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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH ENDED MARCH 31, 2025

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management Discussion & Analysis ("MD&A") is intended to provide readers with the information that management believes is required to gain an understanding of the current results of Volatus Aerospace Inc. (the "Company" or "Volatus") and to assess the Company's prospects. The following MD&A is presented and dated as of May 28, 2025, and should be read in conjunction with the interim condensed consolidated financial statements and related notes for the three months ended March 31, 2025. The Financial Statements presented herein include the accounts of the Company and all its subsidiaries. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and all amounts, unless otherwise indicated, are expressed in Canadian dollars.

NON-IFRS FINANCIAL MEASURES

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

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

FORWARD-LOOKING STATEMENTS

This management's discussion and analysis may contain statements about expected future events and financial and operating results of the Company that are forward-looking. All statements other than statements of historical fact may be forward-looking statements. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations, or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved. For example, statements in this MD&A relating to the Company's mission, expected timing for the marketing and sale of the Company's products, the Company's intentions with respect to growth and future acquisitions, expectations as to timing to commence operations at various locations and the potential benefits to the Company from such new operations, expectations as to the timing and quantity of sales and recognition of revenues and expenses and expectations as to Company growth are all forward-looking statements. The operations of the Company are subject to a number of risks, both anticipated and unanticipated. Please refer to the heading Cautionary Note Regarding Forward-Looking Information" and "Risk Factors – Risk Factors Relating to the Transaction" in the Information Circular to which this MD&A is attached.

BUSINESS OVERVIEW

Volatus Aerospace Inc. ("Volatus" or the "Company") (formerly known as Drone Delivery Canada Corp.) 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, the Company acquired all outstanding shares in Volatus Aerospace Corp. and renamed as Volatus Aerospace Inc. Under the terms of arrangement, each shareholder of Volatus Aerospace Corp. received 1.785 shares of Drone Delivery Canada Corp. Quarter ending December 31, 2024 will be the first full quarter of the combined entities. This acquisition highlights the integration of the Company's advanced drone technologies with Volatus Aerospace Corp's established market presence, revenue-generating services, and robust portfolio. Concurrent with the acquisition noted above, the Company was renamed Volatus Aerospace Inc. and is hereinafter referred to as "Volatus" or the "Company".

The Company is an industry leading provider of integrated drone solutions throughout Canada, the United States, and the UK. 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.

Our Mission

We deliver innovative global aerial solutions, leveraging our expertise to drive meaningful outcomes for all stakeholders through a relentless focus on our people, processes, and products.

Core Offerings

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

Aerial Intelligence Services

Comprehensive inspection, mapping, surveillance, and advanced data collection services utilizing both drones and manned aircraft, across industries such as oil & gas, energy utilities, infrastructure, forestry and agriculture, leveraging advanced data collection, management, and analytics, including GIS and machine learning tools.

Cargo and Logistics Solutions

Drone-based cargo transportation for time-critical deliveries and remote areas access. Pioneering new opportunities with remotely piloted systems for cargo logistics, including advancements in heavy-lift drone technology.

Equipment Sales and Maintenance

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

Training and Certification

Comprehensive training programs for operators of drones and payloads. Sector specific data gathering techniques utilizing drones Pilot certification training in North America and the United Kingdom. Industry leading thermography and advanced sensor training and certification.

Research and Development

Commercializing proprietary technologies, such as the Canary RPAS, FLYTE virtual flight management software, AIRS 3 Advanced Integrity Reporting System, Aerieport drone nesting station, and DroneSpot™ infrastructure. Ongoing development of the Canary RPAS platform, as well as integrations with third-party technologies.

Market Reach

With operations across North America, Europe, the United Kingdom, and beyond, Volatus serves clients in civilian, industrial, and government sectors providing aerial intelligence and cargo solutions, leveraging its extensive pilot network and its GTA based operations control center ("OCC") to scale.

Strategic Focus

The Company's strategy focuses on scaling its services, expanding and deepening its market penetration, and driving innovation in both remotely piloted and piloted systems, addressing current market needs and preparing for future regulatory advancements. Volatus is positioned to lead the global aerial solutions industry.

Technology Development

Drone Platforms:

Canary Remotely Piloted Aircraft: The Canary is a cutting-edge cargo drone developed by Volatus, specifically designed for efficient and reliable delivery operations. Approved by Transport Canada for flights over people, the Canary is equipped with advanced safety and operational features, including an integrated weigh scale, an automated cargo drop mechanism, and robust LTE communication for seamless real-time connectivity. Tailored for high-value packages and medical supply deliveries, Canary is an ideal solution for time-sensitive and critical logistics. Its regulatory approval, combined with advanced functionality, positions Canary as a leading platform in autonomous cargo transportation.

We successfully completed the integration and testing of a new autopilot system, along with the installation and tuning campaign for the new anti-coaxial motor configuration. These advancements significantly enhance the Canary's control and stability, enabling it to operate effectively in higher winds and more inclement weather.

Our engineering team continued the integration of the latest Trimble GPS system. This state-of-the-art technology will allow the Canary to fly and land with centimeter-level accuracy, further enhancing its precision and operational reliability in challenging conditions.

Aerieport Drone Nesting Station: The Aerieport is Volatus' proprietary drone nesting station, enabling fully autonomous drone operations by serving as a secure base for landing, recharging, and data transfer. This innovative infrastructure supports scalable and efficient aerial solutions, advancing Volatus' vision for autonomous operations while strengthening its position in aerial intelligence and logistics. During Q324 the Aerieport was relocated to the Company's Vaughan based test site. Since that date, OCC operators and engineers have been trained on the system and are conducting regular flights for customer demonstrations and reliability testing.

DroneSpot™:

Our proprietary and patented infrastructure solution is designed to facilitate efficient and secure drone delivery operations. Serving as a designated takeoff and landing zone, DroneSpot™ locations are strategically established to optimize route planning and ensure compliance with aviation regulations. Since Q3 2024, the Company began the process of commercializing the DroneSpot™ as a stand along product with a monitoring service offered by our Operations Control Center.

AIRS 3 (Advanced Integrity Reporting System):

AIRS 3 is a proprietary software platform designed to revolutionize the data gathering, analysis and reporting of oil and gas client infrastructures. The system integrates data from aerial inspections with advanced reporting and analytics tools, enabling oil and gas operators to ensure pipeline integrity, operational efficiency, and regulatory compliance. During Q1 2025, the Company continued to work on customized features for specific customer requirements and ongoing improvements to support scalability.

Service Operations

Aerial Intelligence Services:

The Company expanded its pipeline inspection operations, leveraging advanced sensor and gas detection technologies to secure new contracts with energy clients in North America.

Cargo and Logistics:

Phase 2 of a pilot project for medical supply delivery was launched in Edmonton, utilizing BVLOS capabilities. The project demonstrated the Company's ability to provide time-critical logistics solutions while meeting stringent regulatory standards.

Regulatory Achievements

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

Operational Synergies

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

Future Focus

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

Forward Strategy

Strategic Plans:

Commercializing New Technology: Volatus is focused on commercializing its proprietary technologies, both the operation and/or sale of the Canary to third party customers and marketing the DroneSpot™ as a stand-alone product with an optional remote monitoring / management service. In parallel, the company is actively scaling its cargo services in receptive markets, leveraging platforms like the Canary, to address growing demand for autonomous, high-value, and medical delivery logistics.

Expanding into New Markets and Verticals: The Company plans to strengthen its presence in untapped geographic regions such as Africa and explore opportunities in emerging verticals such as agriculture, forestry/wildfire, and environmental monitoring. By leveraging its existing expertise in aerial intelligence and drone logistics, Volatus aims to capture new revenue streams and diversify its service offerings.

Achieving Profitability Targets: Volatus remains committed to achieving profitability by driving operational efficiencies, optimizing its cost structure, and expanding its high-margin service offerings. With a focus on recurring revenue streams from long-term contracts and strategic partnerships, the company is poised to achieve sustained financial growth and deliver value to its stakeholders.

UAVs (Unmanned Aerial Systems) or RPAS (Remotely Piloted Aircraft Systems) are playing a significant role in the defense and commercial sectors, progressively replacing traditional modes of inspection, surveillance, survey, and transportation due to their inherent cost, safety, and efficiency. Numerous market studies have predicted significant growth in the use of UAVs in all sectors the Company is targeting.

BUSINESS HIGHLIGHTS

The first quarter of the calendar year is typically the slowest period for Volatus due to reduced service activity in Canada and the northern United States, where winter conditions limit field operations. To mitigate this seasonality and maintain momentum, the Company is actively expanding its presence in the United Kingdom and Europe, enabling greater access to commercial opportunities across European, African, and Asian markets, while also positioning itself to support NATO-aligned defense programs and drone demand globally.

Over the past several quarters, the Company has made a deliberate strategic shift toward services and long-term recurring contracts. This evolution is reflected in our revenue composition: whereas two years ago equipment sales accounted for approximately 75% of total revenue, today they represent just 40–45%, with services contributing 55–60%. This transformation has both diversified our revenue base and contributed to improved gross margins.

The growing demand for our specialized service offerings, particularly in pipeline surveillance, power utilities, and engineering and construction, demonstrates our ability to secure long-term, high-value contracts. These services also provide a more stable and predictable revenue stream. Q1 is often slower due to winter operational constraints in Canada and the northern United States and aligns with the contract evaluation and RFP cycle for many of our enterprise and government clients. Contract awards generally occur from mid-to-late Q2, with execution beginning shortly thereafter. In anticipation of these opportunities, the Company has continued to secure key regulatory approvals from Transport Canada, many of which are prerequisites to commence operations or necessary conditions for award eligibility. These strategic enablers position Volatus to convert upcoming opportunities into multi-year, recurring revenue programs.

Our merger with Drone Delivery Canada in late 2024 accelerated our shift toward remote operations for both cargo delivery and service contracts. The combined entity has allowed us to consolidate technology and operational capabilities, expand market reach, and enhance our ability to deliver scalable autonomous solutions through our Operations Control Center (OCC).

Volatus Aerospace entered 2025 with a focused execution strategy across regulatory, operational, and commercial fronts. The first quarter was marked by important regulatory milestones, continued commercialization of OCC-based capabilities, and strategic realignment to improve margins and preserve cash ahead of upcoming contract cycles.

Despite the expected Q1 seasonality in North America, the Company achieved a number of important milestones in Q1 2025 and reduced the year-on-year cost in Q1 by $1,780,668 compared on proforma basis.

Major Regulatory Advancements Support National-Scale BVLOS Operations

In Q1 2025, Volatus secured one of the most comprehensive regulatory approvals in its history: a nationwide Special Flight Operations Certificate (SFOC) from Transport Canada. This SFOC authorizes Beyond Visual Line of Sight (BVLOS) operations under a range of previously restricted conditions, including:

- Nighttime BVLOS operations in uncontrolled airspace outside of aerodromes.
- Proximity operations within 100 feet vertically and 200 feet horizontally of buildings, power lines, towers, and rail corridors.
- Access to restricted and NOTAM-controlled airspace, subject to coordination.
- Operations in Canada's Northern Domestic Airspace, enabling missions in remote northern regions.
- Full integration with autonomous drone-in-a-box infrastructure, enabling remote launching, recharging, and data transfer under centralized control via the Company's Operations Control Center (OCC).

This approval builds on a series of earlier SFOCs and reinforces Volatus' status as one of the few Canadian operators authorized for national, complex BVLOS operations, positioning the Company to deploy its drone services at scale in sectors such as oil and gas, public safety, logistics, and infrastructure.

Commercial Deployment of Autonomous and Remote Operations

Building on its regulatory foundation, Volatus made further progress commercializing autonomous operations. In Ontario, its DroneCare™ medical delivery program transitioned to fully remote oversight. This includes regular BVLOS flights between hospitals in the Milton and Oakville areas. These missions are now conducted without the need for ground observers, supported instead by Transport Canada-accepted ground-based radar for detect-and-avoid (DAA) compliance, with full oversight from the OCC in Toronto.

These successful implementations demonstrate a reliable pathway for long-term medical logistics and critical infrastructure monitoring two of the most commercially viable and socially impactful applications of BVLOS drone technology.

Expansion of Technology Integration and Strategic Collaborations

Volatus announced a key collaboration with Kongsberg Geospatial in Q1, integrating Kongsberg's IRIS Terminal, an advanced airspace monitoring and mission management system into an operator station at the Volatus OCC. The initiative enables third-party demonstrations and real-time BVLOS operations using shared situational awareness tools.

This integration represents a strategic step toward offering advanced remote operations not only for Volatus' own missions but also as an enabler for partners, customers, and OEMs seeking to validate and deploy autonomous flight operations in compliance with Canadian regulations.

Continued Growth in High-Margin Service Sectors
Volatus continued to gain traction in its core markets:

- **Oil and Gas:** The Company expanded its inspection services using the **AIRS 3 platform**, delivering advanced geospatial reporting and analytics to midstream clients. Enhanced methane detection and magnetometry surveys remained in strong demand across Canada and the U.S.
- **Energy and Utilities:** In Q1, Volatus neared completion of one of North America's largest solar farm inspection projects, which included the inspection of over **760,000 solar panels**. The Company also continued utility pole inspections in the U.S., including over 11,000 structures across multiple work packages.
- **Construction and Engineering:** Demand for LiDAR, façade, and roof inspections remained high, with continued activity from engineering firms and municipalities in Eastern Canada and new contracts secured in the U.S.
- **Public Safety and Border Security:** Volatus demonstrated its mobile drone-in-a-box systems for perimeter security and surveillance applications, including government clients. These systems support autonomous deployment from mobile platforms, with OCC integration enabling security, 24/7 oversight.

Operational Realignment to Support Profitability

In response to ongoing macroeconomic headwinds and a need to preserve liquidity ahead of anticipated contract execution in Q2 and Q3, Volatus implemented a proactive realignment of operations during the first quarter. These actions included:

- **Suspension of non-commercial development efforts**, including work on the Flyte virtual management platform;

- **Consolidation of engineering, training, and support functions** to reduce overhead while preserving service delivery capacity;
- **Strategic prioritization** of margin-accretive business lines over low-yield activity.

These measures are expected to significantly improve cash efficiency and help the Company maintain operational readiness while navigating a capital-constrained environment.

Strengthened Financial Position
In Q1, the Company improved its capital structure through multiple financing events:

- On April 29, 2025, Volatus completed an **oversubscribed LIFE financing** of **$3 million**, issuing 25,000,000 common shares and 25,000,000 warrants at $0.12 per share, with warrants exercisable at $0.20 for 36 months.
- On April 11, 2025, the Company converted **$2.6 million of convertible debentures into equity**, eliminating future interest and principal obligations and improving net equity.

These transactions reflect continued investor support and provide a stronger foundation to execute strategic priorities heading into Q2.

BUSINESS OUTLOOK & STRATEGY

The commercial drone industry is highly dependent on regulations. The Company believes that drone regulations are evolving however, building a business model around anticipated regulatory changes will restrict the growth of the Company. The Company has designed a strategy that addresses current market needs within the existing regulatory framework and concurrently has started to get special approvals to perform BVLOS (Beyond Visual Line of Sight) missions as highlighted above. The Company believes in solving customer problems by providing customized solution that integrates its own technology along with the best fourth-party technologies available in the market. The intent is to create a "stickiness" with the customer to foster repeat business and the Company becomes a one stop solution for all drone needs. To enable this strategy, Volatus introduced the "Vetted by Volatus" program that can qualify great drone technologies as part of its integrated solutions.

The Company also realized that certain sectors cannot be disrupted using drones due to regulatory constraints and the slow adoption rates. In certain cases, the Company will use piloted aircraft and progressively introduce remotely piloted aircraft (drones) to supplant piloted aircraft activities to generating higher gross margins and environmental wins to its customers.

Q1 2025 RESULTS

	Three months ended Mar 31	
	2025	2024
Total Revenue	5,713,158	6,623,741
Gross Profit (as a % of revenues)	32%	34%
Loss from operations	(3,368,052)	(2,598,748)
Net loss and comprehensive Loss	(4,285,320)	(2,991,319)
Adjusted EBITDA loss	(978,115)	(1,380,119)
Net loss per share	(0.01)	(0.01)
Change in cash and cash equivalents	(634,116)	(641,480)

Q1 2025 Total Reported Revenue of $5,713,158.

In Q1 2025, Volatus Aerospace reported total revenue of $5,713,158. While this figure represents a modest decrease from $6.6 million in Q1 2024, it reflects the Company's strategic repositioning toward a more resilient and profitable revenue mix, as well as temporary impacts from macroeconomic and geopolitical conditions. The quarter was shaped by two key factors:

- **Increased demand for equipment** in the U.S. market, driven by recent tariff policy announcements, which resulted in a 47% quarter-over-quarter increase in equipment sales.
- **Seasonal contraction** in services revenue, down 37% from Q4, consistent with historical winter slowdowns in Canada and northern U.S. regions.

This combination resulted in a revenue mix shift, with equipment sales contributing 44% and services contributing 56% of total revenue. By comparison, in Q4 2024, equipment represented only 25% of revenue. While temporary, this shift underscores our ability to pivot quickly in response to market opportunities, such as emergency procurement, and to maintain sales momentum despite operating constraints.

Q1 is typically the softest quarter due to winter weather and the timing of large contract award cycles. Many enterprise and government clients conduct procurement reviews in Q1, with contracts awarded in mid-to-late Q2 and execution beginning thereafter. The Company's strong pipeline and recent regulatory approvals position it well to capitalize on these upcoming contract cycles.

Q1 2025 Gross Profit of $1,829,973. Gross Margin of 32%

Gross profit for Q1 2025 was $1,829,973, representing a gross margin of 32%, compared to 34% in Q1 2024. This marginal decline is primarily attributable to the higher proportion of lower-margin equipment sales in the revenue mix for the quarter.

However, our margin breakdown by category illustrates continued operational strength:

- Services delivered a robust 42% gross margin, consistent with our strategic focus on high-value, recurring contracts.

- Equipment sales generated a 19% gross margin, which remains healthy despite strategic sourcing from distributors instead of OEMs. This decision allows the Company to preserve working capital, rapidly meet procurement needs, and maintain flexibility in an evolving global supply chain environment.

The Company anticipates gross margin to improve in upcoming quarters as service revenues increase in line with seasonal activity and new contract execution.

Q1 2024 Revenue Distribution

The Q1 2025 product mix shifted to 44% equipment and 56% services, compared to 25% equipment and 75% services in Q4 2024. This shift was primarily driven by:

- Accelerated demand for drones and supporting equipment in the U.S. in advance of anticipated import tariffs;

- Seasonally constrained service delivery in northern regions.

While temporary, this flexibility demonstrates our ability to dynamically respond to customer needs and market conditions. Over the long term, the Company anticipates a normalized mix of 60%-55% services and 40%–45% equipment, reflecting our strategy to emphasize higher-margin, recurring service revenue.

Adjusted EBITDA (Earnings before Interest, Tax, Depreciation, and Amortization)

Volatus achieved a 30% year-over-year improvement in Adjusted EBITDA, reducing the loss from ($1.39 million) in Q1 2024 to ($978,115) in Q1 2025. This improvement was primarily driven by:

- Cost discipline and reductions in discretionary spending.
- Elimination of non-core development activities.
- Early realization of merger synergies and integration benefits.

While certain costs for the period increased due to termination expenses, legal fees, and one-time discontinuation costs, the overall operating expense base has been materially reduced. On a pro forma basis, considering the combined operations of Volatus Aerospace Corp. and Drone Delivery Canada, total operating expenses (excluding depreciation, finance cost and share based payments) in Q1 2024 were $5,316,814. In comparison, the equivalent expense base in Q1 2025 declined by $1,780,668, underscoring the effectiveness of ongoing cost optimization efforts.

This performance reflects early success in aligning our cost structure with revenue priorities and positions the Company for continued EBITDA improvement as seasonal activity resumes and new service contracts ramp up. A detailed reconciliation of Adjusted EBITDA is provided later in this MD&A.

Cash Position and Strategic Use of Capital

The Company generated positive cash flow from operating activities of $1,918,793 during the three months ended March 31, 2025. Despite this, cash and cash equivalents decreased by $634,116, primarily due to the following:

- Operating losses associated with typical Q1 seasonality.
- Strategic capital expenditures to support new service contracts and continued development of the Operations Control Center (OCC).
- Repayment of scheduled debt obligations.

The Company remains committed to disciplined capital management and is actively advancing a funding strategy to support both near-term growth and long-term value creation.

As at	March 31, 2025	December 31, 2024
Total Assets	54,680,020	57,804,071
Non-Current Assets	44,907,584	45,829,000
Goodwill	20,739,606	20,739,606
Total non-current Liabilities	9,944,718	11,099,860
Total Liabilities	31,975,963	31,467,306
Working Capital	(12,258,809)	(8,392,375)
Shareholder's Equity	22,704,057	26,336,765
Distribution or Cash Dividends	-	-

As at Mar 31 2025, the Company held total assets of $54,680,020. The decrease in total assets was due to changes in the cash position of the business and reduction in receivables and other assets. Non-current assets decreased by $427,468 due to depreciation and reclassification/disposal of certain assets. The Company continued to deploy cash in operating activities and scale its service business. The increase in total liabilities was driven by increased accounts payable and increased other short-term liabilities.

RESULTS OF OPERATIONS

	Three months ended March 31			
		2025		**2024**
Revenue	$	5,713,158	$	6,623,741
Direct costs	$	3,883,185	$	4,397,985
Gross Profit		**1,829,973**		**2,225,757**
OPERATING EXPENSES				
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	$	57,621
External partner cost	$	200,637		200,072
Depreciation and amortization	$	1,496,425		1,098,088
Share based Payments	$	165,454		126,822
		5,198,025		**4,824,504**
(Loss) from Operations		**(3,368,052)**		**(2,598,748)**
OTHER ITEMS - INCOME/(EXPENSE)				
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
Net Loss	**$**	**(4,285,320)**	**$**	**(2,991,319)**

Total comprehensive Income (loss) for the period attributable to:

Owners of Volatus Aerospace Corp.	(4,241,643)	(2,915,143)
Non-controlling interest	(43,677)	(76,176)
	(4,285,320)	**(2,991,319)**

The Company generates revenue from two principal business segments: equipment sales and aerial services, which include drone-based services, training, and crewed long-liner pipeline inspections. In Q1 2025, equipment sales delivered a gross margin of 19%, while services achieved a significantly higher gross margin of 42%. As expected, the sale of third-party equipment yields lower gross margins than services and training, due to the resale nature of the products. Despite a seasonal shift in the revenue mix, the blended gross margin remained stable at 32%, slightly above expectations. This result was supported by proactive procurement from non-OEM sources to navigate ongoing supply chain uncertainties.

The Company continues to exercise cost discipline across discretionary spending areas. In Q1 2025, marketing expenses totaled $135,575, covering trade shows, advertising, business development initiatives, and investor engagement. This represents a 54% reduction compared to Q1 2024. Investor relations (IR) spending totaled $44,132, down 48% year-over-year, with no new IR initiatives launched during the period. Current IR activity is limited to essential functions, including platform fees, contractor oversight, website maintenance, and market-maker services.

While select one-time costs increased in the quarter, such as termination-related expenses, legal fees, and costs associated with discontinuation of non-core activities, the overall operating expense base declined materially. On a pro forma basis, inclusive of both Volatus Aerospace Corp. and Drone Delivery Canada, operating expenses totaled $5,316,814 in Q1 2024. In Q1 2025, those costs were reduced by $1,780,668, reflecting the successful execution of merger integration plans and the Company's focus on sustainable cost structure optimization.

SUMMARY OF QUARTERLY RESULTS

The following selected quarterly financial data has been extracted from the financial statements prepared in accordance with International Financial Reporting Standards:

	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Revenue	5,713,158	6,783,176	6,618,504	7,121,993	6,623,741	10,500,995	8,274,349	8,684,991
Direct costs	3,883,185	4,209,577	4,366,107	4,617,447	4,397,985	7,700,881	5,265,775	5,724,516
Gross Profit	**1,829,973**	**2,573,599**	**2,252,397**	**2,504,546**	**2,225,757**	**2,800,114**	**3,008,574**	**2,960,475**
	32%	38%	34%	35%	34%	27%	36%	34%
OPERATING EXPENSES								
Advertising & marketing	135,575	100,878	331,763	397,357	293,339	278,781	541,635	629,686
IT & tech	245,180	157,851	210,328	259,456	256,802	28,439	243,602	211,960
Personnel	2,440,528	1,958,572	1,787,175	1,515,536	2,196,722	1,312,983	1,727,086	1,788,347
R&D	11,756	25,429	4,011	-	11,840	771,861	104,832	364,263

Office cost	438,182	673,047	497,706	554,050	583,199	605,396	722,276	610,650
Travel	64,288	38,959	77,011	40,143	57,621	126,710	90,804	167,364
External partner cost	200,637	386,259	2,117,840	430,141	200,072	436,686	243,443	326,979
Depreciation and amortization	1,496,425	1,315,544	1,294,350	1,116,698	1,098,088	1,647,364	843,744	797,487
Share based Payments	165,454	77,523	124,861	126,822	126,822	173,671	195,372	178,361
	5,198,025	**4,734,061**	**6,445,045**	**4,440,202**	**4,824,504**	**5,381,891**	**4,712,793**	**5,075,097**
(Loss) from Operations	**(3,368,052)**	**(2,160,462)**	**(4,192,648)**	**(1,935,656)**	**(2,598,748)**	**(2,581,777)**	**(1,704,219)**	**(2,114,622)**
OTHER ITEMS - INCOME/(EXPENSE)								
Finance cost	(645,685)	(1,072,341)	(992,806)	(491,664)	(379,106)	(667,949)	(425,671)	(368,635)
Other income (expense)	(3,468)	(133,884)	(2,669)	153	(10,168)	14,955	(39,229)	41,237
Unrealized gain on investments	(58,963)	247,661	-	-				
Gain (Loss) on disposal of property and equipment	-	(1,541)	(194,662)	319,044	(7,184)	(125,476)	228,769	(0)
Foreign exchange translation	1,225	92,541	(109,037)	25,508	3,887	(24,156)	19,946	(16,191)
Net Loss	**(4,074,943)**	**(3,028,025)**	**(5,491,822)**	**(2,082,615)**	**(2,991,319)**	**(2,775,864)**	**(1,920,403)**	**(2,458,211)**
Deferred Tax Income/ (Expense)	(210,377)	(100,899)				**464,216**		
Net Loss	**(4,285,320)**	**(3,128,924)**	**(5,491,822)**	**(2,082,615)**	**(2,991,319)**	**(2,311,647)**	**(1,920,403)**	**(2,458,211)**
Total comprehensive Income (loss) for the period attributable to:								
Owners of Volatus Aerospace Corp.	(4,241,643)	(3,099,840)	(5,440,827)	(2,070,150)	(2,915,143)	(1,997,089)	(2,427,597)	(2,427,468)
Non-controlling interest	(43,677)	(29,084)	(50,994)	(12,465)	(76,176)	(314,559)	507,194	(30,743)
	(4,285,320)	**(3,128,924)**	**(5,491,822)**	**(2,082,615)**	**(2,991,319)**	**(2,311,647)**	**(1,920,403)**	**(2,458,211)**
Loss per share								
Basic and Diluted	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)

The Company's quarterly results are subject to seasonality, with service activities typically slower in the first quarter due to adverse winter conditions in North America. Sales generally pick up in the second quarter and peak in the third quarter for services. Equipment sales in the US have been impacted due to geo-political uncertainties and emphasis on the use of made in America drones.

Our aggressive expansion in the UK and Europe and focus on training services are expected to reduce the impact of seasonality, as these offerings are not subject to seasonal fluctuations. The gross margin for Q1 2025 outperformed historical trends, primarily due to increased efficiencies.

Depreciation expense increased due to the amortization of intangibles. Research and Development (R&D) spending is consistent on revenue generating technologies, and with slower service activities, the cost of pilots was included in SG&A; thus, increasing personnel cost.

Overall, these strategic adjustments and our focus on high-margin services position the Company for improved financial performance and reduced seasonality impact in future quarters.

LIQUIDITY AND CAPITAL RESOURCES

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

	As at	
	March 31 2025	**December 31, 2024**
Current Assets	**9,772,436**	**11,975,071**
Current Liabilities	**22,031,245**	**20,367,446**
Working Capital	**(12,258,809)**	**(8,392,375)**

As of March 31, 2025, the Company reported current assets of $9,772,436, down from $11,975,071 as of December 31, 2024. This decrease is mainly attributed to reduced receivables due to the seasonal quarter and higher collection.

Current liabilities increased from $20,367,446 as of December 31, 2024, to $22,031,245 as of March 31, 2025, resulting in a working capital deficit of $12,258,809, compared to a deficit of $8,392,375 at the end of the year. The increase was due to higher payables and short-term liabilities as the Company aggressively managed its working capital.

The decrease in working capital was due to operating activities and increased short-term obligations. Cash on hand was reduced by $634,116 as a result of losses from operations, repayment of debt, and development of intangibles.

Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments.

As the Company prepares a path toward profitability, it will be dependent on its ability to increase sales and maintain margins at current levels. This will be influenced by general economic conditions, financial, regulatory, and other factors, including factors beyond the Company's control. The Company may need additional capital and may raise additional funds should the Board of Directors of the Company deem it advisable to support its aggressive acquisition strategy. To date, the Company has had a negative operating cash flow position due to the Company investing in inventory buildup, product development and human capital to meet increased demand. As a result of the Company's business plan for the development of its products and services, the Company expects cash flow from operations to be negative until revenues increase to offset its operating expenditure.

Management intends to finance operating costs over the next twelve months predominantly with cash on hand and with the issuance of securities such as prospectus offerings, private placement of common shares and convertible debentures. Further, in order to maintain or adjust its capital structure, the Company may issue new shares, new debt, or scale back the size and nature of its operations. The Company is not subject to externally imposed capital requirements. As of March 31, 2025, shareholders' equity was $22,704,057 and on December 31, 2024, shareholder's equity was $26,336,765

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 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.

CASH FLOW:

	Three months ended March 31	
	2025	**2024**
Net cash used in Operating Activities	1,448,565	511,907
Net cash used in Investment Activities	(93,289)	(188,890)
Net Cash provided by Financing Activities	(1,989,392)	964,494
Net change in cash	(634,116)	(641,477)

Operating Activities

The net cash provided by operating activities was primarily due aggressive management of working capital in Q1 2025.

Investing Activities

The net cash used in investment activities was primarily development of intangibles assets.

Financing Activities

The net cash used in financing activities was primarily towards repayment of debt obligations.

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital to meet its liquidity requirements.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and will adjust it, when necessary, to have funds available to support its corporate activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the modest current business and financial size of the Company, is reasonable.

We expect, from time to time, to evaluate the acquisition of businesses, intellectual property, products and technologies for which a portion of the net proceeds may be used. There is always the potential that any acquisition or investment in a company or product has a negative impact on future cash flows of the Company.

RECONCILIATION OF ADJUSTED EBITDA TO NET LOSS

	Three months ended Mar 31, 2025	2024
Adjusted EBITDA (loss)	**(978,115)**	**(1,380,119)**
Interest	645,685	379,106
Depreciation	1,496,425	1,098,088
Share-based Payments	165,454	126,822
Severance/Discontinued cost	387,691	-
IT, Legal, and External Partner	398,105	-
Other Income	3,468	-
Tax expense	210,377	-
Loss from Sale of Drones	-	7,184
Net Loss	**(4,285,320)**	**(2,991,319)**

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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.

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

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 18 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 18 months' salary, at $350,000 per annum, is payable. If the termination had occurred on March 31 2025, the amount payable under this agreement would be $525,000.

The Company has an employment agreement with its CFO which provides that in the event the CFO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 12 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 12 months' salary, at $190,000 per annum, is payable. If the termination had occurred on March 31 2025, the amount payable under this agreement would be $190,000.

SHARE CAPITAL

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
Total	**206,188**	**206,188**	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
Outstanding, end of period	**24,029,515**	**0.22**	16,566,515	0.30

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

	Options Outstanding			Options Exercisable		
Range of price (C$)	**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

Additional Options due to Merger						
$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
	23,982,415	**3.08**	**0.22**	**11,692,350**	**1.94**	**0.36**

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 December 31, 2024	Number of warrants outstanding at March 31, 2025	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
		26,585,083	**987,007**	**26,619,750**	**970,846**		

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		
Outstanding, March 31, 2025	**26,585,083**	**0.21**

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Critical accounting estimates and assumptions as well as critical judgements in applying the Company's accounting policies are detailed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2024.

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.

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.

BUSINESS RISKS

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

Limited Operating History in Evolving Industry

While the Company has been carrying on business since 1987, it has a limited operating history in the evolving drone business that may not develop as expected. The Company's growth in this business is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources, and lack of significant revenues. There is no assurance that the Company will be successful in achieving a return on shareholder's investment and the likelihood of success must be considered in light of the early stage of operations.

The Company could incur substantial product liability claims relating to its products.

As a manufacturer and service provider in the unmanned aerial vehicle sector, and with aircraft and aviation sector companies under increased scrutiny, claims could be brought against the Company if use or misuse of one of its products causes, or merely appears to have caused, personal injury or death. In addition, defects in the Company's products may lead to other potential life, health and property risks. Any claims against the Company, regardless of their merit, could severely harm the financial condition of the Company and strain management and other resources. The Company is unable to predict if it will be able to obtain or maintain product liability insurance for any products that may be approved for marketing.

Ownership and Protection of Intellectual Property

The intellectual property used by the Company in its business is not protected by patents or registered design rights, which means that the Company cannot preclude or inhibit competitors from entering the same market if they develop the same or similar technology independently. The Company is particularly reliant, therefore, on copyright, trade secret protection and confidentiality and license agreements with its employees, suppliers, consultants and others to protect its intellectual property rights. Although the Company has taken steps it believes to be consistent with industry practice to reduce these risks, such steps may be inadequate. If the Company fails to register, renew or enforce intellectual property rights, or there is any unauthorized use or significant impairment of its intellectual property rights, the value of its products and services could be diminished, the Company's competitive position could be adversely affected and its business may suffer. In addition, fourth parties may independently discover the Company's trade secrets or access proprietary information or systems and, in such cases, the Company may not be able to rely on any intellectual property rights to prevent the use of such trade secrets, information or systems by such parties.

In order to protect its intellectual property, the Company may be required to spend significant resources to monitor and protect its rights. Costly and time-consuming litigation could be necessary to determine and enforce the scope of the Company's proprietary rights and the outcome of such litigation could not be guaranteed. Further, any efforts by the Company to enforce its intellectual property rights may be met with defences, counterclaims and countersuits attacking the validity and enforceability of its intellectual property rights. Failure to prevent the use of such secrets, information or systems by such fourth parties could materially adversely affect the business.

Exposure to risks relating to non-performing strategic suppliers and reseller contracts and agreements, including delays
The Company's ability to serve its customers in a timely manner depends on the ability of its strategic suppliers and resellers to perform their obligations and deliver their products and/or services in a timely manner and in accordance with contractual requirements. The Company relies, to a substantial extent on supplier and reseller contracts and agreements. Any delay in delivery of parts and materials by original equipment manufacturers ("**OEMs**") will entail a hindrance in the Company's ability to fulfil its contractual obligations. In addition, changes in pricing, incentives or other terms or non-performance of strategic suppliers and resellers could materially adversely affect the Company's ability to perform and subject the Company to additional liabilities. Any non-performance by OEMs, suppliers or resellers, could have a material adverse effect on the Company's business, results of operations, financial condition, cash flows and/or prospects.

Supplier risk
The Company acquires most of the products it sells and the components for the manufacture of its products from suppliers and subcontractors. Supply of certain products and components is highly concentrated with a small number of suppliers. Such suppliers and subcontractors may not be committed or obligated to sell products to the Company. Suppliers of some of the components may require the Company to place orders with significant lead-times to assure supply in accordance with its manufacturing requirements. Any lack of working capital on the part of the Company may cause it to delay the placement of such orders and may result in delays in supply. Delays in supply may significantly hurt the Company's ability to fulfill our contractual obligations and may significantly hurt its business and result of operations. In addition, the Company may not be able to continue to obtain such components from these suppliers on satisfactory commercial terms. Disruptions of its manufacturing operations would ensue if the Company was required to obtain components from alternative sources, which would have an adverse effect on our business, results of operations and financial condition.

Emerging Industry
Company products and services are in new and rapidly evolving markets. The commercial drone market is in early stages of customer adoption. Accordingly, the Company's business and future prospects may be difficult to evaluate. The Company cannot accurately predict the extent to which demand for its products and services will develop and/or increase, if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact the Company's ability to do the following:

- generate sufficient revenue to obtain and/or maintain profitability;
- acquire and maintain market share;
- achieve or manage growth in operations;
- develop and renew contracts;
- attract and retain additional engineers and other highly-qualified personnel;
- successfully develop and commercially market products and services;
- adapt to new or changing policies and spending priorities of governments and government agencies; and
- access additional capital when required or on reasonable terms.

If the Company fails to address these and other challenges, risks and uncertainties successfully, its business, results of operations and financial condition would be materially harmed.

Difficulty to Forecast
The Company must rely largely on its own market research to forecast sales, as detailed forecasts are not generally obtainable from other sources at this preliminary stage of the industry. A failure in the demand for its products or services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the businesses, results of operations and financial condition of the Company.

Industry Growth
There can be no assurance that the Company's targeted vertical and geographic markets will grow, or that they will be successful in establishing new vertical and geographic markets. If the various markets in which the Company's products and services compete fail to grow, or grow more slowly than anticipated, or if they are unable to establish themselves in new markets, their growth plans could be materially adversely affected.

Rapid Technology Developments
The industries within which the Company operates are characterized by rapid technological change, evolving industry standards, frequent new product introductions and short product life cycles. To keep pace with the technological developments, achieve product acceptance and remain relevant to users and therefore attractive to customers and infrastructure providers, the Company will need to continue developing new and upgraded functionality of its offerings and adapt to new business environments and competing technologies and offerings developed by its competitors. The process of developing new technology is complex and uncertain. To the extent the Company is not able to adapt to new technologies and/or standards, experiences delays in implementing adaptive measures or fails to accurately predict emerging technological trends and the changing needs of end-users, this could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

The Company has developed and is continuing to develop several offerings incorporating advanced technologies and the Company will pursue those offerings that it expects to have the best chance for success based on its expectations of future market demand. The development and application of new technologies involve time, substantial costs and risks. There can be no certainty that the Company will be able to develop new offerings and technologies to keep up to date with developments in the industries within which it operates and, in particular, to launch such offerings or technologies in a timely manner or at all. There can be no certainty that such offerings will be popular with end-users or that such offerings or new technologies will be reliable, robust and not susceptible to failure. Any of these factors could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Defects in Offerings
Company's product and service offerings are highly complex and sophisticated and may contain design defects or errors that are difficult to detect and correct. Errors or defects may be found in new or existing offerings and, even if discovered, the Company may not be able to successfully correct such errors or defects in a timely manner or at all. The occurrence of errors and failures in the Company's offerings could result in loss of or delay in end user acceptance of its offerings and may harm the reputation of the Company. Correcting such errors and failures in its offerings could require significant expenditures by the Company, involving cost or time and

effort of personnel. The consequences of such errors, failures and claims could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Risk of Accidents
An accident involving a drone or UAV provided by the Company or another manufacturer could cause regulatory agencies around the world to tighten restrictions on the use of drones and UAVs, particularly overpopulated areas, and could cause the public to lose confidence in the Company's products. There are risks associated with unmanned systems and services, flight control, communications and/or other advanced technologies, and there may be accidents associated with these technologies, including crashes with or without personal injury. The safety of certain cutting-edge technologies depends in part on user interaction, and users may not be accustomed to using such technologies. The Company could face unfavorable and tightened regulatory control and intervention on the use of UAVs and other advanced technologies and be subject to liability and government scrutiny to the extent accidents associated with the Company's systems occur. Should a high-profile accident occur resulting in substantial casualty or damages, either involving the Company's products or products offered by other companies, public and political confidence in and regulatory attitudes toward UAVs could deteriorate. Any of the foregoing could materially and adversely affect the Company's reputation, results of operations, financial condition, cash flow, and/or future prospects.

Variable Revenues and Earnings
The revenues and earnings of the Company may fluctuate from quarter to quarter, which could affect the market price of the Company's Common Shares. Revenues and earnings may vary quarter to quarter as a result of a number of factors, including the timing of releases of new products or services, activities of the Company's competitors, cyclical fluctuations, concentration in the Company's customer bases, transition periods associated with the migration to new technologies, impairment of goodwill or intangible assets which may result in a significant change to earnings in the period in which an impairment is determined, and operating expenses that are generally fixed in the short-term and therefore difficult to rapidly adjust to different levels of business. Any of the factors listed above could cause significant variations to the Company's revenues, gross margins and earnings in any given quarter.

Operating Losses
The Company has incurred net losses since its inception. The Company cannot assure that it can become profitable or avoid net losses in the future or that there will be any earnings or revenues in any future quarterly or other periods. The Company expects that its operating expenses will increase as it grows its business, including expending substantial resources for research, development and marketing. As a result, any decrease or delay in generating revenues could result in material operating losses.

Internal Controls
Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS Accounting Standards. However, internal controls over financial reporting are not guaranteed to provide absolute assurance with regard to the reliability of financial reporting and financial statements.

Regulatory Risks
There is currently a limited legislation/regulatory framework in place specific to the beyond visual line-of-sight operations of commercial drones in Canada or in the United States. All such operations are approved on a case-by-case basis, with company experience and safety record being the major factors in gaining such approvals. The Company has secured the services of Canadian and United States drone regulatory experts in assessing the regulatory regimes of each county and who work with the applicable regulators to secure flight approvals. No significant concerns have arisen, however there can be no assurance that such jurisdictions have enacted or will enact legislation or that, if enacted, the Company will be permitted or qualified to operate under such legislation. The Company's business plan assumes a legislative regime that allows such plans to be realized. If the Company cannot expand its operations in Canada, the United States or other international jurisdictions through local partners or otherwise or cannot fulfill its international business plan within the timeframes established by the Company, it could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Regulatory approvals
Transport Canada is responsible for establishing, managing, and developing safety and security standards and regulations for civil aviation in Canada, and includes unmanned civil aviation (drones). Civil operations include law enforcement, scientific research, or use by private sector companies for commercial purposes. The Canadian Aviation Regulations (CARs) govern civil aviation safety and security in Canada, and by extension govern operation of drones in Canada to an acceptable level of safety. While Transport Canada has been a leader in the development of regulations for the commercial use of remotely piloted aircraft systems ("RPAS"), and continues to move forward rapidly with its regulatory development, it has acknowledged the challenge of regulations keeping pace with the rapid development in technology and the growing demand for commercial RPAS use, particularly in the beyond visual line-of-sight environment. In 2012, the Canadian Aviation Regulation Advisory Council UAS working group released its Phase 2 report which outlined a proposed set of revision to the CARs to permit Beyond Visual Line of Sight (BVLOS) operations. This report was the basis for the recently released NPA on lower risk beyond visual line-of-sight. Failure to obtain necessary regulatory approvals from Transport Canada or other governmental agencies, including the granting of certain SFOCs, or limitations put on the use of RPAS in response to public safety concerns, may prevent the Company from testing or operating its aircraft and/or expanding its sales which could have an adverse impact on the Company's business, prospects, results of operations and financial condition.

Geographical Expansion
The Company faces challenges in expanding into new geographic regions. The Company currently operates in Canada, the United States, and some parts of LATAM, but the Company may in the future seek to expand its presence in new geographic regions. Any international expansion of the Company's technologies, products and services will expose the Company to risks relating to staffing and managing cross-border operations; increased costs and difficulty protecting intellectual property and sensitive data; tariffs and other trade barriers; differing and potentially adverse tax consequences; increased and conflicting regulatory compliance requirements, including with respect to data privacy and security; lack of acceptance of the Company's technologies, products and services; challenges caused by distance, language, and cultural differences; exchange rate risk; and political instability. Accordingly, any efforts by the Company to expand its operations may not be successful, which could limit the Company's ability to grow its business.

Foreign Political and Legal Risk

The Company believes that a significant amount of its business opportunities lie outside of Canada, particularly in the United States. Many of the fourth-party products sold by the Company and a majority of the components needed to build the products that the Company expects to manufacture are made and purchased from countries outside of Canada, particularly in Asia. Operating in foreign countries and relying on suppliers in foreign countries exposes the Company to political risks, country risks and currency risks in many forms. In addition, in jurisdictions outside of Canada, there can be no assurance that any market for the Company's products will develop. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit the Company's ability to successfully expand its operations into such jurisdictions, may interfere with its supply chains and may have a material adverse effect on the Company's business, financial condition and results of operations.

Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates, military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licenses, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in investment policies or shifts in political attitude in the countries in which the Company will operate or purchase products from may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of concessions, licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licenses, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Factors which may Prevent Realization of Growth Targets

Company is currently in the early development stage and expects that, in the future, even if revenues continue to increase, its revenue growth may not continue at the same pace or may decline in the future. There are risks associated with Company's growth strategy, and such strategies may not succeed, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors, as well as the following:

- non-performance by fourth party contractors;
- increases in materials or labour costs;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity; and

- inability to attract sufficient numbers of qualified workers.

As a result, there is a risk that the Company may not have the capacity to meet customer demand or to meet future demand when it arises. In addition, the Company, expects to continue to expend substantial financial and other resources on:

- personnel, including significant increases to the total compensation as the Company pays its employees as it grows employee headcount;
- marketing, including expenses relating to increased direct marketing efforts;
- office and facility costs, as the Company increases the space it needs for its growing employee base; and
- general administration, including legal, accounting and other compliance expenses related to being a public company.

If the Company cannot manage growth effectively it could materially and adversely affect the business, financial condition, and results of operations of the Company.

Competition

The industry in which the Company operates, and in which the Company will operate, is very competitive. Numerous factors could affect the Company's competitive position.

The Company may face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Several of these companies may have greater name recognition and well-established relationships with some of the Company's target customers. Furthermore, these potential competitors may be able to adopt more aggressive pricing policies and offer more attractive terms to customers than the Company are able to offer. As such, the Company may face increasing price pressure from competitors and customers. In addition, current and potential competitors have established or may establish cooperative relationships amongst themselves or with fourth parties to compete more effectively. Existing and potential competitors may also develop enhancements to, or future generations of, competitive products and services that will have better performance features than the Company's products and services.

As a result of the early stage of the industry in which the Company operates, the Company can expect to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in marketing, sales and customer support. The Company may not have sufficient resources to maintain marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company expects to incur substantial research and development costs and devote significant resources to identifying and commercializing new products and services, which could significantly reduce its profitability and may never result in revenue to the Company.

The Company's future growth depends on penetrating new markets, adapting existing products to new applications, and introducing new products and services that achieve market acceptance. The Company plans to incur substantial research and development costs as part of its efforts to design, develop and commercialize new products and services and enhance its existing products. The Company believes that there are significant opportunities in a number of business areas. Because the Company accounts for research and development costs as operating expenses, these expenditures will adversely affect its earnings in the future. Further, the Company's research and development programs may not produce successful results, and its new products and services may not achieve market acceptance, create any additional revenue or become profitable, which could materially harm the Company's business, prospects, financial results and liquidity.

The Company's adoption of new business models could fail to produce any financial returns.
Forecasting the Company's revenues and profitability for new business models is inherently uncertain and volatile. The Company's actual revenues and profits for its business models may be significantly less than the Company's forecasts. Additionally, the new business models could fail for one or more of the Company's products and/or services, resulting in the loss of Company's investment in the development and infrastructure needed to support the new business models, and the opportunity cost of diverting management and financial resources away from more successful businesses.

Foreign currency risk
The Company does engage in significant transactions and activities in currencies other than its functional currency. Depending on the timing of the transactions and the applicable currency exchange rates such conversions may positively or negatively impact the Company.

The Company is subject to certain market-based financial risks associated with its operations.
The Company could be subject to interest rate risks, which is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities, however market fluctuations could increase the costs at which the Company can access capital and its ability to obtain financing and the Company's cash balances carry a floating rate of interest. In addition, the Company engages in transactions in currencies other than its functional currency. Depending on the timing of these transactions and the applicable currency exchange rates, conversions to the Company's functional currency may positively or negatively impact the Company

Brand Development
The brand identities that the Company has developed and that the Company will continue to develop has and will significantly contribute to the success of the Company's business. Maintaining and enhancing Volatus' current brand is critical to expanding the Company's customer base. The Company believes that the importance of brand recognition will continue to increase due to the relatively low barrier to entry in the industry. The Company's brand may be negatively impacted by a number of factors, including product malfunctions and data privacy and security issues. If the Company fails to maintain and enhance its brand, or incurs excessive expenses in this effort, it could have a material adverse effect on the Company's prospects, businesses, financial condition or results of operations. Maintaining and enhancing the Company brand will depend largely on the Company's ability to continue to provide high-quality products and services, which the Company may not continue to do successfully.

Privacy Laws Compliance
The Company collects and stores personal information about its users and partners and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly user and partner lists, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach could have a material adverse effect on the Company's businesses, financial condition or results of operations.

In addition, there are a number of federal and provincial laws protecting the confidentiality of personal information and restricting the use and disclosure of that protected information. In particular, the privacy rules under the *Personal Information Protection and Electronics Documents Act* (Canada) ("PIPEDA"), protect personal information by limiting their use and disclosure of personal information. If the Company was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of personal information, they could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the businesses, financial condition or results of operations of the Company.

Cyber-threats
The Company and its customers are subject to cyber-attacks from cybercriminals. Rapid changes in attack vectors makes it difficult to stop attacks and adapt to new threats and the increased social hacking creates a cyber-threat risk for the Company. Information technology security breaches could lead to shutdowns or disruptions of the Company's systems and potential unauthorized disclosure of confidential information or data, including personal data. The Company may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. The theft or unauthorized use or publication of confidential information or other proprietary business information, or privacy-related obligations or fourth parties, or any compromise of security that results in an unauthorized release, transfer of use of personally identifiable information or other customer data as a result of an information technology security incident, could adversely affect the Company's competitive position and reputation, and reduce marketplace acceptance of the Company's products, services and solutions. If the Company is unable to protect its products and services from cyberthreats, this could have a material adverse effect on the Company's business, results of operations, financial condition, cash flows and/or prospects.

Reputational Risk
The nature of the Company's operations and national and international operations entails that the Company is exposed to the risk of allegations which, whether they are true or not, could damage the Company's trust, standing and reputation towards its shareholders, partners, new investors, suppliers, customers and/or other business relations. For example, negative publicity may ensue if the Company is accused of non-compliance with regulatory requirements, involvement in bribery, unsafe products etc. The Company's standing and reputation may also be negatively affected by the non-compliance of its suppliers, customers and resellers. Negative publicity or a bad reputation may also affect the Company's contacts with regulators, causing regulatory authorities to have a negative attitude towards the Company. If the Company's standing and reputation is harmed, then it could have a material adverse effect on the Company's business, results of operations, financial condition, cash flows and/or prospects.

Future Capital Requirements

The Company may need to raise additional funds through public or private debt or equity financings in order to: (i) fund ongoing operations; (ii) take advantage of opportunities, including more rapid expansion of the Company's business or the acquisition of complementary businesses; or (iii) respond to competitive pressures. Any additional capital raised through the sale of equity may dilute the Company's shareholders' ownership. Capital raised through debt financing would require the Company to make periodic interest payments and may impose restrictive covenants on the conduct of the Company's business. Furthermore, additional financings may not be available on terms favorable to the Company, or at all. A failure to obtain additional funding could prevent the Company from making expenditures that may be required to implement the Company's growth strategy and grow or maintain the Company's operations.

Operating Risk and Insurance Coverage

The Company has liability insurance coverage for its products and business operations. However, the Company may not be able to secure additional product liability insurance coverage on acceptable terms or at reasonable costs when needed. A successful liability claim against the Company due to injuries or damages suffered by customers could materially and adversely affect the Company's financial conditions, results of operations, cash flow, reputation and/or prospects. Even if unsuccessful, such a claim could cause the Company adverse publicity, require substantial costs to defend, and divert the time and attention of management. Furthermore, any jurisdiction relevant to the Company's business may impose requirements for maintaining certain minimum liability or other insurance relating to the operation of drones or UAVs. Such insurance policies could be costly, which would reduce the demand for the Company's products and services. Alternatively, certain insurance products that would be desirable to drone and UAV operators may not be commercially available, which would increase the risks of operating the Company's products and also reduce the demand for them. Further, changes in market conditions may increase insurance premiums, which could adversely affect the Company's financial conditions, results of operations, cash flow and/or prospects.

Dependence on Key Employees

Due to the technical nature of its business and the dynamic market in which the Company competes, the Company's success will depend in part on its ability to attract and retain highly skilled manufacturing, design, managerial, marketing, sales and technical personnel. In particular, the Company's future success will depend in part on the continued services of each of their proposed executive officers and other key employees. Competition for qualified personnel in the industry in which the Company will operate is intense. The loss of one or more key personnel may have a significant adverse effect on the Company's sales, operations and profits.

A significant growth in the number of personnel would place a strain upon the Company's management and resources.

The Company may experience a period of significant growth in the number of personnel that could place a strain upon its management systems and resources. The Company's future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage its workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Litigation
The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against it, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Future Acquisitions
As part of the Company's business strategy, they may attempt to acquire businesses that it believes are a strategic fit with its businesses. The Company may not be able to complete such acquisitions on favorable terms, if at all. Any future acquisitions may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of its businesses. Since the Company may not be able to accurately predict these difficulties and expenditures, these costs may outweigh the value they realize from a future acquisition, and any acquisition the Company completes could be viewed negatively by its customers. Future acquisitions could result in issuances of securities that would dilute shareholders' ownership interest, the incurrence of debt, contingent liabilities, amortization of expenses related to other intangible assets, and the incurrence of large, immediate write-offs.

Volatus Aviation's (Partner Jet) Business Operations depend on Licenses
Essential to Volatus Aviation's operations is the CAR 704 commercial licenses granted by Transport Canada to Volatus Aviation. This licencing permits Volatus Aviation to operate a domestic and international air taxi service utilizing small jet aircraft and to transport passengers and cargo on a charter basis between Canada and other countries.

Fluctuations in Fuel Prices
Volatus Aviation requires significant quantities of fuel for its aircraft. Volatus Aviation is therefore exposed to commodity price risk associated with variations in the market price for petroleum products. The price of fuel is sensitive to, among other things, the price of crude oil, which has increased dramatically over the past few years, refining costs, and the cost of delivering the fuel. An extremely high fuel cost could adversely affect customer volumes as other cheaper modes of transportation are sought.

Government Regulations
Volatus Aviation's operations are subject to complex aviation, transportation, environmental, labour, employment and other laws, treaties and regulations. These laws and regulations generally require the Company to maintain and comply with a wide variety of certificates, permits, licenses and other approvals.

Severe Weather Patterns
Volatus Aviation may experience an increase in costs or inability to operate its business as a result of severe weather conditions or natural or manmade disasters, which could have a material adverse effect on the Company's business, results of operations or financial condition. If Volatus Aviation is still able to provide services to its customers during a period of severe weather, particularly during any protracted period of time, there may be forced flight cancellations, or Volatus Aviation may not be able to offer flights in a timely manner.

The Company may be subject to the risks associated with foreign operations in other countries.
The Company's primary revenues are expected to be achieved in Canada and the US. However, the Company may expand to markets outside of North America and become subject to risks normally associated with conducting business in other countries. As a result of such expansion, the Company may be subject to the legal, political, social, and regulatory requirements and economic conditions of foreign jurisdictions. The Company cannot predict government positions on such matters as foreign investment, intellectual property rights or taxation. A change in government positions on these issues could adversely affect the Company's business.
If the Company expands its business to foreign markets, it will need to respond to rapid changes in market conditions, including differing legal, regulatory, economic, social, and political conditions in these countries. If the Company is not able to develop and implement policies and strategies that are effective in each location in which it does business, then the Company's business, prospects, results of operations and financial condition could be materially and adversely affected.

There are tax risks the Company may be subject to in carrying on business in Canada.
The Company is a resident of Canada for purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"). Since the Company is operating in a new and developing industry there is a risk that foreign governments may look to increase their tax revenues or levy additional taxes to level the playing field for perceived disadvantages to traditional brick and mortar businesses. There is no guarantee that governments will not impose such additional adverse taxes in the future.

Catastrophic Events
Events beyond the control of the Company may damage its ability to accept customers' orders, maintain its production and sales or perform its services. In addition, these catastrophic events may negatively affect customers' demand for the Company's products and services. Such events include, but are not limited to, fires, earthquakes, terrorist attacks, outbreak of disease or pandemics and natural disasters. Despite any precautions the Company may take, system interruptions and delays could occur if there is a natural disaster, and such disruptions could harm the Company's ability to run its business and cause lengthy delays which could harm business, results of operations and financial condition of the Company.

The Company's business, operations and financial condition could be materially adversely affected by the COVID-19 pandemic or the outbreak of other epidemics, pandemics or other health crises. Such impacts could include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, a material reduction in demand for the Company's products and services, reduced sales, higher costs for new capital, licensing delays, increased operating expenses, delayed performance of contractual obligations, product shipping delays, and potential supply and staff shortages, all of which would be expected to negatively impact the business, financial condition and results of operations of the Company and its ability to satisfy its obligations. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Company's facilities or a supplier's facilities. Should a customer, employee or visitor in any of the Company's facilities or a supplier's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Company's customers and workforce at risk

The conflict between Russia and Ukraine could destabilize global markets and threatens global peace.

On February 24, 2022, Russian military forces launched a full-scale military invasion of Ukraine. In response, Ukrainian military personal and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("**NATO**") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide ranging consequences on the peace and stability of the region and the world economy. Certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia and such sanctions may have far reaching effects on the global economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain.

Trade Policy and Geopolitical Risks

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting ("ICOFR")

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Volatus;

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

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

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

Additional Information

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