



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

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2026

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

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

	Notes	March 31, 2026	December 31, 2025
Assets			
Current			
Cash		31,668,646	41,114,832
Restricted cash		383,569	29,372
Trade and other receivables	6	3,812,412	3,368,470
Prepaid expenses, deposits, and other current assets	7	3,088,945	1,756,129
Inventories	11	4,012,847	3,266,550
Total current assets		42,966,419	49,535,353
Property, plant and equipment	8	5,979,110	5,548,323
Intangible assets	9	14,843,362	15,113,662
Right-of-use asset	18	4,868,871	1,718,821
Goodwill	10	20,739,606	20,739,606
Total non-current assets		46,430,949	43,120,412
Total Assets		89,397,368	92,655,765
Liabilities and Shareholders' Equity			
Current liabilities			
Trade payables and accrued liabilities	12	3,561,170	3,433,728
Deferred revenue		62,157	78,102
Current portion of lease liability	19	862,696	888,174
Current portion of long-term borrowings	13	2,088,919	8,652,631
Total current liabilities		6,574,942	13,052,635
Long-term borrowings	13	8,128,906	3,003,475
Convertible debentures		8,369,292	7,885,106
Lease liability	19	4,234,254	1,010,676
Total non-current liabilities		20,732,452	11,899,257
Total Liabilities		27,307,394	24,951,892
Shareholders' Equity			
Common equity	16	106,199,159	103,053,180
Warrants reserve	16	12,722,378	12,977,274
Share-based payment reserve	16	3,285,890	2,921,500
Convertible Debenture - options		3,651,645	3,651,645
Preferred shares	16	-	206,188
Deficit		(63,062,444)	(53,943,094)
Accumulated other comprehensive income		164,300	175,493
Contributed surplus		211,831	211,831
Equity Attributable to Owners of The Company		63,172,759	69,254,017
Non-controlling interest		(1,082,785)	(1,550,144)
Total Equity		62,089,974	67,703,873
Total Liabilities & Equity		89,397,368	92,655,765

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 condensed interim consolidated financial statements.

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

	Notes	Three months ended March 31	
		2026	2025
Revenue	20	5,630,559	5,713,158
Direct costs		3,660,884	3,883,185
Gross Profit		1,969,675	1,829,973
OPERATING EXPENSES			
Advertising & marketing		489,016	135,575
Provision for expected credit loss		67,875	-
IT & tech		264,451	245,180
Personnel		2,939,596	2,650,905
R&D		289,714	11,756
Office cost		735,538	438,182
Travel		268,897	64,288
External partner cost		767,826	200,637
Depreciation and amortization	8, 9, 18	1,449,275	1,496,425
Share based payments		380,032	165,454
		7,652,220	5,408,402
(Loss) from Operations		(5,682,545)	(3,578,429)
OTHER ITEMS - INCOME/(EXPENSE)			
Finance cost		(1,012,658)	(645,685)
Other income (expense)		220,377	(62,431)
Loss on impairment of property and equipment		(45,509)	-
Foreign exchange gain (loss)		(72,825)	1,225
Net Loss		(6,593,160)	(4,285,320)
OTHER COMPREHENSIVE LOSS			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation adjustment		(11,838)	-
Net loss and comprehensive loss		(6,604,998)	(4,285,320)
Net loss attributable to			
Owners of Volatus Aerospace Inc.		(6,214,022)	(4,241,643)
Non-controlling interest		(379,138)	(43,677)
		(6,593,160)	(4,285,320)
Total comprehensive loss attributable to			
Owners of Volatus Aerospace Inc.		(6,225,215)	(4,241,643)
Non-controlling interest		(379,783)	(43,677)
		(6,604,998)	(4,285,320)
Loss per share attributable to ordinary shareholders			
Basic and diluted		(0.01)	(0.01)
Weighted average number of common share outstanding			
Basic and diluted		670,949,958	472,350,806

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

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

	Number of Shares	Capital Stock	Preferred Shares	Warrants Reserve	Share-based Reserve	Convertible Debt - Equity Portion	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total	Non-Controlling Interest	Total Equity
December 31, 2024	468,841,273	46,615,125	286,188	7,026,618	2,954,307	2,760,433	211,831	-	(32,578,867)	27,275,635	(938,870)	26,336,765
Shares issued on acquisition	3,322,768	482,305	-	-	-	-	-	-	-	482,305	-	482,304.
Warrant exercise	34,667	5,893	-	(1,040)	-	-	-	-	-	4,852	-	4,852
Preferred shares redemption	666,667	80,000	(80,000)	-	-	-	-	-	-	-	-	-
Stock options expense	-	-	-	-	165,454	-	-	-	-	165,454	-	165,454
Net loss for the period	-	-	-	-	-	-	-	-	(4,241,643)	(4,241,643)	(43,677)	(4,285,320)
March 31, 2025	472,865,375	47,183,323	206,188	7,025,578	3,119,761	2,760,433	211,831	-	(36,820,510)	23,686,604	(982,547)	22,704,057
	Number of Shares	Capital Stock	Preferred Shares	Warrants Reserve	Share-based Reserve	Convertible Debt - Equity Portion	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total	Non-Controlling Interest	Total Equity
December 31, 2025	668,245,623	103,053,179	206,188	12,977,274	2,921,500	3,651,645	211,831	175,493	(53,943,094)	69,254,017	(1,550,144)	67,703,873
Shares issued on acquisition of non-controlling interest	2,443,494	1,808,186	-	-	-	-	-	-	(2,905,328)	(1,097,142)	847,142	(250,000)
Warrant exercise	5,159,904	1,298,077	-	(254,896)	-	-	-	-	-	1,043,181	-	1,043,181
Stock options expense	-	-	-	-	380,032	-	-	-	-	380,032	-	380,032
Stock options exercise	110,243	39,717	-	-	(15,642)	-	-	-	-	24,075	-	24,075
Preferred share redemption	-	-	(206,188)	-	-	-	-	-	-	(206,188)	-	(206,188)
Other comprehensive loss	-	-	-	-	-	-	-	(11,193)	-	(11,193)	(645)	(11,838)
Net loss for the period	-	-	-	-	-	-	-	-	(6,214,022)	(6,214,022)	(379,138)	(6,593,160)
March 31, 2026	675,959,264	106,199,159	-	12,722,378	3,285,890	3,651,645	211,831	164,300	(63,062,444)	63,172,759	(1,082,785)	62,089,974

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

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

	Three months ended March 31	
	2026	2025
OPERATING ACTIVITIES		
Net Loss	(6,593,160)	(4,285,320)
Adjustments For:		
Depreciation and amortization	1,449,275	1,496,425
Loss on sale of property and equipment	45,509	-
Finance cost	769,856	566,617
Share based payments	380,032	165,454
Interest paid on lease liability	157,700	79,068
Provision for expected credit loss expense	67,875	-
Non-cash other income items	-	58,963
	(3,722,913)	(1,918,793)
Net changes in non-cash working capital items:		
Trade and other receivables	(511,817)	(12,910)
Restricted cash	(354,197)	1,200,748
Prepaid expenses and deposits	(1,582,816)	496,897
Inventories	(746,297)	585,280
Trade payables and accrued liabilities	127,442	2,216,193
Deferred revenue	(15,945)	(392,514)
Other short-term liabilities	-	(24,840)
Cash generated from (used in) Operating Activities	(6,806,543)	2,150,061
INVESTING ACTIVITIES		
Additions to property, plant & equipment	(1,063,667)	(670,173)
Addition to intangible assets	(143,269)	(124,612)
Cash provided by (used in) Investing Activities	(1,206,936)	(794,785)
FINANCING ACTIVITIES		
Net repayment of borrowings	(1,723,951)	(1,557,755)
Repayment of preference shares	(206,188)	(80,000)
Repayment of lease obligations	(543,828)	(356,490)
Proceed from exercise of warrants and stock options	1,067,256	4,853
Cash provided by (used in) Financing Activities	(1,406,711)	(1,989,392)
Net change in cash	(9,420,190)	(634,116)
Cash and cash equivalents, beginning of the period	41,114,832	1,558,909
Effect of foreign exchange rate changes	(25,996)	-
Cash and cash equivalents, end of the period	31,668,646	924,793

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

Notes to Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2026 (unaudited)

1. The Company and its Operations

Volatus Aerospace Inc. (formerly Drone Delivery Canada Corp.) is a company domiciled in Canada. 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 Stock Exchange (the "TSX") under the symbol "FLT" and OTC Markets (the "OTCQB") under the symbol "TAKOF". Volatus and entities it controls are together referred to in these condensed interim consolidated financial statements as the "Company" or "Volatus". Refer to Note 4 for the Company's major subsidiaries.

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

Volatus is a leading provider of integrated drone solutions throughout Canada, the United States, the United Kingdom, 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 and 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, critical judgements and estimates**Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the December 31, 2025 audited annual consolidated financial statements, which have been prepared in accordance with IFRS Accounting Standards.

These condensed interim consolidated financial statements have been approved for issuance by the Company's Board of Directors on May 14, 2026.

Basis of measurement

The condensed interim consolidated financial statements have been prepared on the going concern basis, primarily on historical cost basis, except for certain financial instruments 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.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars ("C\$"), which is the Company's functional currency.

Critical judgments and estimates

The preparation of these condensed interim consolidated 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 and the reported amounts of revenue and expenses recognized during the reporting periods. 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

**Notes to Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2026 (unaudited)**

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.

There have been no significant changes in the critical accounting judgments and key sources of estimation uncertainty disclosed in the Company's annual financial statements for the year ended December 31, 2025.

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 annual consolidated financial statements for the year ended December 31, 2025. A description of the accounting standards and interpretations that have been adopted by the Company can be found in the notes of the annual consolidated financial statements for the year ended December 31, 2025. The preparation of the condensed consolidated interim financial statements requires management to 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 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, 2025.

4. Subsidiaries

These condensed interim 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 December 31, 2025	Ownership Interest March 31, 2026
Volatus Aerospace Canada Corp.	Drone Solutions Provider	CAD	Canada	100%	100%
Volatus Flight Systems Inc.	Fixed-wing Drone Technology	CAD	Canada	70%	70%
Volatus Delaware Corp.	Drone Solutions Provider	USD	USA	90%	90%
ConnexiCore LLC	Drone Solutions Provider	USD	USA	90%	90%
Indigenous Aerospace Corp.	RPAS/UAV Service and Training	CAD	Canada	100%	100%
Volatus Aviation (Partner Jet Inc.)	Aircraft management & charter services	CAD	Canada	100%	100%
RPV Aviation Inc.	Regulatory Consulting	CAD	Canada	100%	100%
MVT Geo Solutions Inc.	RPAS/UAV Service Pipeline Inspection & Surveillance	CAD	Canada	100%	100%
Canadian Air National Inc.	Services	CAD	Canada	100%	100%
Volatus Aerospace UK Ltd.	RPAS/UAV Service and Training	GBP	UK	100%	100%
iRed Limited	RPAS/UAV Service and Training Pipeline Inspection & Surveillance	GBP	UK	100%	100%
Synergy Aviation Ltd. ²	Services	CAD	Canada	58%	100%
Synergy Flight Training Inc.	Aircraft Training	CAD	Canada	58%	100%
Empire Drones LLC	Distribution & Services	USD	USA	100%	100%
Volatus Aerospace USA, LLC	Drone Solutions Provider	USD	USA	100%	100%

Notes to Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2026 (unaudited)

Aerial Motion Pictures Limited (UAV Hub)	RPAS/UAV Training	GBP	UK	100%	100%
Open Sky Consulting International Ltd (Drone Mentor)	RPAS/UAV Training	GBP	UK	100%	100%
Volatus Aerospace EU AS	Drone Solutions Provider	NOK	Norway	100%	100%
Volatus Unmanned Services Inc.¹		CAD	Canada	100%	100%
- UAViation Aerial Solutions Limited	RPAS/UAV Service	CAD	Canada	100%	100%
- SkyGate Videography Inc.	RPAS/UAV Service and Training	CAD	Canada	100%	100%
- M3 Drone Services Limited	RPAS/UAV Service	CAD	Canada	100%	100%
- M3 Drone Training Zone Inc.	RPAS/UAV Training	CAD	Canada	100%	100%
- Canadian UAV Solutions Inc.	RPAS/UAV Service	CAD	Canada	100%	100%
- OmniView Tech Corp.	Distribution & Service	CAD	Canada	100%	100%

¹ - 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.

² -On March 13, 2026, Volatus completed the 42% minority acquisition of Synergy Aviation by issuing shares in Volatus Aerospace Inc. (Refer Note 5)

5. Equity transaction with non-controlling interests

Synergy Aviation Ltd.

During the three months ended March 31, 2026, the Company acquired the remaining 42% equity interest in Synergy Aviation Ltd. ("Synergy"), increasing its ownership from 58% to 100%.

Prior to the acquisition, the Company accounted for its 58% interest as a subsidiary with a non-controlling interest ("NCI"). Upon acquiring the remaining interest, Synergy became a wholly owned subsidiary of the Company.

Consideration Transferred

The total consideration transferred to acquire the remaining 42% interest consisted of:

- 2,443,494 common shares issued at a market price of \$0.74 per share: \$1,808,186
- Prepaid consideration previously advanced: \$250,000

Total consideration transferred: \$2,058,186

Accounting Treatment

As the Company already controlled Synergy prior to the acquisition, the purchase of the remaining 42% interest is accounted for as an equity transaction in accordance with IFRS 10 Consolidated Financial Statements.

Accordingly:

- No remeasurement of previously held interest was recognized
- No gain or loss was recorded in profit or loss

Volatus Aerospace Inc.

Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2026 (unaudited)

- The carrying amount of the non-controlling interest was derecognized
- The difference between consideration paid and the carrying value of NCI was recognized directly in equity

Impact on Equity

Item	Amount (\$)
Consideration transferred	2,058,186
Add: carrying amount of NCI derecognized	847,142
Adjustment recognized in equity (retained earnings)	2,905,328

6. Trade and other receivables

	March 31, 2026	December 31, 2025
Trade receivables	3,672,600	3,320,186
Accrued revenues	139,812	48,284
Total	3,812,412	3,368,470

7. Prepaid expenses, deposits, and other current assets

	March 31, 2026	December 31, 2025
Prepaid expenses	2,608,190	1,147,442
Security deposit	480,755	358,687
Other current assets	-	250,000
Total	3,088,945	1,756,129

Notes to Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2026 (unaudited)

8. Property, plant & equipment

Cost	Drones & Accessories	Machinery	Leasehold Improvements	Furniture & Fixtures	Computer & Equipment	Vehicle	Aircraft	Construction in Progress	Total Tangible Assets
Balance, December 31, 2024	3,154,640	389,435	1,284,075	577,483	1,207,522	891,229	8,175,377	1,219,177	16,898,938
Additions	54,294	26,108	1,665	7,224	64,578	-	563,221	779,368	1,496,458
Foreign exchange adjustments	(21,625)	7,225	-	6,052	710	(29,257)	-	-	(36,895)
Disposals/Retirements	(16,884)	(28,708)	-	(221,432)	(273,803)	(15,000)	-	(178,175)	(734,002)
Reclassification	191,250	-	-	-	-	-	(952,495)	(1,498,299)	(2,259,544)
Balance, December 31, 2025	3,361,675	394,060	1,285,740	369,327	999,007	846,972	7,786,103	322,071	15,364,955
Accumulated Depreciation									
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 year	865,148	90,436	348,794	18,850	211,642	172,770	1,728,513	-	3,436,153
Foreign exchange adjustments	(13,786)	5,124	-	5,140	173	(14,790)	-	-	(18,139)
Disposals/Retirements	(2,221)	(28,708)	-	(221,432)	(272,870)	(8,583)	-	-	(533,814)
Reclassification	-	-	-	-	-	-	(251,147)	-	(251,147)
Balance, December 31, 2025	2,561,661	316,410	474,950	285,590	594,107	557,689	5,026,225	-	9,816,632
Net carrying Amount									
Balance, December 31, 2024	1,442,120	139,877	1,157,919	94,451	552,360	482,937	4,626,518	1,219,177	9,715,359
Balance, December 31, 2025	800,014	77,650	810,790	83,737	404,900	289,283	2,759,878	322,071	5,548,323

Cost	Drones & Accessories	Machinery	Leasehold Improvements	Furniture & Fixtures	Computer & Equipment	Vehicle	Aircraft	Construction in Progress	Total Tangible Assets
Balance, December 31, 2025	3,361,675	394,060	1,285,740	369,327	999,007	846,972	7,786,103	322,071	15,364,955
Additions	216,566	10,810	-	22,408	22,445	23,762	489,648	278,028	1,063,667
Foreign exchange adjustments	8,639	30	-	162	432	9,183	3,102	-	21,548
Disposals/Impairment	(26,280)	-	-	(19,229)	-	-	-	-	(45,509)
Balance, March 31, 2026	3,560,600	404,900	1,285,740	372,668	1,021,884	879,917	8,278,853	600,099	16,404,661
Accumulated Depreciation									
Balance, December 31, 2025	2,561,661	316,410	474,950	285,590	594,107	557,689	5,026,225	-	9,816,632
Depreciation for the period	175,039	34,666	73,108	4,895	50,888	41,459	215,355	-	595,410
Foreign exchange adjustments	6,438	19	-	62	282	6,630	78	-	13,509
Balance, March 31, 2026	2,743,138	351,095	548,058	290,547	645,277	605,778	5,241,658	-	10,425,551
Net carrying Amount									
December 31, 2025	800,014	77,650	810,790	83,737	404,900	289,283	2,759,878	322,071	5,548,323
March 31, 2026	817,462	53,805	737,682	82,121	376,607	274,139	3,037,195	600,099	5,979,110

Notes to Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2026 (unaudited)

9. Intangible assets

	Technology	Customer	Trademark/ Brand Names	Total
Cost				
Balance, December 31, 2024	9,521,656	4,843,995	1,869,027	16,234,678
Additions	3,328,414	-	-	3,328,414
Foreign exchange adjustments	31,671	5,601	(50,492)	(13,220)
Balance, December 31, 2025	12,881,741	4,849,596	1,818,535	19,549,872
Accumulated Depreciation				
Balance, December 31, 2024	406,691	1,778,825	510,470	2,695,986
Amortization for the year	786,007	692,033	262,184	1,740,224
Balance, December 31, 2025	1,192,698	2,470,858	772,654	4,436,210
Cost				
Balance, December 31, 2025	12,881,741	4,849,596	1,818,535	19,549,872
Additions	143,269	-	-	143,269
Foreign exchange adjustments	-	6,091	27	6,118
Balance, March 31, 2026	13,025,010	4,855,687	1,818,562	19,699,259
Accumulated Depreciation				
Balance, December 31, 2025	1,192,698	2,470,858	772,654	4,436,210
Amortization for the period	183,285	173,008	63,394	419,687
Balance, March 31, 2026	1,375,983	2,643,866	836,048	4,855,897
Net carrying Amount				
December 31, 2025	11,689,043	2,378,738	1,045,881	15,113,662
March 31, 2026	11,649,027	2,211,821	982,514	14,843,362

In November 2025, the Company completed an asset acquisition resulting in the recognition of developed unmanned aerial system (“UAS”) intellectual property.

The acquired intellectual property consists of:

- Aircraft and system designs
- Engineering drawings and CAD models
- Technical and production documentation
- Validated performance and test data
- Associated know-how and unregistered intellectual property

Accordingly, the entire consideration transferred was allocated to intangible assets.

The intellectual property was acquired through the issuance of 2,631,579 common shares. In accordance with IFRS 13 Fair Value Measurement, the consideration was measured at fair value using the quoted market price of the Company’s shares on the acquisition date of November 1, 2025, resulting in an initial carrying value of \$1,842,105.

Notes to Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2026 (unaudited)

10. Goodwill

	March 31, 2026	December 31, 2025
Balance, end of reporting period	20,739,606	20,739,606

In accordance with IAS 36, management evaluated goodwill for indicators of impairment at March 31, 2026. Based on this assessment, no indicators of impairment were identified and, as such, no impairment test was required or performed.

11. Inventories

Inventory mainly consists of finished goods of drones and related accessories. No write-downs were made during the period ended March 31, 2026 and 2025. Direct costs for the period ended March 31, 2026 included \$1,921,941 of inventory sold (2025 - \$2,084,064).

12. Trade payables and accrued liabilities

	March 31, 2026	December 31, 2025
Accounts payable	1,441,736	1,432,276
Deposits from customers	185,056	262,062
Payroll liability	1,348,384	1,365,245
Other accrued liabilities	585,994	374,145
Total	3,561,170	3,433,728

13. Long-term Borrowings

	March 31, 2026	December 31, 2025
Aircraft loans	2,398,055	2,731,555
Vehicles loans	319,376	231,130
CEBA borrowing	189,504	369,504
Promissory note	161,685	1,095,850
Term loan	6,750,000	6,750,000
Other loans	399,205	478,067
Total	10,217,825	11,656,106
Less: Current portion of long-term debt	(2,088,919)	(1,902,631)
Less: Term loan treated as current liability	-	(6,750,000)
Long-term borrowings	8,128,906	3,003,475

As at March 31, 2026, the Company was party to a \$6.8 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 and fixed charge coverage ratio annually. As of December 31, 2025, the Company was not in compliance with the minimum fixed charge coverage ratio covenant. As a result, the outstanding balance of the term loan had been classified as a current liability as at December 31, 2025, as the covenant breach was an event of default under the terms of the term loan agreement

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and provided the lender with the right to demand immediate repayment. On February 3, 2026, EDC provided a waiver of the covenant breach at December 31, 2025. As of March 31, 2026, the Company was in compliance with the minimum working capital covenant and thus the loan is not categorized as current liability.

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.

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 2026 and 2050.

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.

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, 2026, the Company incurred fees of \$24,000 (2025- \$24,000). As at March 31, 2026, the Company was indebted to this company in the amount of \$9,040 (December 31, 2025 - \$8,000).

In 2025, 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. During period ended March 31, 2026, advances amounted to \$101,098 (2025 -\$938,442) and were outstanding for periods ranging between 3 and 6 months. The advances were unsecured and were non-interest bearing. The amount outstanding as at March 31, 2026 is \$22,633 (December 31, 2025 -\$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 repaid the outstanding preferred shares valued at \$206,188 with a face value of \$1 to a company controlled by a director of the Company. (2025 – \$nil) (Refer to Note 16)

Promissory notes

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The Company 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 \$161,685 is outstanding as at March 31, 2026 (December 31, 2025 - \$1,095,850) and repayable in full by September 2027. 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.

The Company has management services agreements with companies controlled by key management personnel. During the period, total management fees of \$316,667 (2025 – Nil) were incurred, of which \$66,667 (2025 - Nil) remained payable at period-end.

Compensation awarded to key management for the period ended March 31, 2026 and 2025 is summarized as follows:

	March 31, 2026	March 31, 2025
Salaries	339,314	271,353
Share-based payments	234,029	84,508
	573,343	303,361

16. Share Capital, Stock Options and Warrants

Authorized share capital

Unlimited number of common shares without par value.

Common shares

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 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

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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.

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 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.

On March 3, 2026, the Company issued 2,443,494 common shares as part of the consideration, measured at fair value based on the closing market price of \$0.74 per share at the acquisition date.

Preferred shares

Volatus Aerospace Inc.

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	Number of Shares	Amount
Outstanding, December 31, 2025	206,188	206,188
Repayment	(206,188)	(206,188)
Outstanding, March 31, 2026	-	-
Outstanding, December 31, 2024	286,188	286,188
Conversion to Common Shares	(80,000)	(80,000)
Outstanding, December 31, 2025	206,188	206,188

On February 17, 2026, the Company redeemed 206,188 preferred shares for cash consideration of \$206,188. Following the redemption, no preferred shares remained issued and outstanding.

Stock Options

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

	March 31, 2026		December 31, 2025	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of period	15,981,643	0.28	16,566,515	0.30
Forfeited	-	-	(269,719)	0.14
Exercised	(110,243)	0.22	(1,349,820)	0.29
Granted	1,868,049	0.51	1,977,000	0.14
Expired	-	-	(942,334)	0.34
Outstanding, end of period	17,739,449	0.29	15,981,643	0.28

The weighted average share price (at the date of exercise) of options exercised during the three month period ended March 31, 2026 was \$0.70 (Year-ended December 31, 2025 - \$0.47).

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2026:

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	6,375,056	2.77	0.13	3,763,969	3.02	0.13
\$0.20 - \$0.35	2,098,844	1.38	0.21	1,719,531	1.41	0.21
\$0.36 - \$0.50	6,247,500	0.75	0.36	6,247,500	0.75	0.36
\$0.51 - \$0.75	3,018,049	3.47	0.53	1,150,000	1.23	0.56
Total	17,739,449	2.03	0.29	12,881,001	1.55	0.29

On February 5, 2026, the Company granted 1,868,049 additional options at an exercise price of \$0.51.

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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 \$0.351 per option. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.51, risk-free interest rate of 2.91%, expected life of 5 years, expected volatility of 86.16% and expected dividends of Nil.

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.

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. On February 5, 2026, the Company granted 3,263,965 additional RSUs that will vest over three years and will expire five years from grant date.

	Number of RSU	
	March 31, 2026	December 31, 2025
Outstanding, beginning of period	9,564,000	-
Granted	3,263,965	9,946,000
Forfeited	(1,000)	(382,000)
Expired	(2,000)	
Outstanding, end of period	12,824,965	9,564,000

The following table summarizes information about RSUs outstanding and exercisable as at March 31, 2026:

Expiry Date	Weighted Average remaining contractual life (years)	Number of RSUs outstanding	Number of RSUs exercisable
January 2, 2030	3.76	5,164,000	1,761,001
April 28, 2030	4.08	1,500,000	-
June 18, 2030	4.22	2,900,000	-
February 5, 2031	4.85	3,260,965	-
Total	4.18	12,824,965	1,761,001

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

Expiry Date	Weighted Average remaining contractual life (years)	Number of RSUs outstanding	Number of RSUs exercisable
January 2, 2030	4.01	5,164,000	-
April 28, 2030	4.33	1,500,000	-
June 18, 2030	4.47	2,900,000	-
Total	4.20	9,564,000	-

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Warrants

The following table outlines the details of each warrant outstanding as at March 31, 2026 and December 31, 2025:

Series	Issuance Date	As at March 31, 2026		As at December 31, 2025		Exercise Price	Expiry Date
		Number of warrants outstanding	Grant date Fair Value	Number of warrants outstanding	Grant date Fair Value		
3	06-Nov-24	5,706,096	222,538	5,846,000	227,994	\$0.20	06-Nov-26
4	06-Nov-24	337,552	17,553	337,552	17,553	\$0.14	06-Nov-26
5	01-May-25	2,666,666	130,667	7,666,666	375,667	\$0.20	01-May-28
6	14-May-25	7,833,319	407,333	7,833,319	407,333	\$0.20	14-May-28
7	19-Jun-25	3,720,000	379,440	3,720,000	379,440	\$0.20	19-Jun-28
8	27-Jun-25	10,899,000	1,547,658	10,899,000	1,547,658	\$0.30	27-Jun-28
9	17-Jul-25	9,615,385	2,730,769	9,615,385	2,730,769	\$0.76	17-Jul-28
10	14-Aug-25	4,604,231	1,022,139	4,624,231	1,026,579	\$0.76	14-Aug-28
11	14-Aug-25	557,308	10,032	557,308	10,032	\$0.76	14-Aug-26
		45,939,557	6,468,128	51,099,461	6,723,024		

As of March 31, 2026, the following warrants were outstanding and exercisable:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2025	51,099,461	\$0.38
Issued	-	
Exercised	(5,159,904)	0.20
Outstanding, March 31, 2026	45,939,557	\$0.40

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 per warrant. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.13, risk-free interest rate of 2.53%, expected life of 5 years, expected volatility of 72% 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.

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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.

17. 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, 2026 and 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.

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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, 2026 and 2025.

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 condensed interim 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 March 31, 2026, the Company did not have any foreign currency hedges in place.

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 March 31, 2026, the Company's cash balance of \$31,653,274 (December 31, 2025 - \$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 condensed interim 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.

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

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

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(in C\$)	Vehicle and Equipment	Building	Total
Cost			
Balance, January 1, 2025	376,029	3,156,566	3,532,595
Additions during the year	713,479	176,407	889,886
Derecognition on lease termination	-	(632,807)	(632,807)
Balance, December 31, 2025	1,089,508	2,700,166	3,789,674
Accumulated amortization			
Balance, January 1, 2025	131,834	1,565,418	1,697,252
Derecognition on lease termination	-	(594,895)	(594,895)
Depreciation expense for the year	322,426	646,070	968,496
Balance, December 31, 2025	454,260	1,616,593	2,070,853
Net book value			
Balance, January 1, 2025	244,195	1,591,148	1,835,343
Balance, December 31, 2025	635,248	1,083,573	1,718,821
(in C\$)			
(in C\$)	Vehicle and Equipment	Building	Total
Cost			
Balance, January 1, 2026	1,089,508	2,700,166	3,789,674
Additions during the period	524,502	3,115,477	3,639,979
Derecognition on lease termination	(29,072)	(56,944)	(86,016)
Balance, March 31, 2026	1,584,938	5,758,699	7,343,637
Accumulated amortization			
Balance, January 1, 2026	454,260	1,616,593	2,070,853
Derecognition on lease termination	(23,621)	(6,644)	(30,265)
Depreciation expense for the period	243,948	190,230	434,178
Balance, March 31, 2026	674,587	1,800,179	2,474,766
Net book value			
Balance, January 1, 2026	635,248	1,083,573	1,718,821
Balance, March 31, 2026	910,351	3,958,520	4,868,871

19. 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.

Volatus Aerospace Inc.

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Lease liabilities

Carrying amounts of lease liabilities are as follows:

(in C\$)	March 31, 2026	December 31, 2025
Balance, beginning of period	1,898,850	2,005,075
Additions	3,639,979	889,886
Derecognition on lease termination	(55,751)	(42,858)
Interest	157,700	327,850
Payments	(543,828)	(1,281,103)
Balance, end of period	5,096,950	1,898,850
Current	862,696	888,174
Non-Current	4,234,254	1,010,676

20. Segment Information

The Company's Chief Executive Officer ("CEO") has been identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company's internal management system at a consolidated level. The Company has determined that it has only one operating segment.

The Company derives revenues in the following major categories:

Revenue	March 31, 2026	March 31, 2025
Sale of Products	2,608,940	2,486,140
Provision of Services	3,021,619	3,227,018
Total Revenue	5,630,559	5,713,158

The amount of revenue from external customers, broken down by location of the customers, is as follows:

Revenue	March 31, 2026	March 31, 2025
Canada	3,807,893	4,142,597
United States	214,820	461,366
Europe & United Kingdom	1,607,846	1,109,195
Total Revenue	5,630,559	5,713,158