	Notes	Three months ended Mar 31	
		2025	2024
Revenue		5,713,158	6,623,741
Direct costs		3,883,185	4,397,985
<b>Gross Profit</b>		<b>1,829,973</b>	<b>2,225,756</b>
<b>OPERATING EXPENSES</b>			
Advertising & marketing		135,575	293,339
IT & tech		245,180	256,802
Personnel		2,440,528	2,196,722
R&D		11,756	11,840
Office cost		438,182	583,199
Travel		64,288	57,620
External partner cost		200,637	200,072
Depreciation and amortization	7,8	1,496,425	1,098,088
Share based Payments		165,454	126,822
		<b>5,198,025</b>	<b>4,824,504</b>
<b>(Loss) from Operations</b>		<b>(3,368,052)</b>	<b>(2,598,748)</b>
<b>OTHER ITEMS - INCOME/(EXPENSE)</b>			
Finance cost		(645,685)	(379,106)
Other income (expense)		(3,468)	(10,168)
Gain (loss) on investments		(58,963)	-
Tax Expenses		(210,377)	-
Gain (Loss) on disposal of property and equipment		-	(7,184)
Foreign exchange translation		1,225	3,887
<b>Net Loss</b>		<b>(4,285,320)</b>	<b>(2,991,319)</b>
<b>Total comprehensive Income (loss) for the period attributable to:</b>			
Owners of Volatus Aerospace Corp.		(4,241,643)	(2,915,143)
Non-controlling interest		(43,677)	(76,176)
		<b>(4,285,320)</b>	<b>(2,991,319)</b>
<b>Loss per share</b>			
Basic and diluted		(0.01)	(0.01)

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

**Volatus Aerospace Inc.**  
**Condensed Consolidated Interim Statements of Changes in Equity - unaudited**  
*(Expressed in Canadian Dollars)*

	Number of shares	Capital Stock	Number of preference shares	Preferred Shares	Warrants Reserve	Share-based Reserve	Convertible Debt - Equity Portion	Contributed Surplus	Non-Controlling Interest	Deficit	Total
December 31, 2023	221,346,713	13,360,860	352,634	351,764	6,192,685	2,427,813	200,356	211,831	(770,150)	(19,437,263)	2,537,896
Shares Issued on Acquisition	2,998,800	252,000									252,000
Stock options expense						126,822					126,822
Net loss for the period									(76,176)	(2,915,143)	(2,991,319)
<b>March 31, 2024</b>	<b>224,345,513</b>	<b>13,612,860</b>	<b>352,634</b>	<b>351,764</b>	<b>6,192,685</b>	<b>2,554,635</b>	<b>200,356</b>	<b>211,831</b>	<b>(846,326)</b>	<b>(22,352,407)</b>	<b>(74,602)</b>

	Number of shares	Capital Stock	Number of preference shares	Preferred Shares	Warrants Reserve	Share-based Reserve	Convertible Debt - Equity Portion	Contributed Surplus	Non-Controlling Interest	Deficit	Total Shareholders Equity
December 31, 2024	468,841,273	46,615,125	286,188	286,188	7,026,618	2,954,307	2,760,433	211,831	(938,870)	(32,578,867)	26,336,765
Shares Issued on Acquisition	3,322,768	482,305									482,304
Warrant Exercise	34,667	5,893			(1,040)						4,852
Pref Shares Redemption	666,667	80,000	(80,000)	(80,000)							-
Stock options expense						165,454					165,454
Net loss for the period									(43,677)	(4,241,643)	(4,285,320)
<b>March 31, 2025</b>	<b>472,865,375</b>	<b>47,183,323</b>	<b>206,188</b>	<b>206,188</b>	<b>7,025,578</b>	<b>3,119,761</b>	<b>2,760,433</b>	<b>211,831</b>	<b>(982,547)</b>	<b>(36,820,510)</b>	<b>22,704,057</b>

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

**Volatus Aerospace Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows - unaudited**  
*(Expressed in Canadian Dollars)*

	Three months ended Mar 31	
	2025	2024
<b>OPERATING ACTIVITIES</b>		
Net Loss	(4,285,320)	(2,991,319)
Adjustments For:		
Depreciation and Amortization	1,496,425	1,098,088
Gain on sale of property and equipment	-	7,184
Finance Cost	566,617	338,827
Share based Payments	165,454	126,822
Interest paid on Lease liability	79,068	40,279
Loss on investment	58,963	-
	<b>(1,918,793)</b>	<b>(1,380,119)</b>
<b>Net changes in non-cash working capital items:</b>		
Restricted cash	(12,910)	-
Trade and other receivables	1,200,748	831,449
Prepaid expenses and deposits	496,897	(579,708)
Inventories	(116,216)	43,419
Trade payables and accrued liabilities	2,216,193	1,345,897
Deferred revenue	(392,514)	(107,832)
Other short-term liabilities	(24,840)	358,798
Deferred/ Contingent consideration	-	-
<b>Cash generated from (used in) Operating Activities</b>	<b>1,448,565</b>	<b>511,904</b>
<b>INVESTING ACTIVITIES</b>		
Additions to Property, Plant & Equipment	(670,173)	(286,162)
Disposal of Property, Plant & Equipment	701,496	-
Addition to Intangibles	(124,612)	-
Business Combination, Net Cash	-	97,273
	<b>(93,289)</b>	<b>(188,890)</b>
<b>Cash provided by (used in) Investing Activities</b>		
<b>FINANCING ACTIVITIES</b>		
Net Proceeds/(Repayment) of long-term loans	-	-
Repayment of borrowings	(1,557,755)	(781,515)
Proceeds/(Repayment) of Preference Shares	(80,000)	-
Repayment of lease obligations	(356,490)	(182,979)
Exercise of Warrants	4,853	-
	<b>(1,989,392)</b>	<b>(964,494)</b>
<b>Cash provided by (used in) Financing Activities</b>		
Net change in cash	(634,116)	(641,480)
Cash and cash equivalents, beginning of the period	1,558,909	1,682,402
<b>Cash and cash equivalents, end of the period</b>	<b>924,793</b>	<b>1,040,922</b>

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

**Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2025 (unaudited)**

---

**1. The Company and its Operations**

Volatus Aerospace Inc. (Formerly Drone Delivery Canada Corp.) ("Volatus" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. The Company's principal office is located at 6221 Highway 7, Unit 6, Vaughan, Ontario L4H 0K8. The Company's shares trade on the Toronto Venture Exchange (the "TSXV") under the symbol "FLT" and OTC Markets (the "OTCQB") under the symbol "TAKOF").

On August 30, 2024, Volatus Aerospace Inc. (Drone Delivery Canada Corp.) entered into a plan of arrangement to acquire all outstanding shares in Volatus Aerospace Corp. and renamed as Volatus Aerospace Inc.

Volatus and entities it controls are together referred to in these consolidated financial statements as the "Company" or "Volatus". Refer to Note 4 for the Company's major subsidiaries.

Volatus is a leading provider of integrated drone solutions throughout Canada, the United States, the UK, and Norway. Operating a vast pilot network, Volatus serves commercial and defense markets with imaging, inspection, security and surveillance services, cargo services, equipment sales and support, training. Through its subsidiaries, Volatus carries on the business of pipeline inspection and monitoring, using piloted aircraft. All other activities are conducted in the remotely piloted sector of aviation.

**2. Basis of preparation, going concern and critical judgements and estimates****Statement of compliance**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), effective for the quarter ended March 31, 2025, applicable to companies reporting under IFRS, and have been consistently applied unless otherwise indicated.

These consolidated financial statements of the Company were approved by the Board of Directors on May 28, 2025.

**Basic of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, certain financial instruments and derivative financial instruments, and contingent consideration related to business acquisitions, which are measured at their estimated fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**Going concern**

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet and continue its obligations for at least the next twelve months from March 31, 2025. At March 31, 2025, the Company had not yet achieved profitable operations, had an accumulated deficit of \$36.82 million since its inception and negative working capital of \$12.25 million. The Company expects to incur further operating losses in 2025 with the continued ramp up of business activities to service evolving market demands in a nascent industry.

The Company's ability to continue as a going concern 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

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

---

future profitable operations. There are no assurances that any of these initiatives will be successful which indicates the existence of a material uncertainty that cast doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

**Presentation currency**

These consolidated financial statements are presented in Canadian dollars ("C\$"). The functional currency of the Company's subsidiaries is outlined in note 4.

**Critical Judgments and estimates**

The preparation of these financial statements in conformity with IFRS Accounting Standards requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Following are the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these consolidated financial statements:

*Purchase price equations*

The acquired assets and assumed liabilities are generally recognized at fair value on the date the Company obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. Management applied significant judgement in estimating the fair value of the contingent consideration, technology, trade name and customer relationships. Management used the multi-period excess earnings method to fair value customer relationships using a discounted cash flow model. The significant assumptions used in the discounted cash flow models are revenue growth rates, the earnings before interest, taxes, depreciation, and amortization ("EBITDA") margins and discount rates. Management used the Relief from Royalty Method and Multi-period excess earnings method, to assess the fair value of technology and trade name related intangible assets. The significant assumptions used in these models include forecasted revenue, royalty rates and discount rates. Changes in these estimates and judgments could result in significant changes to the valuation of the intangible assets.

*Impairment*

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). The FVLCD calculation is based on available data from binding sales transacted, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified,

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

---

an appropriate valuation model is used. Management applied significant judgement in determining the recoverable amounts. Fair value less costs of disposal is determined using market-based valuation techniques consistent with the principles of IFRS 13, including the use of earnings or revenue multiples derived from comparable public companies or transactions. If no observable market data is available, alternative valuation techniques may be used. Such valuations incorporate assumptions that market participants would use in pricing the asset or CGU, including estimates of expected future performance and associated risks. An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses related to goodwill are not reversed in subsequent periods. Changes in these estimates and judgments could result in significant changes to management's conclusions with respect to asset impairment.

*Contingent consideration liabilities*

Contingent consideration liabilities are initially recorded on the date of a business combination and are payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration is recorded at its estimated fair value at the various acquisition dates and the fair value is re-assessed at the end of each reporting period. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and inclusion of a discount rate as appropriate. Determining the probability of the acquired business achieving targets requires judgement. Changes in the fair value of the contingent consideration are included in the determination of net income/loss.

*Estimated Useful Lives of Property and Equipment and Intangible Assets*

Management estimates the useful lives of property and equipment and intangible assets based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation and amortization for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment and intangible assets in the future. Changes in these estimates and judgments could result in significant changes to the amortization expense and carrying value of intangible assets and property, plant and equipment.

*Fair Value of Share-Based Payments*

Fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields, and the expected life of the stock options issued. Fair value inputs are subject to market factors, expected forfeiture rates as well as internal estimates. Changes in these estimates and judgments could result in significant changes to the valuation and amount of share-based payments expense.

**3. Summary of material accounting policies**

These condensed consolidated interim financial statements have been prepared following the same accounting principles and methods of computation as in outlined in the Company's consolidated financial statements for the year ended December 31, 2024. A description of the accounting standards and interpretations that have been adopted by the Company can be found in the notes of the annual financial statements for the year ended December 31, 2024. The preparation of the condensed consolidated interim financial statements requires management to

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

make assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. These condensed consolidated interim financial statements include estimates, which by their nature, are uncertain. These assumptions and associated estimates are based on historical experience and other factors that are considered to be relevant. As such, actual results may differ from estimates and the effect of such differences may be material. Significant estimates and judgements used in the preparation of these condensed consolidated interim financial statements remained unchanged from those disclosed in the Company’s annual consolidated financial statements for the year ended December 31, 2024.

**4. Subsidiaries**

These consolidated financial statements include entities controlled by the Company. Control exists when the Company has the ability to direct the relevant activities and the returns of an entity. The financial statements of these entities are included in these results from the date that control commences until the date that control ceases. Details of the Company’s significant entities are as follows:

Name of Subsidiary	Principal Activity	Functional Currency	Country of Incorporation	Ownership Interest
Volatus Aerospace Corp.	Drone Solutions Provider	CAD	Canada	100%
Volatus Flight Systems Inc.	Fixed-wing Drone Technology	CAD	Canada	70%
Volatus Aerospace USA Corp.	Drone Solutions Provider	USD	USA	90%
ConnexiCore LLC	Drone Solutions Provider	USD	USA	90%
Indigenous Aerospace Corp.	RPAS/UAV Service and Training	CAD	Canada	100%
Volatus Aviation (Partner Jet Inc.)	Aircraft management & charter services	CAD	Canada	100%
RPV Aviation Inc.	Regulatory Consulting	CAD	Canada	100%
MVT Geo Solutions Inc.	RPAS/UAV Service	CAD	Canada	100%
Canadian Air National Inc.	Pipeline Inspection & Surveillance Services	CAD	Canada	100%
Volatus Aerospace UK Ltd.	RPAS/UAV Service and Training	GBP	UK	100%
iRed Limited	RPAS/UAV Service and Training	GBP	UK	100%
Synergy Aviation Ltd.	Pipeline Inspection & Surveillance Services	CAD	Canada	58%
Synergy Flight Training Inc.	Pilot Training	CAD	Canada	58%
Empire Drones LLC	Distribution & Services	USD	USA	100%
Sky Scape Industries, LLC	Drone Solutions Provider	USD	USA	100%
Aerial Motion Pictures Limited (UAV Hub)	RPAS/UAV Training	UK £	UK	100%
Open Sky Consulting International Ltd (Drone Mentor)	RPAS/UAV Training	UK £	UK	100%
Volatus Aerospace EU AS	Drone Solutions Provider	NOK	Norway	100%
<b>Volatus Unmanned Services Inc.<sup>A1</sup></b>		CAD	Canada	100%
- UAviation Aerial Solutions Limited	RPAS/UAV Service	CAD	Canada	100%
- SkyGate Videography Inc.	RPAS/UAV Service and Training	CAD	Canada	100%
- M3 Drone Services Limited	RPAS/UAV Service	CAD	Canada	100%
- M3 Drone Training Zone Inc.	RPAS/UAV Training	CAD	Canada	100%

# Volatus Aerospace Inc.

## Notes to Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2025 (unaudited)

- Canadian UAV Solutions Inc.	RPAS/UAV Service	CAD	Canada	100%
- OmniView Tech Corp.	Distribution & Service	CAD	Canada	100%

<sup>1</sup> - Volatus Unmanned Services is the infrastructure services arm of Volatus Aerospace Corp. for Canada. Except for MVT Geo Solutions Inc., all sales, services, and training related companies in Canada were acquired under Volatus Unmanned Services.

The 30% external shareholding of Volatus Flight Systems, 10% external shareholding of Volatus Aerospace USA Corp, are all attributable to Non-Controlling Interests in the consolidated financial statements.

### 5. Trade and other receivables

	March 31, 2025	December 31, 2024
Trade receivables	3,279,991	4,426,919
Accrued revenues	21,940	75,760
Total	3,301,931	4,502,679

### 6. Prepaid expenses, deposits, and other current assets

	March 31, 2025	December 31, 2024
Prepaid expenses	1,538,659	2,046,579
Security deposit	259,001	253,166
Other current assets	270,342	265,153
Total	2,068,001	2,564,898

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2025 (unaudited)

7. Property, plant & equipment

Cost	Drones & Accessories	Machinery	Leasehold Improvements	Furniture & Fixtures	Computer & Equipment	Vehicle	Aircraft	Construction in Progress	Total Tangible Assets
<b>Balance, December 31, 2023</b>	<b>2,492,697</b>	<b>353,571</b>	<b>405,975</b>	<b>704,565</b>	<b>834,600</b>	<b>1,275,305</b>	<b>7,133,568</b>	<b>483,269</b>	<b>13,683,550</b>
Additions	112,029	16,420	9,700	524	72,647		1,041,809	532,866	1,785,995
Additions related to business combinations	507,328	5,366	868,400	6,404	317,848	71,000		203,042	1,979,388
Foreign exchange adjustments	49,387	19,078		17,779	(2,967)				83,277
Disposals/Retirements	(6,801)	(5,000)	-	(151,789)	(14,606)	(455,076)			(633,272)
<b>Balance, December 31, 2024</b>	<b>3,154,640</b>	<b>389,435</b>	<b>1,284,075</b>	<b>577,483</b>	<b>1,207,522</b>	<b>891,229</b>	<b>8,175,377</b>	<b>1,219,177</b>	<b>16,898,938</b>
<b>Accumulated Depreciation</b>									
Balance, December 31, 2023	1,044,846	197,082	61,073	519,483	516,659	364,941	1,689,130	-	4,393,214
Depreciation for the year	673,870	52,476	65,083	25,228	153,109	217,160	1,859,729	-	3,046,655
Disposals/Retirements	(6,196)	-	-	(61,679)	(14,606)	(173,809)	-	-	(256,290)
<b>Balance, December 31, 2024</b>	<b>1,712,520</b>	<b>249,558</b>	<b>126,156</b>	<b>483,032</b>	<b>655,162</b>	<b>408,292</b>	<b>3,548,859</b>	<b>-</b>	<b>7,183,579</b>
<b>Net carrying Amount</b>									
Balance, December 31, 2023	1,447,851	156,489	344,902	185,082	317,941	910,364	5,444,438	483,269	9,290,336
Balance, December 31, 2024	<b>1,442,120</b>	<b>139,877</b>	<b>1,157,919</b>	<b>94,451</b>	<b>552,360</b>	<b>482,937</b>	<b>4,626,518</b>	<b>1,219,177</b>	<b>9,715,359</b>

  

Cost	Drones & Accessories	Machinery	Leasehold Improvements	Furniture & Fixtures	Computer & Equipment	Vehicle	Aircraft	Construction in Progress	Total Tangible Assets
<b>Balance, December 31, 2024</b>	<b>3,154,640</b>	<b>389,435</b>	<b>1,284,075</b>	<b>577,483</b>	<b>1,207,522</b>	<b>891,229</b>	<b>8,175,377</b>	<b>1,219,177</b>	<b>16,898,938</b>
Additions	9,722	11,340	-	-	3,502	-	379,814	265,795	670,173
Disposals/Reclassification	(5,677)	-	-	-	-	-	(952,495)	-	(958,172)
<b>Balance, March 31, 2025</b>	<b>3,158,685</b>	<b>400,775</b>	<b>1,284,075</b>	<b>577,483</b>	<b>1,211,024</b>	<b>891,229</b>	<b>7,602,697</b>	<b>1,484,972</b>	<b>16,610,940</b>
<b>Accumulated Depreciation</b>									
Balance, December 31, 2024	1,712,520	249,558	126,156	483,032	655,162	408,292	3,548,859	-	7,183,579
Depreciation for the period	223,875	59,944	83,745	10,321	33,686	5,538	488,189	-	905,298
Disposals/Retirements							(251,148)		(251,148)
<b>Balance, March 31, 2025</b>	<b>1,936,395</b>	<b>309,502</b>	<b>209,901</b>	<b>493,353</b>	<b>688,848</b>	<b>413,830</b>	<b>3,785,900</b>	<b>-</b>	<b>7,837,729</b>
<b>Net carrying Amount</b>									
31-Dec-24	1,442,120	139,877	1,157,919	94,451	552,360	482,937	4,626,518	1,219,177	9,715,359
<b>31-Mar-25</b>	<b>1,222,290</b>	<b>91,273</b>	<b>1,074,174</b>	<b>84,130</b>	<b>522,176</b>	<b>477,399</b>	<b>3,816,797</b>	<b>1,484,972</b>	<b>8,773,210</b>

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2025 (unaudited)

## 8. Intangible assets

	Technology	Customer	Trademark/ Brand Names	Total
<b>Cost</b>				
Balance, December 31, 2024	9,114,965	3,065,170	1,358,557	13,538,692
Additions	124,612			124,612
Foreign exchange adjustments				-
<b>Balance, March 31, 2025</b>	<b>9,239,577</b>	<b>3,065,170</b>	<b>1,358,557</b>	<b>13,663,304</b>
<b>Accumulated Depreciation</b>				
Balance, December 31, 2024	-	-	-	-
Amortization for the period	123,778	173,300	65,370	362,448
<b>Balance, March 31, 2025</b>	<b>123,778</b>	<b>173,300</b>	<b>65,370</b>	<b>362,448</b>
<b>Net carrying Amount</b>				
Balance, December 31, 2024	9,114,965	3,065,170	1,358,557	13,538,692
<b>Balance, March 31, 2025</b>	<b>9,115,799</b>	<b>2,891,870</b>	<b>1,293,187</b>	<b>13,300,856</b>

## 9. Goodwill

	March 31, 2025	December 31, 2024
Balance, beginning of year	20,739,606	963,604
Acquisitions	-	19,776,002
<b>Balance, end of year</b>	<b>20,739,606</b>	<b>20,739,606</b>

The Company performs an impairment test annually. Last impairment test was done on December 31, 2024. No impairment testing was performed on March 31, 2025.

## 10. Inventories

Inventory mainly consists of finished goods of drones and related accessories. No write-downs were made during the years ended March 31, 2025 and 2024. Direct costs for the quarter ended March 31, 2025 included \$2,084,064 of inventory sold (2024 - \$2,303,482).

## 11. Trade payables and accrued liabilities

(in C\$)	Mar 31, 2025	Dec 31, 2024
Accounts Payable	5,280,926	3,822,972
Deposits from customers	1,316,742	927,929
Payroll Liability	1,293,199	1,163,121
Other accrued Liabilities	675,421	417,361
<b>Total</b>	<b>8,566,289</b>	<b>6,331,383</b>

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

**12. Long-term Borrowings**

(in C\$)	Mar 31, 2025	Dec 31, 2024
Aircraft Loans	3,403,352	4,322,705
Vehicles Loans	385,835	431,146
CEBA	398,425	398,727
Development Loan	125,024	166,688
Promissory Note	1,095,183	1,111,627
Term Loan	7,500,000	7,500,000
Other Loans	689,452	732,571
<b>Total</b>	<b>13,597,272</b>	<b>14,663,464</b>
<b>Less: Current Portion of Long-Term Debt</b>	<b>(1,545,637)</b>	<b>(1,615,001)</b>
<b>Less: Term Loan treated as current liability</b>	<b>(7,500,000)</b>	<b>(7,500,000)</b>
<b>Long-term borrowings</b>	<b>4,551,635</b>	<b>5,548,463</b>

As at March 31, 2025, the Company was party to a \$7.5 million term loan agreement with Export Development Canada ("EDC"), bearing interest at Prime+8% and maturing in October 2028. The loan is subject to certain financial covenants, including a minimum working capital requirement calculated quarterly.

As of the reporting date, the Company was not in compliance with the minimum working capital covenant. As a result, the outstanding balance of the term loan has been classified as a current liability as at March 31, 2025, as the covenant breach was an event of default under the terms of the term loan agreement and provided the lender with the right to demand immediate repayment. Subsequent to period end, EDC has requested to provide a waiver of the covenant breach for March 31, 2025 period and does not anticipate issues. The Company is required to meet the financial covenants under the terms of the loan agreement commencing June 30, 2025. Management anticipates that it will meet the financial covenants at June 30, 2025 and continues to be in active dialogue with EDC with respect to the Company's compliance with its financial covenants going forward.

Aircraft loans bear interest at rates ranging between 8.05 to 12% with expiries between July 2027 and Aug 2030. The loans are payable on a monthly basis with principal and interest.

Vehicle loans bear interest at rates ranging between 9.36% and 14% with expiries between August 2026 and June 2032. The loans are repayable on a monthly basis with principal and interest.

The Company applied for and received \$480,000 in Canada Emergency Business Account ("CEBA") loans in a prior year which are interest-free loans to cover operating costs impacted by the Covid-19 pandemic outbreak. Individual loans were granted to separate wholly owned subsidiaries of the Company. On January 31, 2024, the Company has selected the option to extend the repayment of CEBA loans over 3 years with a 5% annual interest charge. The amount outstanding as of December 31, 2024 is \$398,727.

The development loan does not bear interest and has a maturity in December 2025. The principal amount is paid on a monthly basis.

Promissory notes bear interest at rates ranging between 0% and 15.50% with an expiry in 2026 and 2029 (note 14).

Other loans consist mainly of equipment loans that bear interest at rates ranging between 4% and 12% with expiries between 2025 and 2050.

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

**13. Other Short-term Liabilities**

(in C\$)	March 31, 2025	Dec 31, 2024
Shareholders Loan	-	-
Other Loans	927,774	952,614
Revolving Line of Credit	-	-
<b>Total</b>	<b>927,774</b>	<b>952,614</b>

Other loans consist of loans maturing within the next 12 months and have an interest rate between 9% and 12%.

**14. Related Party Transactions**

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 quarter ended March 31, 2025, the Company incurred fees of \$24,000 (2023- \$24,000). As at March 31, 2024, the Company was indebted to this company in the amount of \$27,120 (2023 - \$16,000).

**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) (Refer to Note 17)

**Loans & Advance:**

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 \$1,295,182 is outstanding as at March 31, 2025 and repayable in full between August 2026 and June 2029. This amount is included in long-term borrowing in the consolidated balance sheet.

**15. 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 Mar 31, 2025 and 2024 is summarized as follows:

	Mar 31, 2025	Mar 31, 2024
Salaries	271,353	221,250

# Volatus Aerospace Inc.

## Notes to Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2025 (unaudited)

Share-based payments	84,508	98,380
	303,361	319,630

### 16. Share Capital, Stock Options and Warrants

#### Authorized share capital

Unlimited number of common shares without par value.

#### Preferred shares

	March 31, 2025		December 31, 2024	
	Shares	Amount	Shares	Amount
Issued for acquisition of Partner Jet Corp.	206,188	206,188	206,188	206,188
UAViation Aerial Solutions Limited Investment	-	-	80,000	80,000
<b>Total</b>	<b>206,188</b>	<b>206,188</b>	286,188	286,188

The above preferred shares are non-redeemable and have a face value of \$1. The preferred shares outstanding in UAViation Aerial Solutions Limited are in the Volatus owned subsidiary, Volatus Unmanned Services Inc. have been settled in full by issuing common equity.

#### Stock Options

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

	31-Mar-25		31-Dec-24	
	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
Granted	7,523,000	0.04	-	
Exercised	-	-	-	
Forfeited	(60,000)	0.13	(5,372,438)	0.56
Options – acquisition	-	-	7,315,000	0.58
<b>Outstanding, end of period</b>	<b>24,029,515</b>	<b>0.22</b>	16,566,515	0.30

# Volatus Aerospace Inc.

## Notes to Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2025 (unaudited)

The following table summarizes information about stock options outstanding and exercisable as at March 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 to \$0.05	7,523,000	4.76	0.04	-	-	-
\$0.06 - \$0.19	5,185,765	3.26	0.13	1,400,450	2.72	0.14
\$0.20 - \$0.35	1,963,500	2.29	0.20	981,750	2.29	0.20
\$0.36 - \$0.50	6,765,150	1.75	0.36	6,765,150	1.75	0.36
<u>Additional Options due to Merger</u>						
\$0.20 - \$0.49	500,000	2.84	0.26	500,000	2.84	0.26
\$0.50- \$0.75	2,045,000	1.65	0.61	2,045,000	1.65	0.61
	<b>23,982,415</b>	<b>3.08</b>	<b>0.22</b>	<b>11,692,350</b>	<b>1.94</b>	<b>0.36</b>

On August 11, 2023, the Company granted 3,057,500 additional options at an exercise price of \$0.23 that will be vested over four years and will expire five years from grant date.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. The weighted average fair value at date of grant for the options granted was \$0.18 per option. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.23, risk-free interest rate of 4.25%, 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.

### Warrants

Details of warrants and their fair value:

Sr. No	Issue Date	Number of warrants outstanding at March 31, 2025	Fair Value at March 31, 2025	Number of warrants outstanding at December 31, 2024	Fair Value at December 31, 2024	Exercise Price	Expiry Date
1	06-May-23	753,020	36,747	753,020	20,587	\$0.28	06-May-25
2	06-May-23	4,723,110	107,437	4,723,110	107,437	\$0.28	06-May-25
3	06-Nov-24	19,760,000	770,874	19,760,000	770,874	\$0.20	06-Nov-26
4	06-Nov-24	1,348,953	71,948	1,383,620	71,948	\$0.14	06-Nov-26
		<b>26,585,083</b>	<b>987,007</b>	<b>26,619,750</b>	<b>970,846</b>		

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding, Dec 31, 2024	26,619,750	0.21
Issued		
Exercised	(34,667)	0.14
Forfeited		
<b>Outstanding, March 31, 2025</b>	<b>26,585,083</b>	<b>0.21</b>

## 17. Convertible Debenture

On October 21, 2024, Volatus issued a \$7.5 million secured convertible debenture (the "Convertible Debenture"). The Convertible Debenture bears interest at a rate of 12.5% per annum until its maturity date on October 21, 2029 (the "Maturity Date"). The interest portion for the first three-year period will be initially non-cash interest, and capitalized semi-annually, and convertible, at the holder's option at the then market price of the common shares as permissible by securities regulations and the rules of the TSX Venture Exchange, while the interest portion for the last two years will be payable, semi-annually, in cash at the Maturity Date, unless the Debenture is otherwise converted.

The Convertible Debenture includes the following material conversion and settlement options available to the holder or the Company:

**General conversion option:** The holder of the Convertible Debenture, at any time before maturity, can convert the outstanding principal amount into common shares for \$0.202 per share and the accrued and unpaid interest based on the market price of the common shares at the time of a conversion.

**Prepayment option:** The Company can prepay, at any time after October 21, 2027, the Convertible Debenture at 100% of the principal plus accrued and unpaid interest, provided the 40-day VWAP of common shares is equal or greater than \$0.303.

**Redemption upon change of control:** Upon a change of control, the holder has the right, at its option, to require the Company to purchase the Convertible Debenture for an amount equal to 120% principal amount plus accrued and unpaid interest.

**Default:** The Convertible Debenture also includes redemption mechanisms upon an event of default whereas the Company must repay the principal amount plus an additional amount representing a semi-annual compounded 30% internal rate of return.

The Convertible Debenture is secured against all of the present and future property of the Company.

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

The fair value of the liability component, at inception was calculated using a market interest rate for an equivalent instrument without conversion option using a discount rate of 25.44% and the residual was allocated to the share conversion feature.

	Host (amortized cost)	Equity-classified conversion option	Total
	\$	\$	\$
Balance, January 1, 2024	-	-	-
Issuance	4,495,946	3,004,054	7,500,000
Transaction costs	(664,466)	(443,977)	(1,108,443)
Interest accretion	182,363	-	182,363
Balance, March 31, 2025	4,013,843	2,560,077	6,573,920

On May 11, 2023, the Company completed a convertible debenture (the “2023 Convertible Debenture”) unit financing to raise aggregate gross proceeds of \$2,646,000. The debentures bear interest at a rate of 12% per annum and mature 2 years from the closing date. The principal and interest outstanding under the debentures are convertible into Subordinate Voting Shares at \$0.50/share, and for every \$1,000 of debentures purchased, subscribers also received 1,000 common share purchase warrants for Subordinate Voting Shares exercisable at \$0.50/share.

The convertible debenture has been split on initial recognition into three components: debt, conversion feature and warrants based on fair values.

The fair value of the liability component, at inception was calculated using a market interest rate for an equivalent instrument without conversion option using a discount rate of 25.44% and the residual was allocated to the share conversion feature.

The warrants were calculated using a Barrier Option Pricing Model.

Inputs used in valuing the components of the convertible debenture:

	<b>2023</b>
Risk free rate	3.89%
Expected life (years)	2
Volatility	55%
Underlying stock price	\$0.30
Barrier Price	\$1.0
Strike price	\$0.50

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

---

The fair values, net of transaction costs of each component of the convertible debenture at the date of issuance is as follows:

Debt Component	\$ 1,802,278
Conversion Feature	293,995
Share Warrants	128,024
	<hr/>
	2,224,297

As at March 31, 2025 the Debt component of the 2023 Convertible Debenture was recognised at \$2,435,376.

## 18. 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 March 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 trade and other receivables. The maximum exposure to credit risk is the carrying amount as reported on the financial statements. 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. There are no significantly aged trade and other receivables on March 31, 2025 and 2024.

### *Foreign Currency Risk*

The Company has operations in Canada, the UK, and the U.S., 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 interim condensed 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.

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

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2025 (unaudited)

19. Right-of-use ("ROU") assets:

The following tables reconcile the changes in right of use (ROU) assets:

(in C\$)	Vehicle and Equipment	Building	Total
<b>Cost</b>			
Balance, January 1, 2025	376,029	3,156,566	3,532,595
Additions during the period	519,632	-	519,632
Disposal	-	(386,346)	(386,346)
Lease acquired in the acquisition	-	-	-
<b>Balance, Mar 31, 2025</b>	<b>895,661</b>	<b>2,770,220</b>	<b>3,665,881</b>
<b>Accumulated amortization</b>			
Balance, January 1, 2025	\$ 131,834	\$ 1,565,418	\$ 1,697,252
Disposal	-	(348,434)	(348,434)
Depreciation expense for the period	\$ 51,235	\$ 171,916	\$ 223,151
<b>Balance, Mar 31, 2025</b>	<b>\$ 183,069</b>	<b>\$ 1,388,900</b>	<b>\$ 1,571,969</b>
<b>Net book value</b>			
Balance, January 1, 2025	\$ 244,195	\$ 1,591,148	\$ 1,835,343
<b>Balance, Mar 31, 2025</b>	<b>\$ 712,592</b>	<b>\$ 1,381,320</b>	<b>\$ 2,093,912</b>

20. Leases

Company as a lessee

*Leasing arrangements*

The Company leases various items of real estate property and vehicles used in its operations. The lease terms are generally between 4 and 6 years. There are some leases with renewal options that are included when management is reasonably certain they will be exercised. Management uses significant judgement in determining whether these extensions are reasonably certain to be exercised.

*Lease liabilities*

Carrying amounts of lease liabilities are as follows:

(in C\$)	31-Mar-25	31-Dec-24
<b>Balance, beginning of period</b>	2,005,075	1,521,182
Additions	519,632	1,155,362
Disposal	(42,858)	-
Interest	79,068	216,471
Payments	(356,490)	(887,940)
<b>Balance, end of period</b>	<b>2,204,427</b>	<b>2,005,075</b>
<b>Current</b>	<b>825,187</b>	765,498
<b>Non-Current</b>	<b>1,379,240</b>	1,239,577

**Notes to Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

---

## **21. Subsequent Events**

On April 30, 2025, the Company announced the closing of its oversubscribed \$3 million non-brokered listed issuer financing exemption (LIFE) private placement (the "LIFE Offering"). The Company issued 25,000,000 units of the Company ("Units") at a price of \$0.12 per Unit for gross proceeds of \$3,000,000. Each Unit is comprised of one common voting share in the capital of the Company ("Common Share") and one Common Share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share (each, a "Warrant Share") at an exercise price of \$0.20 per Warrant Share for a period of 36 months following the date of issuance.

The Company intends to use the net proceeds of the LIFE Offering for capital expenditures, inventory and general corporate and working capital purposes. In connection with the LIFE Offering, the Company paid an aggregate of approximately \$280,000 as advisory and legal fees. The LIFE Offering is subject to final approval of the TSX Venture Exchange ("TSXV").

In addition, the Company announces that it has granted a total of 1,500,000 restricted share units ("RSU's") to certain consultants of the Company under the terms of the Company's restricted share unit plan (the "RSU Plan"). In accordance with the RSU Plan, each RSU represents the right to receive one common voting share of the Company or the equivalent cash value thereof, at the Company's discretion.

On May 14, 2025, the Company announced completion of its shares-for-debt transaction to strengthen the balance sheet and issued a total of 20,174,280 common voting shares in the capital of the Company (the "Common Shares") and 17,640,000 Common Share purchase warrants (each a "Warrant") settling an aggregate debt of \$3,026,142.00 owing to holders of unsecured convertible debentures of the Company (the "Debentures") 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 Warrant is exercisable into one Common Share at an 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.