



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTH ENDED MARCH 31, 2026**

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## Volatus Aerospace Inc. Management's Discussion & Analysis For the three months ended March 31, 2026

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### 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 14, 2026, 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, foreign exchange, share-based payments, income tax expense, integration, and due diligence costs, one time profit or loss (non-recurring), and impairment of goodwill, property, plant, and equipment and right-of-use assets (ROU).

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").

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### FORWARD-LOOKING STATEMENTS

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

### BUSINESS OVERVIEW

Volatus Aerospace Inc. ("Volatus" or the "Company" or "we") (formerly Drone Delivery Canada Corp.) was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. The Company's manufacturing facility is located at 12405 Rue Services A-2, Mirabel, QC J7N 1E4 and office is located at 6221 Highway 7, Unit 6, Vaughan, Ontario L4H 0K8. The Company's shares trade on the TSX (the "TSX") under the symbol "FLT" and on the OTCQX under the symbol "TAKOF".

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On August 30, 2024, the Company acquired all issued and outstanding shares of Volatus Aerospace Corp. by way of a plan of arrangement and subsequently changed its name to Volatus Aerospace Inc. Under the terms of the arrangement, each shareholder of Volatus Aerospace Corp. received 1.785 common shares of the Company.

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

The Company operates through three integrated business lines - aerial operations, equipment and systems, and training and data solutions - delivering mission-critical services across the energy, infrastructure, public safety, and defence sectors. During fiscal 2025, the Company significantly expanded its defence and security market presence, driven by a NATO-aligned ISR contract, the launch of the SKYDRA™ C-UAS software platform in Q1 2026, and growing government demand; defence now represents a meaningful and growing proportion of total revenue.

### **Our Mission**

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

### **Core Offerings**

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

#### **Defence and Security Solutions**

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

#### **Aerial Intelligence Services**

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

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**Cargo and Logistics Solutions**

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

**Equipment Sales and Maintenance**

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

**Training and Certification**

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

**Market Reach**

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

**Technology Development**

**SKYDRA™ — C-UAS SaaS Platform**

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

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**Drone Platforms:**

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

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

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

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

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

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

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

**Condor XL — Heavy-Lift RPAS**

The Condor XL program was launched in July 2025, drawing on decades of helicopter operations experience and in-house avionics capabilities GlobeNewswire to deliver a next-generation heavy-lift remotely piloted helicopter platform. The Condor XL can carry payloads of up to 180 kg over 200 km,

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positioning it as one of the most capable Canadian-built RPAS platforms for industrial and defence applications. The platform has received Special Flight Operating Approval from Transport Canada for validation at the Company's Ontario test range, with flight testing and system validation ongoing. Initial commercial operations are planned for 2026. The Condor XL is also being developed for offshore cargo delivery, with a contract executed to commercialize cargo transfers of up to 100 kg for offshore wind operations. NRC-IRAP funding of up to \$320,000 has been secured to support avionics architecture, autonomy integration, and flight validation through early 2027.

### **Canary Remotely Piloted Aircraft**

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

### **Nesting Station – Sentinel Docks**

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

### **DroneSpot™:**

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

### **AIRS 3 (Advanced Integrity Reporting System):**

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

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### **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.

### **Strategic Focus**

The Company's strategy is anchored in four priorities:

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

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

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

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

### **Future Focus**

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

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### Forward-Looking Context

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

### BUSINESS HIGHLIGHTS

#### *Executive Overview*

The first quarter of fiscal 2026 was a period of significant strategic and structural advancement for Volatus Aerospace, marked by the Company's graduation to the Toronto Stock Exchange, the launch of its first proprietary Software-as-a-Service platform, the consolidation of full ownership of Synergy Aviation, and the strategic positioning of the Company against the backdrop of Canada's first-ever Defence Industrial Strategy. The quarter saw Volatus continue building on the operational foundation established through fiscal 2025 — converting policy tailwinds, NATO-aligned contract momentum, and proprietary technology development into measurable progress toward sustained defence and commercial growth. The Company entered the quarter with approximately \$41 million in cash and exited with the strongest institutional profile in its history, supported by a multinational advisory leadership team, a senior exchange listing, and a broadened domestic and international defence pipeline.

#### *Strategic and Macro Context*

On February 17, 2026, the Government of Canada launched its first-ever Defence Industrial Strategy ("DIS"), titled *Security, Sovereignty and Prosperity*, committing \$6.6 billion under a broader \$81.8 billion reinvestment in the Canadian Armed Forces. The DIS establishes a Defence Investment Agency ("DIA") and introduces a Build-Partner-Buy procurement framework that prioritizes Canadian-controlled suppliers across sovereign capability domains explicitly identified to include uncrewed and autonomous systems, aerospace platforms, sensors, training and simulation, digital systems, and space. The DIS sets a target of 70% of defence acquisitions awarded to Canadian firms and aligns directly with Volatus' integrated operating model, sovereign manufacturing infrastructure at Mirabel, and proprietary technology portfolio.

In response, on February 17, 2026, the Company issued a detailed corporate update outlining its alignment with the DIS framework, including its established regulatory approvals, deployed operational infrastructure, demonstrated execution track record, and capital readiness. The Company also disclosed its plan to invest in excess of \$10 million in the near term to expand production and integration capacity at a newly secured standalone Québec-based defence manufacturing facility.

Concurrently, the Company has been navigating an evolving U.S. defence procurement environment. On January 12, 2026, Volatus provided commentary on the recent U.S. Administration Executive Order and the

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proposed FY2027 U.S. Department of Defense budget of approximately US\$1.5 trillion. The Company noted that the Executive Order's emphasis on speed, readiness, and contractor execution aligns with its operational and deployment capabilities, while the broader U.S. policy environment continues to favour domestically aligned suppliers — a dynamic Volatus is monitoring closely as it advances its Canadian-controlled platform strategy.

### **Capital Markets and Corporate Milestones**

**Graduation to the Toronto Stock Exchange.** On March 19, 2026, the Company announced that its common shares had been approved for listing on the Toronto Stock Exchange ("TSX") and commenced trading on the TSX at the opening of markets on March 20, 2026, under the same trading symbol "FLT". The Company voluntarily delisted from the TSX Venture Exchange ("TSXV") at the close of markets on March 19, 2026. The graduation reflects the maturation of the Company's operating platform and provides a senior exchange profile to access institutional and international capital, supporting long-term growth in defence, public safety, and critical infrastructure markets.

**TSX Venture 50 Recognition.** On February 18, 2026, prior to the TSX graduation, the Company was recognized as one of the 2026 TSX Venture 50 top performing companies, ranking 16th overall and top 3 in the technology category among more than 1,600 TSXV issuers. The recognition reflected 279% share price appreciation and 441% market capitalization growth during fiscal 2025.

**Capital Structure Initiatives.** During the quarter, the Company filed a preliminary base shelf prospectus qualifying the issuance of up to \$250 million in common shares, debt securities, warrants, subscription receipts, units, and other securities, providing financial flexibility to support its defence growth, sovereign manufacturing expansion, and strategic initiatives.

The Company also announced its intention to seek shareholder approval at its upcoming Annual General Meeting for a discretionary share consolidation, with a proposed ratio range of between 2-for-1 and 20-for-1, to be determined by the Board of Directors. The Company's issued and outstanding share count increased materially through fiscal 2024 and 2025, principally as a result of the August 2024 plan of arrangement merger of equals between Volatus Aerospace Corp. and Drone Delivery Canada Corp., as well as the equity financings completed during fiscal 2025 to support the Company's transition into a Canadian-controlled aerospace and defence platform. As the Company continues to position itself as a senior-listed aerospace and defence issuer, management views the proposed share consolidation as an element of capital markets hygiene — supporting alignment with the share price profile and trading characteristics typical of institutional-quality issuers in the aerospace, defence, and technology sectors, broadening eligibility under certain institutional investment mandates, and reinforcing the Company's profile following its graduation to the Toronto Stock Exchange. The share consolidation, if approved by shareholders, would not alter the underlying value held by any individual shareholder on a proportional basis.

The proposed consolidation is being put forward as an enabling authority. Shareholder approval, if obtained, would provide the Board with the discretion to implement a consolidation within the approved ratio range at a future date, and only if and when market conditions, capital markets considerations, and the Company's strategic objectives warrant such action. The Company has not committed to a specific consolidation ratio, nor

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to a specific timeline for implementation, and the Board may elect not to proceed with a consolidation at all. Any decision to implement the consolidation will be subject to applicable regulatory approvals, including the Toronto Stock Exchange.

***Defence and Government Highlights***

Defence continued to scale as the Company's fastest-growing vertical during Q1 2026, supported by NATO-aligned contract awards, advisory leadership additions, and proprietary platform development.

**NATO-Aligned Training Contract.** On February 9, 2026, the Company announced a new contract with a NATO defence organization to deliver advanced remotely piloted aircraft system ("RPAS") operator training for missions in remote and extreme environments. The training program combines classroom instruction with live-flight exercises across mission profiles including emergency response, patrol, surveillance, search-and-rescue, and reconnaissance. The contract is to be fulfilled during fiscal 2026; financial terms remain confidential. The award reinforces the Company's growing presence within NATO-aligned defence and security programs and complements the up to \$9 million NATO ISR training system contract announced in December 2025.

**ISR Training System Delivery Update.** As previously disclosed, the initial \$4.5 million tranche of the December 2025 NATO-allied ISR training system contract had originally been anticipated for delivery in Q1 2026. Heightened geopolitical tensions in the Middle East, combined with evolving U.S. procurement and export-control conditions affecting portions of the aerospace and defence supply chain, created temporary disruptions in the availability and timing of certain required components.

As a result, portions of the initial tranche shifted from Q1 into Q2 2026. The Company has now begun delivery activities associated with the contract as supply chain conditions normalize.

The Company does not anticipate any change to the overall contract value, scope, customer relationship, or long-term economics of the program as a result of this timing adjustment, and management continues to expect the contract to contribute meaningfully to fiscal 2026 growth. The second tranche, at the customer's option, remains exercisable through the end of 2027.

**Defence Advisory Leadership.** The Company materially strengthened its multinational defence advisory leadership during the quarter and shortly thereafter. On March 24, 2026, the Company appointed Major-General (Ret'd) Gary Deakin, CBE, a former senior leader of the British Army and NATO, to its Advisory Board, bringing Five Eyes and allied operational expertise. This complements the previously announced appointments of Major-General (Ret'd) Andrew Leslie and Lieutenant-General (Ret'd) Christopher J. Coates, and establishes a Canadian, NORAD, and allied defence advisory bench aligned with the priorities articulated in Canada's DIS.

**Strategic Collaboration on Sovereign Interceptor UAV.** On March 26, 2026, the Company entered into a non-binding Memorandum of Understanding with Sentinel R&D Inc., a Canadian aerospace technology company specializing in advanced composite UAV structures, to collaborate on the development of a Canadian-developed interceptor UAV platform. Under the framework, Sentinel will contribute UAV airframe engineering and composite manufacturing expertise, while Volatus will lead systems integration, mission systems and

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autonomy development, operational testing, and commercialization activities. The collaboration aligns with priority capability areas identified in Canada's DIS and supports the development of Canadian-controlled production capability.

### ***Proprietary Technology and Platform Development***

**SKYDRA™ — Counter-UAS SaaS Platform Launch.** On March 2, 2026, the Company launched SKYDRA™, its first proprietary Software-as-a-Service platform, designed to support counter-unmanned aircraft system ("C-UAS") operational planning, simulation, and threat-response readiness. Backed by patent-pending intellectual property, SKYDRA™ is offered under subscription-based licensing including enterprise deployments and evaluation programs, targeting armed forces, public safety agencies, and operators of sensitive infrastructure. The platform establishes the Company's first recurring software revenue stream within its broader defence strategy.

**Condor XL — NRC-IRAP Funding.** On March 17, 2026, the Company announced approval for non-dilutive funding support of up to \$320,000 from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) to advance development of the Condor XL heavy-lift uncrewed aerial system. The funding will support avionics architecture development, autonomy integration, and flight validation through early 2027, reinforcing the Company's investment in sovereign Canadian autonomous aerospace capability.

**V-Cortex™ AI Autonomy Platform.** During the quarter, the Company continued to advance the development of its V-Cortex™ AI autonomy platform, which underpins systems integration and mission software development across the Company's proprietary platform portfolio, including the Condor XL, the V-series long-endurance UAS family, the Canary RPAS, and emerging interceptor UAV initiatives.

**Dufour Aerospace Partnership Update.** On January 27, 2026, the Company provided a strategic update on its previously announced partnership with Dufour Aerospace, confirming the installation of a dedicated hybrid eVTOL simulator at the Company's Toronto Operations Control Centre. The simulator supports pilot training and the development of a customer-facing training and evaluation platform. The collaboration is focused on Arctic and remote operations, military and government logistics support, and commercial applications such as critical infrastructure support, remote industrial operations, and emergency response.

### ***Sovereign Manufacturing and Operational Infrastructure***

The Company continued to advance its Made-in-Canada manufacturing strategy at the Volatus Innovation and Drone Manufacturing Facility in Mirabel, Québec. During the quarter, the Company confirmed the establishment of a separate standalone facility in Mirabel under a ten-year lease entered into on February 26, 2026, dedicated to defence-related manufacturing, integration, and secure operations. The Mirabel campus is being developed as the primary site for serial production of the Company's V-series long-endurance UAS family, the Canary RPAS, and licensed manufacture of NATO-aligned systems, with the Company committing to invest in excess of \$10 million in the near term to expand production capacity and systems integration capabilities.

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***Commercial Highlights — Cargo, Energy, and Infrastructure***

**Heavy-Lift Offshore Cargo Drone Program.** On March 11, 2026, the Company executed a contract with a major offshore wind power company to develop and commercialize remotely managed, heavy-lift offshore drone delivery operations, supporting cargo transfers between offshore vessels and the tops of wind turbine nacelles in international waters. The program, structured as a funded commercial development and operations engagement, focuses on safe, dependable, and repeatable aerial delivery of tools, components, and critical payloads of up to 100 kg, with centralized piloting and mission oversight delivered through the Company's Operations Control Centre. The agreement opens a new market for Volatus in offshore energy logistics and is structured to complement the Condor XL commercialization roadmap.

**Synergy Aviation — Full Ownership Consolidation.** On March 4, 2026, the Company announced definitive agreements to acquire the remaining 41.53% minority interest in Synergy Aviation Ltd., and the transaction closed on March 13, 2026 through the issuance of 2,443,494 common shares, priced based on the 30-day volume weighted average price of the Company's shares prior to closing. Full ownership of Synergy Aviation enables the Company to fully consolidate its commercial aircraft operations under the Volatus Aerospace brand, eliminate minority interests, and align governance, financial reporting, and capital allocation across crewed and remotely piloted aerospace platforms. The consolidation supports the Company's expansion of operational aviation capacity, including its previously disclosed commercial aviation base in Tulsa, Oklahoma in support of the U.S. oil and gas sector.

***Training and Global Footprint***

**University of Technology, Jamaica Partnership.** On March 25, 2026, the Company announced a strategic partnership with the University of Technology, Jamaica ("UTech, Jamaica") to deliver advanced drone training and applied technology programs commencing in April 2026. The partnership expands the Company's global training footprint into the Caribbean and supports the development of skilled drone operators and applied technology specialists in regions increasingly adopting uncrewed aerial systems for disaster response, environmental monitoring, infrastructure management, and public safety applications.

***Organizational and Leadership Developments***

**Chief Technology Officer Appointment.** On February 23, 2026, the Company appointed Krish Srinivasan as Chief Technology Officer. Mr. Srinivasan brings more than a decade of leadership in autonomous unmanned systems, counter-UAS, urban air mobility, and defence-aligned innovation, including experience leading EU-funded defence and AI programs of approximately €40 million and UAS/C-UAS programs of approximately US\$35 million. As CTO, Mr. Srinivasan is leading the Company's unified engineering organization across Canada, the United States, and the United Kingdom, with responsibility for autonomy architecture, C-UAS systems, MALE ISR platforms, docking and ground systems, and mission software integration.

**Equity Incentive Grants.** On February 19, 2026, the Company announced the issuance of 5,132,014 stock options and restricted share units to 136 full-time employees and certain directors and officers, with vesting

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terms of up to four years, aligning long-term incentives with shareholder value creation as the Company scales its operations.

### ***Investor Engagement***

During the quarter, members of the Company's executive leadership team participated in a series of institutional investor conferences and industry events designed to broaden Volatus' institutional shareholder base and strengthen its profile in the lead-up to the TSX graduation. These included the 28th Annual Needham Growth Conference (January 14, 2026, New York), the RBC Canadian Aerospace and Defence Symposium (January 15, 2026), the AlphaNorth Capital Event (January 16–18, 2026, Bahamas), and a virtual investor briefing on Canada's Defence Industrial Strategy hosted on February 23, 2026.

### ***Highlights Subsequent to Quarter End***

The following material events occurred subsequent to March 31, 2026 and prior to the date of this MD&A:

- **April 15, 2026** — The Company announced that it had been awarded a multi-year specialist training contract with a NATO-allied government ministry. The contract has an initial term of two years, with renewal options that could extend the total engagement to approximately CAD \$2.1 million in aggregate value.
- **April 22, 2026** — The Company appointed Major General (Ret'd) Peter M. "Pete" Fesler to its Advisory Board, completing the formation of a multinational group of senior defence leaders. Major General Fesler brings more than 27 years of service in the United States Air Force, including command of the 1st Fighter Wing and senior leadership at NORAD as Deputy Director of Operations. The Company also confirmed that Lieutenant-General (Ret'd) Andrew Leslie has been appointed as Chair of the Advisory Board.

## **BUSINESS OUTLOOK & STRATEGY**

### **Canada's Defence Industrial Strategy — Operating Tailwind**

On February 17, 2026, the Government of Canada launched its first-ever Defence Industrial Strategy ("DIS"), titled Security, Sovereignty and Prosperity. The DIS commits \$6.6 billion under a broader \$81.8 billion reinvestment in the Canadian Armed Forces and represents the most significant restructuring of Canada's defence procurement framework in a generation. The total investment associated with the DIS, including defence procurement, infrastructure, and related industrial activity, is projected to exceed half a trillion dollars by 2035, with a stated pathway toward the NATO Defence Investment Pledge of 5% of GDP.

The DIS introduces a Build–Partner–Buy procurement framework as a tiered decision hierarchy intended to guide how Canada acquires defence capability — building domestically where sovereign capacity is required, partnering with trusted allies and industry partners where co-development or shared capability is appropriate, and buying from allies where domestic build or partnership is not practical. The framework establishes the Defence Investment Agency ("DIA") as the central procurement body with a mandate to prioritize Canadian suppliers and products, streamline processes, and accelerate delivery. A central objective of the DIS is to direct

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70% of defence acquisitions to Canadian firms, while accelerating commercialization of Canadian-developed technologies and strengthening domestic export capacity.

The DIS explicitly identifies uncrewed and autonomous systems, aerospace platforms, sensors, training and simulation, digital systems, and space as priority sovereign capability domains. The Government has committed to investing over \$500 million through the National Research Council to advance next-generation aerospace technologies, and is establishing a Drone Innovation Hub in Ottawa and in the Mirabel area — the latter being the same location as Volatus' Innovation and Drone Manufacturing Facility.

Volatus is well-positioned across each tier of the Build–Partner–Buy hierarchy:

- **Build (domestic capability)** — As a Canadian-controlled aerospace and defence company, Volatus operates sovereign manufacturing infrastructure at the Volatus Innovation and Drone Manufacturing Facility in Mirabel, Québec, supplemented by a separate standalone Québec defence manufacturing facility secured during the quarter under a ten-year lease. The Company is committing in excess of \$10 million in the near term to expand production and integration capacity in support of defence-grade manufacturing, positioning Volatus as a domestic supplier of priority sovereign capabilities including uncrewed systems, aerospace platforms, training and simulation, and the SKYDRA™ C-UAS software platform.
- **Partner (allied co-development)** — Volatus has established a multinational platform of partnerships, advisory leadership, and operational presence across Canada, the United States, and the United Kingdom, supporting co-development and capability sharing with allied governments and industry partners. Recent partnership initiatives include the strategic collaboration with Sentinel R&D Inc. on a Canadian interceptor UAV platform, the ongoing partnership with Dufour Aerospace on runway-independent cargo capabilities, and the Company's expanded multinational defence advisory bench spanning Canadian, NORAD, NATO, and Five Eyes operational expertise.
- **Buy (allied procurement)** — Volatus has demonstrated delivery to NATO-aligned defence customers and holds an active National Master Standing Offer with the Government of Canada across all five federal service streams, positioning the Company as a qualified supplier under both Canadian and allied procurement frameworks where its platforms and services represent the most efficient procurement path.

Management believes the DIS represents the most significant structural tailwind in the Company's history. While there can be no assurance that DIS implementation will proceed on the timelines or terms currently anticipated, the Company is actively positioning to capture a meaningful share of the domestic and allied procurement opportunities the DIS is expected to generate over the medium and long term.

#### **Strategic Priorities**

The Company's strategy is anchored in four priorities, consistent with the framework articulated in fiscal 2025 and refined to reflect the post-DIS operating environment:

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

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defence pipeline now includes the up to \$9 million NATO ISR training system contract awarded in December 2025 (with the initial \$4.5 million tranche scheduled for Q2 2026 delivery), the NATO RPAS operator training contract awarded in February 2026, and the multi-year specialist training contract with a NATO-allied government ministry awarded subsequent to quarter-end in April 2026 with aggregate value of up to approximately CAD \$2.1 million.

**Commercializing Proprietary Technology.** The Company is advancing commercialization of its proprietary platform portfolio across hardware and software. The launch of the SKYDRA™ C-UAS SaaS platform in March 2026 establishes the Company's first recurring software revenue stream, complementing ongoing development of the Condor XL heavy-lift RPAS, the V-series long-endurance UAS family, the Canary RPAS, the AIRS 3 advanced integrity reporting system, and the V-Cortex™ AI autonomy platform. The Company expects each of these proprietary assets to contribute to a higher-margin revenue mix over the medium term.

**Deepening Core Vertical Markets.** Volatus continues to deepen its presence in established commercial verticals — energy, utilities, and infrastructure inspection — anchored by the multi-year North American power utility services agreement covering approximately 100,000 miles of transmission and distribution lines through August 2028. The Company is also expanding into adjacent verticals including offshore wind logistics (through the heavy-lift offshore cargo drone program announced in March 2026), forestry and reforestation, agriculture, wildfire monitoring, and environmental services.

**Achieving Profitability.** The Company remains committed to achieving sustained profitability through operational efficiency, cost structure optimization, long-term contract growth, and an increasing proportion of higher-margin services, software, and defence revenue. The Company entered fiscal 2026 with the strongest balance sheet in its history, providing the runway and capital flexibility required to execute on its growth strategy without reliance on operating cash flow.

### **Strategic Positioning and Operating Context**

Volatus is advancing its strategy against a backdrop of significant geopolitical realignment, accelerating domestic defence investment, and structural shifts in the global drone and autonomous systems markets. The Government of Canada's commitments under the DIS, combined with multi-year NATO defence spending increases targeting the alliance's 5% of GDP commitment, and parallel investment programs across allied jurisdictions, are creating a sustained multi-year demand environment for Canadian-controlled defence and dual-use technology providers.

In parallel, the United States defence procurement environment continues to evolve. The recent U.S. Administration Executive Order, together with the proposed FY2027 U.S. Department of Defense budget of approximately US\$1.5 trillion, places increasing emphasis on speed, readiness, and contractor execution — characteristics aligned with the Company's operational and deployment focus. While expanding U.S. federal restrictions on certain non-allied UAS platforms and "Made in America" procurement priorities have introduced near-term headwinds for cross-border equipment supply, they have also reinforced the structural opportunity for trusted, allied-source platform providers — a position Volatus is well-suited to occupy through its Canadian-controlled platform strategy and U.S. operating presence, including its expanding aviation base in Tulsa, Oklahoma.

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Management believes Q1 2026 should be viewed in the context of temporary delivery timing impacts rather than as a reflection of underlying demand conditions. Several defence-related contracts that had originally been expected to contribute revenue during Q1 have now transitioned into Q2 delivery schedules following the resolution of supply chain constraints experienced earlier in the year.

With these deliveries now underway, combined with continued momentum across defence training, proprietary software commercialization, infrastructure inspection services, and sovereign manufacturing initiatives, management continues to expect fiscal 2026 revenue to demonstrate meaningful growth relative to fiscal 2025.

### Capital Markets Positioning

The Company's graduation to the Toronto Stock Exchange in March 2026, combined with its inclusion in the 2026 TSX Venture 50 (ranking 16th overall and top 3 in the technology category), reflects the maturation of the Company's operating platform and provides Volatus with a senior exchange profile to access institutional and international capital. The base shelf prospectus filed during the quarter, qualifying up to \$250 million in securities, and the proposed share consolidation authority that will be put before shareholders at the upcoming Annual General Meeting, are part of a broader capital markets framework intended to position the Company appropriately for institutional engagement as it executes against its defence and commercial growth strategy.

### Future Focus

Looking forward, the Company will continue to prioritize:

- Execution and delivery on existing NATO and allied defence contracts, including the conversion of the December 2025 NATO ISR training system contract from initial-tranche delivery into the fully exercised contract value over fiscal 2026 and 2027;
- Continued development and commercialization of heavy-lift and BVLOS technologies, including initial commercial deployments of the Condor XL heavy-lift RPAS, scaling of the V-series long-endurance UAS family at the Mirabel manufacturing campus, and expanded deployment of the Canary RPAS in cargo and medical logistics applications;
- Commercialization and customer onboarding of the SKYDRA™ C-UAS SaaS platform and continued development of the V-Cortex™ AI autonomy platform;
- Deepening of advanced data collection in existing verticals and continued expansion into emerging markets such as offshore wind logistics, forestry, reforestation, and environmental monitoring;
- Strengthening of global training programs, including the recently announced partnership with the University of Technology, Jamaica, and the broader NATO and allied defence training portfolio; and
- Disciplined capital allocation supported by the Company's strengthened balance sheet, including selective evaluation of strategic acquisitions, intellectual property, platforms, and technologies aligned with the Company's defence and aerospace strategy.

Unmanned aerial systems and remotely piloted aircraft continue to displace traditional methods of inspection, surveillance, survey, and cargo transportation across both commercial and defence sectors, driven by structural advantages in cost, safety, and operational efficiency. With regulatory frameworks in Canada, the United

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States, and the United Kingdom continuing to mature, expanded BVLOS approvals, evolving defence procurement, and the structural demand environment created by Canada's DIS and parallel allied investment, management believes Volatus is positioned at the intersection of multiple multi-year tailwinds — supported by a sovereign manufacturing footprint, a proprietary technology portfolio, a growing recurring services and software base, and a strengthened balance sheet. The Company will continue to execute against these opportunities while exercising disciplined capital allocation and operational focus.

**Q1 2026 RESULTS**

	<b>Three months ended Mar 31</b>	
	<b>2026</b>	<b>2025</b>
Total Revenue	5,630,559	5,713,158
Gross Profit (as a % of revenues)	35%	32%
Loss from operations	(5,682,545)	(3,578,429)
Net loss and comprehensive Loss	(6,604,998)	(4,285,320)
Adjusted EBITDA loss	(3,153,627)	(1,908,262)
Net loss per share	(0.01)	(0.01)
Change in cash and cash equivalents	(9,402,190)	(634,116)

**Gross Profit and Gross Margin**

Gross profit for the three months ended March 31, 2026 was \$1,969,675, representing a gross margin of 35%, compared to gross profit of \$1,829,973 and a gross margin of 32% in Q1 2025. The 300-basis point improvement in gross margin is the most significant operational highlight of the quarter, achieved on broadly equivalent revenue, it demonstrates that the Company's revenue quality and cost discipline are improving meaningfully as the business matures.

This represents the highest Q1 gross margin the Company has recorded as a consolidated entity and continues a multi-year trend of margin expansion: gross margin was approximately 23% in Q1 2022, 32% in Q1 2023, 34% in Q1 2024, and 32% in Q1 2025, reaching 35% in the current quarter.

The improvement was driven by three factors:

- **Favourable revenue mix.** The shift toward services and training as a proportion of total revenue, which carry structurally higher margins than equipment sales, contributed positively to blended gross margin. Services gross margin remained above 43% in the quarter, consistent with prior periods.

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- **Direct cost discipline.** Direct costs decreased by \$222,301 or approximately 6% year over year to \$3,660,884, despite the Company operating a larger consolidated organization. This reflects improved procurement practices, subcontractor management, and operational efficiency across the Company's service delivery network.

Management's stated objective remains to drive consolidated gross margins toward the 35–40% range as defence revenue scales and the services mix deepens. The Q1 2026 result of 35% places the Company at the lower bound of that target range, and management views sustained margin performance at or above this level as a key indicator of the Company's progress toward profitability.

**Revenue Distribution**

The Q1 2026 revenue mix was 46% equipment and 54% services and training, compared to 44% equipment and 56% services in Q1 2025. This distribution sits within the Company's stated long-term normalized target range of 40–45% equipment and 55–60% services, reflecting the natural maturation of the revenue base toward the intended steady-state mix.

As communicated in prior periods, management expects this balance to evolve over time as the defence vertical scales. Equipment revenue is anticipated to grow on an absolute basis as sovereign drone procurement programs, platform deployments, and NATO-aligned system sales convert from pipeline to contract — meaning the overall revenue base grows on a multi-stream basis while services continue to expand on a double-digit CAGR. The current mix should therefore be understood as a baseline from which both streams are expected to grow, rather than a fixed ratio.

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

Adjusted EBITDA loss for Q1 2026 was \$(3,153,627) compared to \$(1,908,262) in Q1 2025, a variance of \$1,245,365. The following table reconciles net loss to Adjusted EBITDA:

	<b>Q1 2026</b>	<b>Q1 2025</b>
<b>Adjusted EBITDA (loss)</b>	<b>(3,153,627)</b>	<b>(1,908,262)</b>
Finance cost	1,012,658	645,685
Depreciation and amortization	1,449,275	1,496,425
Share-based payments	380,032	165,454
Other expense	—	58,963
Loss on impairment of property & equipment	45,509	—
Foreign exchange translation	72,825	(1,225)
R&D	289,714	11,756
One-time cost (external partner & personnel)	189,520	—
<b>Net Loss</b>	<b>(6,593,160)</b>	<b>(4,285,320)</b>

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The year-over-year variance of approximately \$1.2 million in Adjusted EBITDA is primarily attributable to the Company's accelerated investment in its defence vertical and growth infrastructure during Q1 2026. The principal drivers include increased marketing and brand-building expenditures associated with the Company's TSX graduation and defence sector positioning, elevated travel costs reflecting direct engagement with NATO-allied procurement officials and government stakeholders, and higher personnel costs reflecting targeted hiring and compensation investment in the Company's defence-oriented and technical workforce to support the execution of its growing pipeline.

R&D expenditure of \$289,714 (Q1 2025: \$11,756) has been excluded from Adjusted EBITDA as it represents investment in the Company's proprietary technology platforms, including the V-Cortex™ AI autonomy platform and the Condor XL fixed-wing UAS, that management views as capital-equivalent in nature, directly supporting the Company's long-term revenue generating capability.

One-time costs of \$189,520 reflect non-recurring external partner and personnel expenditures incurred in connection with specific business development initiatives during the quarter that are not expected to recur at a similar level.

Management expects Adjusted EBITDA to improve progressively through 2026 as defence pipeline opportunities convert to revenue and the growth-stage investment spend described above normalizes relative to a scaling revenue base. The Company's path to Adjusted EBITDA breakeven is predicated on revenue growth rather than further cost reduction, and management remains focused on executing against the pipeline that makes that trajectory achievable.

Adjusted EBITDA is a non-IFRS financial measure that excludes interest, depreciation, share-based payments, foreign exchange, non-cash gains and losses, R&D investment, and identified one-time costs. See "Non-IFRS Financial Measures" for the definition and a full reconciliation to net loss, the most directly comparable IFRS measure.

**Cash Position and Strategic Use of Capital**

As at	March 31 2026	December 31 2025
Total Assets	89,397,368	92,655,765
Non-Current Assets	46,430,949	43,120,412
Goodwill	20,739,606	20,739,606
Total non-current Liabilities	20,732,452	11,899,257
Total Liabilities	27,307,394	24,951,892
Working Capital	36,391,477	36,482,718
Shareholder's Equity	62,089,974	67,703,873
Distribution or Cash Dividends	-	-

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As at March 31, 2026, the Company held total assets of \$89,397,368, compared to \$92,655,765 at December 31, 2025. The modest decrease in total assets is primarily attributable to the reduction in cash during the quarter as the Company deployed capital in operating activities and strategic investments, partially offset by a \$3,310,537 increase in non-current assets.

Non-current assets increased from \$43,120,412 to \$46,430,949, driven primarily by the addition of right-of-use assets associated with the Company's Mirabel, Quebec manufacturing and operations facility, which was brought on-lease during Q1 2026. This facility underpins the Company's sovereign manufacturing capability and supports the anticipated production ramp of the V-Series MALE platforms, Condor XL and other proprietary platforms.

Working capital remained essentially unchanged at \$36,391,477 (December 31, 2025: \$36,482,718), demonstrating the stability of the Company's near-term financial position despite the operating investment made during the quarter. This stability reflects a significant balance sheet improvement during the quarter: the EDC term loan of \$6,750,000, which had been classified as a current liability at December 31, 2025 following a covenant breach, was reclassified to long-term borrowings upon receipt of a formal covenant waiver from Export Development Canada on February 3, 2026. As at March 31, 2026, the Company was in compliance with all applicable covenants under the EDC facility.

The increase in total liabilities from \$24,951,892 to \$27,307,394 is primarily driven by the recognition of the Mirabel lease liability under IFRS 16, a non-cash addition that reflects the present value of future lease obligations rather than any increase in financial indebtedness. The Company's financial debt load decreased during the quarter as scheduled principal repayments were made across its borrowing facilities.

Shareholders' equity of \$62,089,974 (December 31, 2025: \$67,703,873) reflects the net loss for the period, partially offset by warrant exercises and share-based payment expense. The Company redeemed all remaining preferred shares during Q1 2026, simplifying the capital structure and eliminating a class of shares with preferential claims ahead of common shareholders. No dividends or distributions were declared or paid during the period.

**RESULTS OF OPERATIONS**

	<b>Three months ended March 31</b>	
	<b>2026</b>	<b>2025</b>
Revenue	5,630,559	5,713,158
Direct costs	3,660,884	3,883,185
<b>Gross Profit</b>	<b>1,969,675</b>	<b>1,829,973</b>
<b>OPERATING EXPENSES</b>		
Advertising & marketing	489,016	135,575
Provision for expected credit loss	67,875	-
IT & tech	264,451	245,180
Personnel	2,939,596	2,650,905

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R&D	289,714	11,756
Office cost	735,538	438,182
Travel	268,897	64,288
External partner cost	767,826	200,637
Depreciation and amortization	1,449,275	1,496,425
Share based payments	380,032	165,454
	<b>7,652,220</b>	<b>5,408,402</b>
<b>(Loss) from Operations</b>	<b>(5,682,545)</b>	<b>(3,578,429)</b>
<b>OTHER ITEMS - INCOME/(EXPENSE)</b>		
Finance cost	(1,012,658)	(645,685)
Other income (expense)	220,377	(62,431)
Loss on impairment of property and equipment	(45,509)	-
Foreign exchange gain (loss)	(72,825)	1,225
<b>Net Loss</b>	<b>(6,593,160)</b>	<b>(4,285,320)</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation adjustment	(11,838)	-
<b>Net loss and comprehensive loss</b>	<b>(6,604,998)</b>	<b>(4,285,320)</b>
<b>Net loss attributable to</b>		
Owners of Volatus Aerospace Inc.	(6,214,022)	(4,241,643)
Non-controlling interest	(379,138)	(43,677)
	<b>(6,593,160)</b>	<b>(4,285,320)</b>
<b>Total Comprehensive loss attributable to</b>		
Owners of Volatus Aerospace Inc.	(6,225,215)	(4,241,643)
Non-controlling interest	(379,783)	(43,677)
	<b>(6,604,998)</b>	<b>(4,285,320)</b>

Total operating expenses for Q1 2026 were \$7,652,220 compared to \$5,408,402 in Q1 2025, an increase of \$2,243,818. The variance reflects a concentrated period of growth-stage investment across several categories directly tied to the Company's defence vertical development, technology platform advancement, and market positioning.

Loss from operations was \$(5,682,545) compared to \$(3,578,429) in Q1 2025. Net loss was \$(6,593,160) compared to \$(4,285,320) in the prior year period, with the difference substantially explained by the incremental strategic investment spend and expanded finance costs on the Company's growth-oriented debt facilities.

Adjusted EBITDA loss was \$(3,153,627) compared to \$(1,908,262) in Q1 2025, with the variance of approximately \$1.2 million concentrated in four investment categories: marketing, external partner costs, travel, and R&D.

## 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 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Revenue	5,630,559	7,298,364	10,605,438	10,587,075	5,713,158	6,783,176	6,618,504	7,121,993
Direct costs	3,660,884	4,873,412	7,134,827	7,211,655	3,883,185	4,209,577	4,366,107	4,617,447
<b>Gross Profit</b>	<b>1,969,675</b>	<b>2,424,952</b>	<b>3,470,611</b>	<b>3,375,420</b>	<b>1,829,973</b>	<b>2,573,599</b>	<b>2,252,397</b>	<b>2,504,546</b>
	35%	33%	33%	32%	32%	38%	34%	35%
<b>OPERATING EXPENSES</b>								
Advertising & marketing	489,016	273,142	321,558	428,128	135,575	100,878	331,763	397,357
IT & tech	264,451	369,988	521,629	118,017	245,180	157,851	210,328	259,456
Personnel	2,939,596	3,444,560	2,574,798	2,147,111	2,650,905	1,958,572	1,787,175	1,515,536
R&D	289,714	234,868	834	4,390	11,756	25,429	4,011	-
Office cost	735,538	644,280	395,516	795,819	438,182	673,047	497,706	554,050
Travel	268,897	277,446	101,097	73,765	64,288	38,959	77,011	40,143
External partner cost	767,826	1,004,383	399,524	473,874	200,637	386,259	2,117,840	430,141
Depreciation and amortization	1,449,275	1,651,141	1,334,223	1,663,083	1,496,425	1,315,544	1,294,350	1,116,698
Share based Payments	380,032	262,934	670,844	179,399	165,454	77,523	124,861	126,822
Provision for expected credit loss	67,875	-	-	-	-	-	-	-
	<b>7,652,220</b>	<b>8,162,742</b>	<b>6,320,023</b>	<b>5,883,586</b>	<b>5,408,402</b>	<b>4,734,061</b>	<b>6,445,045</b>	<b>4,440,202</b>
<b>(Loss) from Operations</b>	<b>(5,682,545)</b>	<b>(5,737,790)</b>	<b>(2,849,412)</b>	<b>(2,508,166)</b>	<b>(3,578,429)</b>	<b>(2,160,462)</b>	<b>(4,192,648)</b>	<b>(1,935,656)</b>
<b>OTHER ITEMS - INCOME/(EXPENSE)</b>								
Finance cost	(1,012,658)	(944,859)	(1,874,601)	(1,743,710)	(645,685)	(1,072,341)	(992,806)	(491,664)
Other income (expense)	220,377	129,788	42,803	17,104	(62,431)	113,777	(2,669)	153
Impairment Loss – PPE	-	(178,175)	-	-	-	-	-	-
Loss on extinguishment of financial liabilities	-	-	-	(1,558,758)	-	-	-	-
Loss on impairment of property and equipment	(45,509)	-	-	-	-	-	-	-
Gain (Loss) on disposal of property and equipment	-	2,416	597	-	-	(1,541)	(194,662)	319,044
Loss on redemption	-	-	-	(672,444)	-	-	-	-
Foreign exchange translation	(72,825)	109,779	140,881	(58,413)	1,225	92,541	(109,037)	25,508
<b>Net Loss</b>	<b>(6,593,160)</b>	<b>(6,618,840)</b>	<b>(4,539,732)</b>	<b>(6,524,387)</b>	<b>(4,285,320)</b>	<b>(3,028,025)</b>	<b>(5,491,822)</b>	<b>(2,082,615)</b>
Deferred Tax Income/(Expense)	-	152,389	-	-	-	283,457	-	-
<b>Net Loss</b>	<b>(6,593,160)</b>	<b>(6,466,451)</b>	<b>(4,539,732)</b>	<b>(6,524,387)</b>	<b>(4,285,320)</b>	<b>(2,744,568)</b>	<b>(5,491,822)</b>	<b>(2,082,615)</b>
<b>OTHER COMPREHENSIVE LOSS</b>								
Foreign currency translation adjustment	(11,838)	195,269	-	-	-	-	-	-
<b>Net loss and comprehensive loss</b>	<b>(6,604,998)</b>	<b>(6,271,183)</b>	<b>(4,539,732)</b>	<b>(6,524,387)</b>	<b>(4,285,320)</b>	<b>(2,744,568)</b>	<b>(5,491,822)</b>	<b>(2,082,615)</b>
<b>Total Comprehensive loss attributable to</b>								
Owners of Volatus Aerospace	(6,225,215)	(6,016,955)	(4,545,679)	(6,509,690)	(4,241,643)	(2,715,484)	(5,440,827)	(2,070,150)
Non-controlling interest	(379,783)	(254,228)	5,947	(14,697)	(43,677)	(29,085)	(50,994)	(12,465)
	<b>(6,604,998)</b>	<b>(6,271,183)</b>	<b>(4,539,732)</b>	<b>(6,524,387)</b>	<b>(4,285,320)</b>	<b>(2,744,568)</b>	<b>(5,491,822)</b>	<b>(2,082,615)</b>
<b>Loss per share</b>								
Basic and Diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)

The Company's quarterly results are subject to seasonality, with service activities typically slower in Q1 due to adverse winter conditions across Canada and northern U.S. markets. Equipment sales tend to be influenced by government and enterprise procurement cycles, with capital commitments concentrated in Q2 through Q4 following Q1 planning and budget approval processes. Revenue generally accelerates through Q2 and peaks in Q3, a pattern visible across the eight quarters presented above.

Q1 2026 revenue of \$5,630,559 was broadly consistent with Q1 2025, reflecting stable underlying demand despite the seasonally soft period. Gross margin of 35% in Q1 2026 represents an improvement over Q1 2025

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(32%) and is consistent with the stronger margin profile delivered through 2025, supported by a favourable services-weighted revenue mix and disciplined direct cost management.

The sequential decline in revenue from Q4 2025 (\$7,298,364) and Q3 2025 (\$10,605,438) to Q1 2026 (\$5,630,559) is consistent with historical seasonal patterns and does not reflect any change in the underlying trajectory of the business. The Company's expanding presence in the UK and Europe, and its growing defence training programs, are expected to progressively reduce the impact of North American seasonality as these revenue streams are not subject to the same weather-related constraints.

Operating expenses in Q1 2026 reflect elevated investment in defence business development, R&D, marketing, and talent relative to prior quarters, consistent with the Company's accelerated activity in positioning for NATO-aligned contract opportunities.

**LIQUIDITY AND CAPITAL RESOURCES**

The following is a summary of working capital as of March 31, 2026, and December 31, 2025:

As at	March 31 2026	December 31, 2025
Current Assets	42,966,419	49,535,353
Current Liabilities	6,574,942	13,052,635
Working Capital	36,391,477	36,482,718

Working capital at March 31, 2026 was \$36,391,477, essentially unchanged from \$36,482,718 at December 31, 2025. This stability is a meaningful result given the operating investment deployed during the quarter, and reflects the strength of the Company's balance sheet position following its equity financings in the second half of 2025.

The decrease in current assets from \$49,535,353 to \$42,966,419 is primarily attributable to cash deployed in operating and investing activities during the quarter. This was substantially offset by a \$6,457,694 reduction in current liabilities, driven by the reclassification of the EDC term loan of \$6,750,000 from current to long-term borrowings following receipt of a covenant waiver from Export Development Canada on February 3, 2026. As at March 31, 2026, the Company was in compliance with all applicable covenants under the EDC facility.

The Company's cash balance of \$31,688,646 as at March 31, 2026 (December 31, 2025: \$41,114,832) is expected to be sufficient to meet obligations as they fall due for at least the next twelve months from the reporting date. The Company has not declared or paid any dividends during the period.

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

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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.

**CASH FLOW:**

	<b>Three months ended March 31</b>	
	<b>2026</b>	<b>2025</b>
Net cash used in Operating Activities	(6,806,543)	2,150,061
Net cash used in Investment Activities	(1,206,936)	(794,785)
Net cash used in Financing Activities	(1,406,711)	(1,989,392)
Net change in cash	(9,420,190)	(634,116)

*Operating Activities*

The net cash used by operating activities was primarily due investment in prepaid items and inventory to fulfil defence and commercial contracts.

*Investing Activities*

The net cash used in investment activities was primarily due to development of Mirabel facility and expansion of fleet to service oil and gas inspection segment in the US.

*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.

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**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.

**Trade payables and accrued liabilities:**

On August 31, 2022, the Company entered into an independent consultant agreement ("Consultant Agreement") with GripFast Solutions Inc., a company controlled by an independent director, to provide consulting services to the Company for scaling in the defense sector. The costs of all charges are based on the fees set in the Consultant Agreement and are settled on a monthly basis. The Company records these charges under External Partner Cost in the consolidated statement of loss and comprehensive loss. For the quarter ended March 31, 2026, the Company incurred fees of \$24,000 (2025- \$24,000). As at March 31, 2026, the Company was indebted to this company in the amount of \$9,040 (December 31, 2025 - \$8,000).

In 2025, the Company entered into financing arrangements with its Chief Financial Officer ("CFO"), who is a member of key management personnel. In order to support short-term working capital requirements, the CFO advanced funds to the Company to finance operating expenditures. During period ended March 31, 2026, advances amounted to \$101,098 (2025 -\$938,442) and were outstanding for periods ranging between 3 and 6 months. The advances were unsecured and were non-interest bearing. The amount outstanding as at March 31, 2026 is \$22,633 (December 31, 2025 -\$78,465).

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

**Share Capital:**

The Company repaid the outstanding preferred shares valued at \$206,188 with a face value of \$1 to a company controlled by a director of the Company. (2025 – \$nil).

**Promissory notes**

The Company entered into promissory notes with the directors of the Company in 2024, at interest rates ranging between 0% and 15.50% per annum. The amount of \$161,685 is outstanding as at March 31, 2026 (December 31, 2025 - \$1,095,850) and repayable in full by September 2027. This amount is included in long-term borrowing in the consolidated balance sheet.

**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.

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

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

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

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 2026, 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 \$200,000 per annum, is payable. If the termination had occurred on March 31 2026, the amount payable under this agreement would be \$200,000.

**SHARE CAPITAL**

**Authorized share capital**

Unlimited number of common shares without par value.

**Common shares**

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

On May 14, 2025, the Company issued a total of 20,174,280 Common Shares and 17,640,000 Common Share purchase warrants (each a “ Debenture Warrant ”) settling an aggregate principal and accrued and unpaid interest in the amount of \$2,759,089 owing to holders of unsecured convertible debentures of the Company issued pursuant to a debenture indenture dated May 11, 2023. The Common Shares were issued at a deemed price of \$0.15 per Common Share. Each Debenture Warrant is exercisable into one Common Share at an exercise price of \$0.20 per Common Share for a period of three years from the date of issuance, subject to acceleration if, at any time following the date that is 4 months and one day following the date of issuance.

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

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

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

On August 14, 2025, the Company announced closing of its brokered bought deal of LIFE private placement (the "August LIFE Offering"). The Company issued a total of 9,288,462 units of the Company (the "August LIFE Units") at a price of \$0.52 per August LIFE Unit for gross proceeds of \$4,830,000, including the August LIFE Units issued pursuant to the underwriters' over-allotment option. Each August LIFE Unit consists of one Common Share and one-half of one warrant to purchase one Common Share of the Company (each whole warrant, an "August LIFE Warrant"), with each August LIFE Warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$0.76 per share at any time on or before August 14, 2028. The Company also issued to the underwriters 557,308 non-transferable broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.76 per share at any time on or before August 14, 2026.

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

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

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

On March 3, 2026, the Company acquired the remaining 42% equity interest in Synergy Aviation Ltd. ("Synergy"), increasing its ownership from 58% to 100%. The Company issued 2,443,494 common shares as part of the consideration, measured at fair value based on the closing market price of \$0.74 per share at the acquisition date.

**Preferred shares**

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

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

**Stock Options**

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

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

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

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

Range of price (C\$)	Options Outstanding			Options Exercisable		
	Number of Stock Options outstanding	Weighted Average remaining contractual life (years)	Weighted Average Exercise Price	Number of Stock Options exercisable	Weighted Average remaining contractual life (years)	Weighted Average Exercise Price
\$0.10 - \$0.19	6,375,056	2.77	0.13	3,763,969	3.02	0.13
\$0.20 - \$0.35	2,098,844	1.38	0.21	1,719,531	1.41	0.21
\$0.36 - \$0.50	6,247,500	0.75	0.36	6,247,500	0.75	0.36
\$0.51 - \$0.75	3,018,049	3.47	0.53	1,150,000	1.23	0.56
<b>Total</b>	<b>17,739,449</b>	<b>2.03</b>	<b>0.29</b>	<b>12,881,001</b>	<b>1.55</b>	<b>0.29</b>

On February 5, 2026, the Company granted 1,868,049 additional options at an exercise price of \$0.51. The Company uses the Black-Scholes option pricing model to determine the fair value of stock rewards granted. The weighted average fair value at date of grant for the options granted was \$0.351 per option. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.51, risk-free interest rate of 2.91%, expected life of 5 years, expected volatility of 86.16% and expected dividends of Nil.

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

**Restricted Stock Units ("RSUs")**

On January 2, 2025, the Company granted 5,546,000 RSUs that will be vested over four years and will expire five years from grant date. On April 28, 2025, the Company granted 1,500,000 RSUs that will vest in one year and will expire five years from grant date. On June 19, 2025, the Company granted 2,900,000 additional RSUs that will vest over three years and will expire five years from grant date. On February 5, 2026, the Company granted 3,263,965 additional RSUs that will vest over three years and will expire five years from grant date.

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

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Expired	(2,000)	
<b>Outstanding, end of period</b>	<b>12,824,965</b>	9,564,000

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

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

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

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

**Warrants**

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

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



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

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

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

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

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

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

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

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

On June 27, 2025, Volatus issued 25,000,000 units as part of its \$5 million LIFE Offering financing. Each Unit is comprised of one common voting share in the capital of the Company and one-half of one warrant to purchase one Common Share of the Company. The warrants have an exercise price of \$0.30 and expiry after 36 months. The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was \$0.142 per warrant. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of \$0.285, risk-free interest rate of 2.65%, expected life of 3 years, expected volatility of 76% and expected dividends of Nil.

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

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

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

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

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks through its financial instruments. The following analysis provides a summary of the Company's exposure to and concentrations of risk at March 31, 2026 and 2025:

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Company's main credit risk related to its cash and trade and other

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receivables. The maximum exposure to credit risk is the carrying amount as reported on the financial statements. The Company's cash is held in reputable banks in Canada and management believes the risk of loss to be remote. Credit risk on trade and other receivables is minimized because of the constant review and evaluation of the account balances.

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

There are no significantly aged trade and other receivables on March 31, 2026 and 2025.

*Foreign Currency Risk*

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

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. As of March 31, 2026, the Company did not have any foreign currency hedges in place.

*Interest Rate Risk*

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

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

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

*Liquidity Risk*

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

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## Volatus Aerospace Inc. Management's Discussion & Analysis For the three months ended March 31, 2026

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As at March 31, 2026, the Company's cash balance of \$31,653,274 (December 31, 2025 - \$41,114,832) is expected to be sufficient to meet its obligations as they fall due for at least the next twelve months from the reporting date of these consolidated financial statements.

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

### BUSINESS RISKS

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

#### I. Business and Strategic Risks

##### **Operating History and Evolving Business Model**

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

##### **Difficulty to Forecast and Pipeline Conversion**

The Company maintains an active sales pipeline across defence, commercial services, and training markets. However, there can be no assurance that pipeline opportunities will be realized on the timelines or terms anticipated. Customer funding availability, regulatory approvals, evolving procurement priorities, supplier performance, and broader geopolitical or economic conditions may materially influence the conversion of opportunities into contracted revenues. The Company must rely to a significant extent on its own market research to forecast demand, as detailed third-party forecasts for many of its targeted verticals — particularly defence ISR and long-endurance UAS — are not readily available. Actual results may differ materially from management's expectations and forward-looking statements.

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### **Industry Growth**

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

### **Competition**

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

### **Rapid Technology Developments**

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

### **New Business Models and Revenue Streams**

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

### **Future Acquisitions**

As part of the Company's business strategy, the Company may pursue acquisitions of businesses, intellectual property, platforms, or technologies that are strategically aligned with its operations. Acquisitions may result in unforeseen operating difficulties, integration challenges, and expenditures that absorb significant management attention. Costs associated with acquisitions may outweigh the value realized, and any acquisition could result in issuances of equity securities that dilute shareholders' ownership, the incurrence of additional debt, contingent liabilities, or significant write-offs. There can be no assurance that any acquisition will be completed on favourable terms or will generate the anticipated strategic or financial benefits.

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## **II. Defence and Government Sector Risks**

### **Defence Sector Risk**

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

### **Defence Contract Concentration and Procurement Cycle Risk**

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

### **Export Controls and Technology Transfer**

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

### **Middle East and Global Geopolitical Supply Chain Risk**

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

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**Canada's Defence Industrial Strategy — Policy and Execution Risk**

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

**Trade Policy and Geopolitical Risks**

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

**Russia-Ukraine Conflict and Global Instability**

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

**III. Manufacturing and Platform Development Risks**

**UAS Manufacturing Risk**

The Company's expansion into the manufacturing of unmanned aircraft systems introduces risks distinct from those associated with its services and equipment distribution operations. Manufacturing activities require significant investment in facilities, tooling, engineering talent, and quality-assurance processes, creating both financial and operational exposure. Scaling production of advanced RPAS platforms involves precision assembly, rigorous testing, and certification requirements that may increase costs or extend production schedules. The Company is dependent on a stable supply chain for critical components such as avionics, sensors, power systems, and composite structures. Any disruptions, shortages, or delays in sourcing these components may affect production throughput and customer delivery commitments. Failure to manage these risks effectively could impact margins, programme timelines, and overall platform viability.

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**Sovereign Manufacturing — Mirabel Facility Execution Risk**

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

**Intellectual Property — SKYDRA™ and Proprietary Platforms**

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

**Ownership and Protection of Intellectual Property**

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

**IV. Operational Risks**

**Product Liability**

As a manufacturer and service provider in the unmanned aerial vehicle sector, claims could be brought against the Company if use or misuse of one of its products causes, or appears to have caused, personal injury, death, or property damage. Defects in the Company's products may also lead to health and property risks. Any claims against the Company, regardless of their merit, could severely harm its financial condition and strain management and other resources. The Company may not be able to obtain or maintain adequate product liability insurance for its products on acceptable terms.

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**Risk of Accidents**

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

**Defects in Offerings**

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

**Supplier and OEM Risk**

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

**Regulatory Risks — BVLOS and RPAS Operations**

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

**Regulatory Approvals — Transport Canada and International**

Transport Canada is responsible for establishing and managing safety standards for civil aviation in Canada, including unmanned civil aviation. Failure to obtain or maintain necessary regulatory approvals — including Special Flight Operating Certificates, BVLOS authorizations, and type approvals for new platforms including the Condor XL and V-series family — may prevent the Company from testing, operating, or commercializing its aircraft. Limitations on RPAS use imposed in response to public safety concerns, or changes in regulatory policy, could adversely affect the Company's business, financial condition, and results of operations.

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**Operating Risk and Insurance Coverage**

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

**Volatus Aviation — Licensed Aviation Operations**

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

**V. People and Organizational Risks**

**Key Talent and Expertise Risk**

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

**Dependence on Key Personnel**

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

**Succession and Leadership Continuity Risk**

The Company's operational performance and strategic execution rely on continuity within leadership, programme management, and technical oversight roles. Unplanned departures of key leaders or individuals with deep institutional knowledge may disrupt ongoing projects, delay integration of new technologies, and affect customer relationships. As the Company scales its operations across services, manufacturing, cargo

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logistics, and training, effective succession planning and knowledge transfer remain essential to maintaining stability and long-term execution capability.

**Workforce Availability and Labour Market Risk**

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

**Human Capital Integration and Retention Risk**

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

**VI. Financial and Capital Risks**

**Operating Losses**

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

**Future Capital Requirements**

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

**Covenant Compliance and Debt Obligations**

The Company's term loan with Export Development Canada contains financial covenants, including minimum EBITDA requirements. The Company was in breach of its EBITDA covenant as at December 31, 2025, and received a formal waiver from EDC subsequent to year-end. There can be no assurance that the Company will

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satisfy its financial covenants in future measurement periods, or that lenders will continue to provide waivers if breaches occur. A covenant breach that is not waived would constitute an event of default, giving the lender the right to demand immediate repayment of the outstanding loan balance. The occurrence of such an event could have a material adverse effect on the Company's liquidity, financial condition, and ability to continue operations as planned.

**Variable Revenues and Earnings**

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

**Foreign Currency Risk**

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

**Interest Rate Risk**

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

**Internal Controls**

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

**VII. Technology and Cybersecurity Risks**

**SKYDRA™ SaaS Platform Risk**

The Company launched its first proprietary SaaS platform, SKYDRA™, for counter-unmanned aircraft system operational planning and simulation. The development and commercialization of software products involves risks distinct from those associated with hardware and services, including the risk that the platform does not

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achieve market acceptance among target customers — armed forces, public safety agencies, and critical infrastructure operators — within the anticipated timeframe. Subscription-based software revenue depends on customer retention and contract renewal, and the failure to convert evaluation programs into commercial agreements could adversely affect the recurring revenue stream the platform is intended to generate. The platform operates in defence and security contexts and is subject to heightened cybersecurity risks, including the risk of unauthorized access or exploitation that could damage the Company's reputation and expose it to liability.

### **Cyber Threats**

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

### **Privacy Laws Compliance**

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

## **VIII. Market and External Risks**

### **Geographical Expansion**

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

### **Foreign Political and Legal Risk**

A significant portion of the Company's business opportunities and defence engagements lie outside Canada. Operating in foreign countries and relying on suppliers in foreign countries — including countries in Asia for certain components — exposes the Company to political risks, country risks, and currency risks. Changes in government investment policies, intellectual property regimes, or taxation in jurisdictions in which the

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Company operates or sources materials may adversely affect the Company's operations or profitability. Inherent risks of foreign operations include extreme currency fluctuations, military instability, organized crime, terrorism, expropriation, and changing governmental regulations.

**Catastrophic Events and Pandemics**

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

**Tax Risks**

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

**IX. Capital Markets and Governance Risks**

**TSX Listing and Increased Disclosure Obligations**

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

**Brand Development**

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

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### **Reputational Risk**

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

### **Litigation**

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

### **Future Capital Requirements and Dilution**

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

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

## **CONTROLS AND PROCEDURES**

### Disclosure Controls and Procedures

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

### Internal Control over Financial Reporting ("ICFR")

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

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

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

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

There were no changes in the issuer's internal control over financial reporting during the period beginning January 1, 2026 and ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, the issuer's ICFR

**Additional Information**

Additional information relating to the Company is available on the SEDAR website [www.sedar.com](http://www.sedar.com).