VOLATUS AEROSPACE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTH ENDED JUNE 30, 2024

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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 Corp. (the "Company" or "Volatus") and to assess the Company's prospects. The following MD&A is presented and dated as of Aug 26, 2024, and should be read in conjunction with the interim condensed consolidated financial statements and related notes for the six months ended June 30, 2024. 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. Management believes that gross profit, defined as revenue less cost of goods sold, is a useful supplemental measure of operations. Adjusted EBITDA is a supplemental measure used by management and other users of Volatus' financial statements, including lenders and investors, to assess the financial performance of the Company's business without regard to financing methods or capital structure. Adjusted EBITDA is also a key metric that management uses prior to the execution of any strategic investing or financing opportunity. For example, management uses Adjusted EBITDA as a measure in determining the value of acquisitions, expansion opportunities, and dispositions. In addition, Adjusted EBITDA is utilized by financial institutions to measure borrowing capacity. The Company believes that Adjusted EBITDA is useful to management, lenders, and investors in assessing the underlying performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements. The Company defines Adjusted EBITDA as IFRS net loss excluding interest expense, depreciation and amortization expense, share-based payments, income tax expense, integration, and due diligence costs, one time profit or loss (non-recurring), and impairment of goodwill, property, plant, and equipment and right-of-use assets (ROU).

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

FORWARD-LOOKING STATEMENTS

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

BUSINESS OVERVIEW

Volatus was incorporated on December 17, 1987, and has its registered office located at 60 Airport Road, Oro Medonte, Ontario L0L 2E0, Canada. The Company is an industry leading aerial intelligence innovator with an extensive background in commercial aviation and a commitment to commercializing the full potential of remotely operated and autonomous technologies throughout the Americas and around the world. With locations across Canada, the United States and the United Kingdom, the Company offers a comprehensive range of aerial intelligence solutions for civilian and military applications.

The Company's mission is to be a leading innovator and provider of remotely operated and autonomous solutions and to be at the forefront of melding remotely piloted aircraft with piloted aircraft service offerings. Through our efforts we are reducing the environmental impact of aerial operations and working to empower people everywhere to live more sustainably.

Volatus is a leading consolidator of established drone service and equipment providers. By unlocking their potential and driving organic growth through cross selling and aggressive marketing, the Company is establishing itself as an international player with operations from coast to coast and across the Americas. The Company has a physical presence in Alberta, British Columbia, Manitoba, Ontario, Quebec, Prince Edward Island, New York, Pennsylvania, New Jersey, Florida, Nevada, Ohio, Illinois, Oklahoma, Missouri, Texas, Maine, and the UK. In addition, a network of more than 1200 Transport Canada and FAA-qualified UAV pilots are available to the Company to support service delivery in every province and territory of Canada and the US.

The Company and its subsidiaries offer:

System design engineering, research & development, and manufacturing. Volatus own technologies include the E100 and M100 Medium Altitude High Endurance fixed wing drones, our Aerieport drone-in-the-box solution, and the Paremoha surveillance fixed wing-drone for defense are expected to be marketed and sold commencing mid-2024.

Aerial Intelligence Services. The Company offers turnkey infrastructure inspection, and mapping and imaging services including long-linear inspections such as pipeline, energy, and railway, and uses its proprietary technology 'Valqari' software to capture and process data that is shared through its proprietary Aerial Information Reporting System (AIRS). Wildfire services and agriculture spraying are new growth sectors. In addition, the company provides data management, analytics, and GIS services and is committed to the use of machine learning, and AI to enhance the value to its customers.

Drone & Sensor Training, and Consulting. The Company provides operator training for remotely piloted aircraft systems and payloads and pilot certification training in Canada, the USA, and the United Kingdom and conducts regular educational Science Experiential Aerial Research (SEAR) Programs with school boards in both Canada and the United States.

Value Added Reseller. The Company is a value-added reseller of remotely piloted aircraft systems providing equipment sales, payload integration, and maintenance, repair after sale support.

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

BUSINESS HIGHLIGHTS

The first half of 2024 is a slower service period due to reduced service activities in Canada and the Northern USA. Winter weather conditions create this seasonality in the business in these regions. To mitigate this, the Company has established a presence in London, England, to better access potential sales in the European territory and serve NATO countries to meet the demand for drones in defense.

In line with our strategy to eliminate seasonality, we made acquisitions of drone training organizations, namely UAV Hub and Drone Mentor, based in the UK. These acquisitions are part of our broader strategy to create partnerships with drone technology companies across the globe, ensuring we continue to meet growing market demands and expand our operational capabilities year-round.

Over the past several quarters, our management team has strategically shifted our focus towards services and long-term contracts, resulting in a significant transformation of our revenue streams. This strategic shift is evident in our evolving product mix. Two years ago, our revenue was primarily driven by equipment sales, which accounted for 75% of our product mix. Today, equipment sales represent approximately 40-50% of our revenue, while services now contribute 50-60%.

This change has not only diversified our revenue base but also led to higher gross margins for the Company. The increased demand for our specialized services in sectors such as pipeline surveillance, power utilities, and construction and engineering highlight our ability to secure long-term contracts and provide high-value solutions to our clients.

Our anticipated merger with Drone Delivery Canada will further enhance our offerings, combining advanced services and technology sales to expand our market reach. We are committed to continuing this trajectory, leveraging our expertise and strategic partnerships to drive sustainable growth and profitability.

Despite the expected seasonality caused by colder temperatures in northern USA and Canada, the Company achieved a number of important milestones in Q124 and Q224, including the following:

Merger with Drone Delivery Canada

We are thrilled to announce that on May 21, 2024, our Company has entered into a merger agreement of equals with Drone Delivery Canada Corp., creating one of North America's leading drone services and technology companies. This strategic merger significantly expands our addressable market to an impressive $4 billion by 2030.

The merger will bring immediate cost synergies of $2 million, with a total of $9 million in synergies expected as we expand our solutions and enter new markets. The combined entities anticipate generating a total revenue of $70 million by 2025, with an adjusted EBITDA of $10 million.

Shareholders of our Company will benefit from this merger by receiving 1.785 shares of Drone Delivery Canada for each share held. This merger is pending regulatory and shareholder approval, with further details available in the subsequent event note.

This merger represents a transformative opportunity for our Company and shareholders, positioning us at the forefront of the drone services industry and setting the stage for robust growth and profitability in the years ahead.

Integration of Operations with Drone Delivery Canada

We have started the integration process in order to achieve maximum efficiencies and synergies. The technology segments of Volatus and Drone Delivery Canada have started collaborating to commercialize The Company's drone nesting station.

Strong Performance in Oil and Gas Sector

Our pipeline surveillance activities in Canada demonstrated resilience despite facing typical seasonal challenges, including several days of sub-optimal operational temperatures. In the US, we are witnessing a robust increase in demand for our specialized magnetometry services, which provide precise identification and location of underwater pipelines for our oil and gas clients.

Leveraging advanced technologies such as ortho mosaic mapping and LiDAR, we are creating highly accurate reference maps. These maps are then enhanced with GPS-located pipeline data from our magnetometers, ensuring superior accuracy and efficiency in our operations. This critical work, initiated, is ongoing and continues to drive value for our customers.

Our commitment to innovation and excellence in the oil and gas sector underscores our position as a trusted partner in pipeline surveillance and mapping, positioning us for continued growth and success.

Power Utilities Update

In Q1 and Q2, our Company started utility pole inspections for a power utility in the southern United States. Additionally, we secured several work packages totaling approximately 11,000 structures in the eastern and northeastern United States, as well as a program to inspect more than 762,000 solar panels in the midwestern region.

These activities demonstrate our ongoing commitment to serving the power utilities sector, including both traditional infrastructure and renewable energy projects.

Construction and Engineering Update

In Q1, we observed a notable increase in demand for our LiDAR services in Eastern Canada, driven by the needs of three major engineering firms and a large municipality. We anticipate this demand will continue to grow over the next two quarters.
Our façade and roofing inspection services also remain in strong demand. We have secured new contracts with two large industrial firms with facilities across the USA. Currently, we are working on two large facilities and expect to secure additional work in the near future.

These developments highlight our ability to meet the evolving needs of the construction and engineering sectors.

Acquisition of UAVHub and the Drone Mentor

The Company completed the acquisition of the two UK-based companies, Aerial Motion Pictures Ltd., dba UAVHub and Open Sky Consulting International Ltd., dba The Drone Mentor, providing world leading online video-based drone training and certification. The transaction was closed on Jan 2, 2024. Founded in 2014, UAVHub is the highest rated drone training and certification company in the UK. UAVHub currently service the regulated drone pilot space by delivering UK Civil Aviation Authority approved online training, and have developed proprietary tools that help simplify regulatory compliance in this ever-evolving sector. The Drone Mentor specialises in non-regulatory based training and support for the uncrewed sector, facilitating the advancement of personal, professional, and business development-the 'second stage' of the 'drone journey' which is often not considered when pilots first start out; ensuring individual success and ultimately, the longevity of the industry as a whole.

BUSINESS OUTLOOK & STRATEGY

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

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

2024 RESULTS

	Three months ended June 30	
	2024	2023
Total Revenue	7,121,993	8,684,991
Gross Profit (as a % of revenues)	35%	34%
Loss from operations	(1,935,656)	(2,009,804)
Net loss and comprehensive Loss	(2,082,615)	(2,458,211)
Adjusted EBITDA loss	(372,938)	(992,719)
Net loss per share	(0.02)	(0.02)

Q1 2024 Total Reported Revenue of $7,121,993.

In Q2 2024, our Company reported a total revenue of $7,121,993. While this represents a decline from $8.6M in Q2 2023, the change is a result of our strategic shift towards a more sustainable and profitable revenue mix.

The decline is in equipment sales and is primarily due to a temporary limitation in growth working capital. However, this shift has allowed us to focus on expanding our service offerings. This transition highlights our commitment to enhancing our service capabilities, which not only diversifies our revenue streams but also drives higher gross margins. As we continue to optimize our product mix, with services now contributing a larger portion of our revenue, we are well-positioned for long-term growth and profitability.

Q2 2024 Gross Profit of $2,504,546. Gross Margin of 35%

In Q2 2024, the Company successfully increased its gross margin percentage from 34% in Q2 2023 to 35%. This growth in gross margin is a direct result of our strategic shift towards higher efficiency operations and an optimized product mix. Notably, the significant increase in our aerial intelligence service activities has been a key driver of this improvement.

Our gross margins by revenue category illustrate this positive trend: services achieved a robust 47% gross margin, while equipment sales yielded lower than expected gross margin. The lower margin for equipment sales is primarily due to our strategic decision to procure from distributors instead of OEMs, allowing us to better manage our working capital and maintain operational flexibility.

This focus on enhancing service offerings and optimizing procurement strategies has allowed us to achieve higher overall margins, positioning the Company for continued financial strength.

Q2 2024 Revenue Distribution

This quarter, our product mix consisted of 33% equipment sales and 67% services, marking a significant shift from Q2 2023, when equipment sales accounted for 51% and services made up 49% of our revenue. While this transition reflects our strategic focus on expanding our service offerings, which generate higher gross margins, it is also influenced by current working capital constraints.

As the industry continues to mature, we anticipate that our product mix will increasingly favor services. This strategic shift, driven by both market dynamics and our proactive response to working capital limitations, positions the Company for stronger growth and enhanced financial resilience.

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

The Company has made notable progress in improving its Adjusted EBITDA, which improved by 62% from ($992,718) in Q2 2023 to ($372,938) in Q2 2024. This improvement is primarily driven by an increase in gross profit and a reduction in operating expenses. Detailed reconciliation of Adjusted EBITDA is provided further in this document.

Looking ahead, we anticipate further significant improvements in Adjusted EBITDA as the effects of seasonality diminish and our business continues to scale. These positive trends position the Company for stronger financial performance in the coming quarters.

Cash and cash equivalents decreased by $902,795 for the six-month ended June 30, 2024. The decrease was attributable to the loss from operations, investment in CAPEX, and repayment of debt.

As at	June 30, 2024	Dec 31, 2023
Total Assets	24,924,309	26,876,098
Non-Current Assets	15,307,319	16,371,750
Goodwill	963,604	963,604
Total non-current Liabilities	10,677,433	9,641,836
Total Liabilities	26,954,704	24,338,202
Working Capital	(6,660,281)	(4,192,018)
Shareholder's Equity	(2,030,395)	2,537,896
Distribution or Cash Dividends	-	-

As at	December 31, 2023	December 31, 2022
Total Assets	26,876,098	29,197,305
Goodwill	963,604	963,604
Total non-current Liabilities	9,641,836	9,448,061
Working Capital	(4,192,018)	4,449,057
Shareholder's Equity	2,537,896	10,417,966
Distribution or Cash Dividends	-	-

As at June 30 2024, the Company held total assets of $24,924,309. The decrease in total assets was due to changes in the cash position of the business and reduction in receivables and other assets. Non-current assets decreased by $1,064,431 due to depreciation and offset by the addition of assets from acquisition of UAV Hub and Drone Mentor. The Company continued to deploy cash in operating activities and scale its service business. The increase in total liabilities was driven by increased accounts payable and increased other short-term liabilities.

RESULTS OF OPERATIONS

	Notes	Three months ended		Six months ended June 30	
		2024	2023	2024	2023
Revenue		$ 7,121,993	$ 8,684,991	$ 13,745,735	$ 16,097,471
Direct costs		$ 4,617,447	5,724,516	$ 9,015,432	10,770,318
Gross Profit		**2,504,546**	**2,960,475**	**4,730,303**	**5,327,153**
		35.17%	34%	34%	33%
OPERATING EXPENSES					
Advertising & marketing		397,357	629,686	$ 690,696	1,035,804
IT & tech		259,456	211,960	$ 516,257	397,055
Personnel		1,515,536	1,788,347	$ 3,712,315	3,944,644
R&D		-	364,263	$ 11,783	464

				,683
Office cost	554,050	505,832	$ 1,137,248	1,218,313
Travel	40,143	167,364	$ 97,763	261,649
External partner cost	430,141	326,979	$ 630,213	600,992
Depreciation and amortization	1,116,698	797,487	$ 2,214,787	1,542,623
Share based Payments	126,822	178,361	$ 253,644	354,762
	4,440,202	**4,970,279**	**9,264,707**	**9,820,525**
(Loss) from Operations	**(1,935,656)**	**(2,009,804)**	**(4,534,404)**	**(4,493,372)**
OTHER ITEMS - INCOME/(EXPENSE)				
Finance cost	(491,664)	(368,635)	$ (870,770)	(681,617)
Other income (expense)	153	41,237	$ (10,015)	39,679
Unrealized gain on investments	-	(104	$ -	(28

		,818)		4,876)
Gain (Loss) on disposal of property and equipment	319,044		$ 311,860	(10,511)
Foreign exchange translation	25,508	(16,192)	$ 29,395	(30,879)
Net Loss	**(2,082,615)**	**(2,458,211)**	**$ (5,073,934)**	**$ (5,461,576)**
Total **comprehensive Income (loss) for the period attributable to:**				
Owners of Volatus Aerospace Corp.	(2,070,150)	(2,427,468)	(4,985,293)	(5,039,358)
Non-controlling interest	(12,465)	(30,743)	(88,641)	(422,218)
	(2,082,615)	**(2,458,211)**	**(5,073,934)**	**(5,461,576)**

Loss per share				
Basic and diluted	(0.02)	(0.02)	(0.04)	(0.05)
Weighted **average number of common shares outstanding**				
Basic and diluted	125,665,299	115,634,354	125,665,299	102,075,878

The Company generated revenues from two major areas: Sale of equipment and provision of aerial services consisting of drone services and training, and crewed services for long liner pipeline inspections. For the period equipment sales generated a lower gross margin % compared to service. The sale of third-party products has low gross margins compared with services and training. As the business scale and product mix changes, the gross margins have increased to 35%.

The Company incurred $397,357 on marketing activities including participation at trade shows, investor relations, advertising, and business development events, a reduction of 37% compared to Q2 2023. The Company has incurred a total of $20,090 on investor relations (IR) activities in Q2 2024, a reduction of 87% compared to Q1 2023. The Company has paused on any new IR initiatives. The IR activity currently includes platform fees paid to manage contractors, website, and market-maker charges.

Personnel costs for the period have been reduced as part of efforts to achieve profitability and higher direct cost attributable to cost of services impacting gross profit. Continuous efforts are made to achieve near-term profitability. Excluding depreciation, the operating expenses have been reduced by 20% ($849,288) from Q2 2023 to Q2 2024.

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:

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Revenue	7,121,993	6,623,741	10,500,995	8,274,349	8,684,991	7,412,480	7,213,129	11,120,589
Direct Cost	4,617,447	4,397,985	7,700,881	5,265,775	5,724,516	5,045,802	5,190,979	7791145
Gross Profit	**2,504,546**	**2,225,757**	**2,800,114**	**3,008,574**	**2,960,475**	**2,366,678**	**2,022,150**	**3,329,444**
	35.17%	33.60%	26.67%	36.36%	34.09%	31.93%	28.03%	29.94%
OPERATING EXPENSES								
Advertising & marketing	397,357	293,339	278,781	541,635	629,686	406,118	575,539	599,285
IT & tech	259,45	256,802	28,439	243,602	211,960	185,095	164,260	140,392
Personnel	1,515,536	2,196,722	1,312,983	1,727,086	1,788,347	2,156,297	1,552,913	1,393,606
R&D	-	11,840	771,861	104,832	364,263	100,420	541,023	-
Office cost	554,050	583,199	605,396	722,276	610,650	892,539	490,740	378,474
Travel	40,143	57,621	126,710	90,804	167,364	94,285	144,372	140,622
External partner cost	430,141	200,072	436,686	243,443	326,979	274,013	602,171	403,238
Depreciation	1,116,698	1,098,088	1,647,364	843,744	797,487	745,136	604,849	270,081
Share based Payments	126,822	126,822	173,671	195,372	178,361	176,401	340,761	330,918
	4,440,202	**4,824,504**	**5,381,891**	**4,712,793**	**5,075,097**	**5,030,304**	**5,016,628**	**3,656,616**
(Loss) from Operations	(1,935,656)	(2,598,748)	(2,581,777)	(1,704,219)	(2,114,622)	(2,663,626)	(2,994,477)	(327,172)
OTHER ITEMS - INCOME/(EXPENSE)					-			
Finance cost	(491,664)	(379,106)	(667,949)	(425,671)	(368,635)	(312,982)	(249,798)	(121,672)
Bargain Purchase Gain			221,808				2,112,197	-
Changes in Fair Value of Contingent Consideration			386,731				(33,846)	-
Other income (expense)	153	(10,168)	14,955	(39,229)	41,237	(1,558)	192,498	79,640
Gain (Loss) on disposal of equipment	319,044	(7,184)	(125,476)	228,769	(0)	(10,511)	414	10,566
Foreign exchange translation	25,508	3,887	(24,156)	19,946	(16,191)	(14,688)	(195,277)	6,430
Net loss and comprehensive loss before tax	**(2,082,615)**	**(2,991,319)**	**(2,775,864)**	**(1,920,403)**	**(2,458,211)**	**(3,003,365)**	**(1,168,290)**	**(352,208)**
Deferred Tax Income/ (Expense)			464,216				(71,311)	

Net Loss and comprehensive loss after tax	**(2,082,615)**	**(2,991,319)**	**(2,311,647)**	**(1,920,403)**	**(2,458,211)**	**(3,003,365)**	**(1,239,601)**	**(352,208)**
Loss per share								
Basic and Diluted	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)	(0.01)

The Company's quarterly results are subject to seasonality, with service activities typically slower in the first two quarter due to adverse winter conditions in North America. Sales generally pick up in the second quarter and peak in the third quarter for services. Equipment sales, however, have been lower and inconsistent throughout the year, primarily due to limited growth working capital, which has necessitated procuring equipment from distributors rather than OEMs.

Our recent expansion in the UK and focus on training services are expected to reduce the impact of seasonality, as these offerings are not subject to seasonal fluctuations. The gross margin for Q2 2024 outperformed historical trends, primarily due to higher services and training revenue. Comparing Q2 2024 to Q2 2023, the shift in product mix towards services resulted in an increase in gross margins to 35%.

Depreciation expense increased due to the amortization of intangibles. Research and Development (R&D) spending was paused, and efforts are diverted towards commercializing existing technology.

Overall, these strategic adjustments and our focus on high-margin services position the Company for improved financial performance and objective of achieving near-term profitability.

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary of working capital as of June 30, 2024, and December 31, 2023:

	As at	
	June 30 2024	**December 31, 2023**
Current Assets	**9,616,990**	**10,504,348**
Current Liabilities	**16,277,271**	**14,696,366**
Working Capital	**(6,660,281)**	**(4,192,018)**

As of June 30, 2024, the Company reported current assets of $9,616,990, down from $10,504,348 as of December 31, 2023. This decrease is mainly attributed to reduced sales, reduced receivables and higher AR collections.

Current liabilities increased from $14,696,366 as of December 31, 2023, to $16,277,271 as of June 30, 2024, resulting in a working capital deficit of $6,660,281, compared to a deficit of $4,192,018 at the end of the previous quarter. The increase was due to higher payables and short-term liabilities as the Company aggressively managed its working capital.

The decrease in working capital was due to operating activities and increased short-term obligations. Cash on hand reduced by $902,795 as a result of losses from operations, investments in fixed assets, and payouts relating to acquisitions.

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

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

Management intends to finance operating costs over the next twelve months predominantly with cash on hand and with the issuance of securities such as prospectus offerings, private placement of common shares and convertible debentures. Further, in order to maintain or adjust its capital structure, the Company may issue new shares, new debt, or scale back the size and nature of its operations. The Company is not subject to externally imposed capital requirements. As of June 30, 2024, shareholders' equity was ($2,030,395) and on December 31, 2023, shareholder's equity was $2,537,896

The Company's ability to continue as a going concern is dependent upon the successful execution of management's operating and strategic plan which includes, amongst other things, securing additional financing to meet its ongoing operating requirements to fund inventory levels and fulfil new service contracts and, ultimately, the attainment of future profitable operations. There are no assurances that any of these initiatives will be successful which indicates the existence of a material uncertainty that cast doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

CASH FLOW:

	Six months ended June 30	
	2024	**2023**
Net cash used in Operating Activities	(222,567)	(2,813,030)
Net cash used in Investment Activities	(372,389)	(1,263,793)

Net Cash provided by Financing Activities	307,838	1,704,218
Net change in cash	(902,794)	(2,372,603)

Operating Activities

The net cash used in operating activities reduced primarily due aggressive management of working capital.

Investing Activities

The net cash used in investment activities was primarily cost of acquisition of UAV Hub and Drone Mentor and investment in fixed assets towards aerial intelligence .

Financing Activities

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

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

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

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

RECONCILIATION OF ADJUSTED EBITDA TO NET LOSS

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Adjusted EBITDA (loss)	**(372,938)**	**(992,718)**	**(1,764,129)**	**(2,566,819)**
Interest	491,664	368,635	870,770	681,617
Depreciation	1,116,698	797,487	2,214,787	1,542,623
Share-based Payments	126,822	178,361	253,644	354,762
Gain/Loss on Investment	-	104,818	-	284,876
Foreign Exchange Translation	(25,508)	16,192	(29,395)	30,879
Net Loss	**(2,082,615)**	**(2,458,211)**	**(5,073,934)**	**(5,461,576)**

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

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.

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 June 30, 2024, the Company incurred fees of $24,000 (2023- $24,000). As at June 30, 2024, the Company was indebted to this company in the amount of $40,000 (2023 - $8,000).

Share Capital:

The Company has outstanding preferred shares valued at $206,188 that are non-redeemable and have no coupon interest payment and have a face value of $1 to a company controlled by a director of the Company. (2022 – $206,188) (Refer to Note 17)

Loans & Advance:

The Company has entered into a promissory notes with a director of the Company on March 17, 2023, April 2024, and May 2024 for short-term loans at an interest rate ranging between 8.5% and 12% per annum. The amount of $1,788,130 is outstanding as at June 30, 2024 and repayable between 2024 and 2029. This amount is included in other short-term and long-term liabilities in the consolidated balance sheet.

Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

Compensation awarded to key management for the period ended June 30, 2024 and 2023 is summarized as follows:

	June 30, 2024	June 30, 2023
Salaries	**442,500**	442,500
Share-based payments	**196,759**	354,762
	639,259	797,262

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 18 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 18 months' salary, at $350,000 per annum, is payable. If the termination had occurred on December 31 2023, the amount payable under this agreement would be $525,000.

The Company has an employment agreement with its CFO which provides that in the event the CFO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 12 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 12 months' salary, at $190,000 per annum, is payable. If the termination had occurred on December 31 2023, the amount payable under this agreement would be $190,000.

SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Preferred shares

	June 30, 2024		December 31, 2023	
	Shares	Shares	Shares	Amount
Issued for acquisition of Partner Jet Corp.	**206,188**	**206,188**	**206,188**	$ 206,188
UAViation Aerial Solutions Limited Investment	**146,446**	**146,446**	**146,446**	146,446
Total	**352,634**	**352,634**	**352,634**	$ 352,634

The above preferred shares are non-redeemable and have a face value of $1. The preferred shares outstanding in UAViation Aerial Solutions Limited are in the Volatus owned subsidiary, Volatus Unmanned Services Inc.

Stock Options

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

	Number of Stock Options	Weighted Average Exercise Price	Number o Stock Optio
Outstanding, beginning of period	5,357,691	0.56	3,984,615
Granted	3,057,500	0.23	1,640,000
Exercised	-	-	(16,924)
Forfeited	(222,500)	0.31	(250,000)
Outstanding, Dec 31	8,192,691	0.44	5,357,691

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2024:

	Options Outstanding			**Options Exercisable**		
Range of price (C$)	**Number of Stock Options outstanding**	**Weighted Average remaining contractual life (years)**	**Weighted Average Exercise Price**	**Number of Stock Options exercisable**	**Weighted Average remaining contractual life (years)**	**Weighted Average Exercise Price**
$0.20 - $0.30	3,152,691	4.46	0.23	177,691	1.77	0.30
$0.31 - $0.49	1,250,000	3.53	0.36	362,500	3.57	0.36
$0.50 - $0.65	3,790,000	3.00	0.65	2,660,000	3.00	0.65
	8,192,691	**3.64**	**$ 0.45**	**3,200,191**	**3.00**	**$ 0.60**

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

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. The weighted average fair value at date of grant for the options granted was $0.18 per option. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of $0.23, risk-free interest rate of 4.25%, expected life of 5 years, expected volatility of 100% and expected dividends of Nil.

On June 24, 2022, the Company granted 1,440,000 additional options at an exercise price of $0.36 that will be vested over four years and will expire five years from grant date.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. The weighted average fair value at date of grant for the options granted was $0.27 per option. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of $0.36, risk-free interest rate of 3.30%, expected life of 5 years, expected volatility of 100% and expected dividends of Nil.

On October 5, 2022, the Company granted 200,000 additional options at an exercise price of $0.36 that will be vested over two years and will expire five years from grant date.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. The weighted average fair value at date of grant for the options granted was $0.27 per option. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of $0.36, risk-free interest rate of 3.12%, expected life of 5 years, expected volatility of 100% and expected dividends of Nil.

Warrants

Details of warrants and their fair value:

Sr. No	Issue Date	Number of warrants outstanding at December 31, 2023	Fair Value at December 31, 2023	Number of Warrants Outstanding at December 31, 2022	Fair Value at December 31, 2022	Exercise Price	Expiry Date
1	22-Dec-21	-	-	5,308,476	1,804,881	0.65	22-Dec-23
2	22-Dec-21	-	-	7,025,966	2,248,310	0.75	22-Dec-23
3	06-Oct-22	11,741,034	1,878,565	11,741,034	1,878,565	$0.50	05-Oct-24
4	06-Oct-22	879,475	167,100	879,475	167,100	$0.36	05-Oct-24
5	06-May-23	421,860	20,587	-	-	$0.50	06-May-25
6	06-May-23	2,646,000	107,437	-	-	$0.50	06-May-25
		15,688,369	2,173,689	24,954,951	6,098,856		

Sr. No	Issue Date	Number of warrants outstanding at June 30, 2024	Fair Value at June 30, 2024	Number of warrants outstanding at December 31, 2023	Fair Value at December 31, 2023	Exercise Price	Expiry Date
3	06-Oct-22	**11,741,034**	**1,878,565**	11,741,034	1,878,565	$0.50	05-Oct-24
4	06-Oct-22	**879,475**	**167,100**	879,475	167,100	$0.36	05-Oct-24
5	06-May-23	**421,860**	**20,587**	421,860	20,587	$0.50	06-May-25

6	06-May-23	**2,646,000**	**107,437**	2,646,000	107,437	$0.50	06-May-25
		15,688,369	**2,173,689**	15,688,369	2,173,689		

As of June 30, 2024, the following warrants were outstanding and exercisable:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, Dec 31, 2023	15,688,369	$ 0.49
Issued	-	-
Exercised	-	-
Forfeited	-	-
Outstanding, June 30, 2024	**15,688,369**	**$ 0.49**

SUBSIDIARIES & ACQUISITIONS

Acquisition of UAV Hub and Drone Mentor

On January 2, 2024, Volatus acquired UAV Hub (Aerial Motion Pictures Ltd.) and Drone Mentor (Open Sky Consulting International Ltd.), a drone training company based out of the UK. Under the terms of the agreement the Company purchased 100% of the company for a consideration £150,000 (CAD $225,000) on Closing by issuing 1,680,000 common shares at $0.15 price per share.

Total Consideration	**$ 252,000**
Net assets acquired:	
Cash	97,273
Accounts Receivable	3,522
Property, plant and equipment	49,645
Accounts Payable and accrued liabilities	(64,569)
Non-current Loans	(44,657)
Identified intangible assets – Brand and Website	
Website	$ 207,106

The breakdown of consideration paid is as follows:

Issuance of 1,680,000 common shares upon closing	$ 225,000
Total consideration	**225,000**

The Company did not incur any acquisition-related costs.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions as well as critical judgements in applying the Company's accounting policies are detailed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2023.

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 June 30, 2024:

Credit Risk

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

The Company also maintains an allowance for credit losses at an estimated amount, allocating sufficient protection against losses resulting from collecting less than full payments from its receivables. There is no indication, as at this date, that the debtors will not meet their obligations, except as has been provided for as bad debts during the reporting periods. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all sales. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible. There are no significantly aged trade and other receivables on June 30, 2024 and 2023.

Foreign Currency Risk

The Company has operations in Canada, the UK, and the U.S., therefore, has exposure to foreign currency risk. There is exposure to foreign exchange fluctuations on transactions between the Company's entities and upon the consolidation of the Company's foreign subsidiaries. The interim condensed consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity within the consolidated group determines its own functional currency.

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. As of June 30, 2024, the Company did not have any foreign currency hedges in place.

SUBSEQUENT EVENTS

On May 21, 2024, the Company announced the merger of equals (50/50) between the Company and Drone Delivery Canada Corp. The Merger will be implemented by way of a court-approved plan of arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). At closing, each outstanding Volatus Share will be exchanged for 1.785 Drone Delivery Canada Shares. The implementation of the Arrangement is subject to the approval of at least 66 2/3% of the votes cast by holders of Volatus Shares, and if required under applicable securities law, a simple majority of holders of Volatus Shares excluding votes cast by certain holders of Volatus Shares that are required to be excluded pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transaction ("MI 61-101"), at a special meeting of Volatus shareholders expected to take place in the third quarter of 2024. The Arrangement is also subject to the approval of a majority of the votes cast by the holders of Drone Delivery Canada Shares at a special meeting of Drone Delivery Canada shareholders expected to take place in the third quarter of 2024.

The directors and executive officers of each of Volatus and Drone Delivery Canada have entered into customary voting and support agreements and have agreed to, among other things, vote their securities in favour of the Arrangement. Total Volatus Shares under such support agreements represent approximately 62% of the issued and outstanding Volatus Shares and Drone Delivery Canada Shares under such support agreements represent less than 1% of the issued and outstanding Drone Delivery Canada Shares.

The Arrangement includes a reciprocal non-solicitation covenant, subject to customary "fiduciary out" rights, including the right of either Volatus or Drone Delivery Canada to accept a superior proposal in certain circumstances, with each party having a five (5) business day right to match any such superior proposal received by the other party. The Arrangement also provides for the payment of a termination fee by Volatus of $700,000 and Drone Delivery Canada of $1,800,000 if the Business Combination Agreement is terminated in certain specified circumstances, and an expense reimbursement of $500,000, payable by either party, if the Arrangement is terminated under other certain specified circumstances.

Under the terms of the Arrangement, any outstanding options to purchase Volatus Shares will be exchanged for options to purchase Drone Delivery Shares with equivalent economic terms and vesting provisions, any outstanding Volatus warrants exercisable to purchase Volatus Shares will be adjusted in accordance with their terms such that, upon the exercise of a Volatus warrant, the holder thereof, for the same aggregate consideration payable therefor, will receive 1.785 Drone Delivery Shares, any outstanding Volatus senior unsecured convertible debentures will be adjusted in accordance with their terms such that, upon conversion of a Volatus debenture, the holder thereof, for the same aggregate principal and interest amount convertible therefor, will receive such number of Drone Delivery Shares equal to the number of Volatus Shares they would otherwise be entitled to receive multiplied by 1.785, rounded down to two decimal places, and any outstanding preferred shares of Volatus will remain outstanding unaffected by the Arrangement.

Drone Delivery Canada expects to issue 224,345,513 Drone Delivery Canada Shares as Consideration to the shareholders of Volatus in connection with the Merger and to reserve approximately 42,404,567 Drone Delivery Canada Shares for issuance upon exercise of Volatus options and Volatus warrants.

The Merger will constitute a "Reviewable Transaction", as defined in TSXV Policy 5.3 – Acquisitions and Dispositions of Non-Cash Assets. As a result, the completion of the Merger is subject to approval by the TSXV. The Arrangement is also subject to receipt of court and other applicable regulatory approvals and the satisfaction of certain other closing conditions customary in transactions of this nature. Subject to the satisfaction (or waiver) of the conditions precedent, the Arrangement is expected to close in the third quarter of 2024.

BUSINESS RISKS

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

Limited Operating History in Evolving Industry

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

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

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

Ownership and Protection of Intellectual Property

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

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

Exposure to risks relating to non-performing strategic suppliers and reseller contracts and agreements, including delays

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

Supplier risk

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

Emerging Industry

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

- generate sufficient revenue to obtain and/or maintain profitability;
- acquire and maintain market share;
- achieve or manage growth in operations;
- develop and renew contracts;
- attract and retain additional engineers and other highly-qualified personnel;
- successfully develop and commercially market products and services;

- adapt to new or changing policies and spending priorities of governments and government agencies; and
- access additional capital when required or on reasonable terms.

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

Difficulty to Forecast

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

Industry Growth

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

Rapid Technology Developments

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

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

Defects in Offerings

Company's product and service offerings are highly complex and sophisticated and may contain design defects or errors that are difficult to detect and correct. Errors or defects may be found in new or existing offerings and, even if discovered, the Company may not be able to successfully correct such errors or defects in a timely manner or at all. The occurrence of errors and failures in the Company's offerings could result in loss of or delay in end user acceptance of its offerings and may harm the reputation of the Company. Correcting such errors and failures in its offerings could require significant expenditures by the Company, involving cost or time and effort of personnel. The consequences of such errors, failures and claims could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Risk of Accidents

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

Variable Revenues and Earnings

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

Operating Losses

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

Internal Controls

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

Regulatory Risks

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

Regulatory approvals

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

Geographical Expansion

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

Foreign Political and Legal Risk

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

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

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

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

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

- inability to attract sufficient numbers of qualified workers.

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

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

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

Competition

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

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

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

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

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

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

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

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

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

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

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

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

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

Future Capital Requirements

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

Operating Risk and Insurance Coverage

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

Dependence on Key Employees

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

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

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

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

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

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

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

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

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

The Company may be subject to the risks associated with foreign operations in other countries.

The Company's primary revenues are expected to be achieved in Canada and the US. However, the Company may expand to markets outside of North America and become subject to risks normally associated with conducting business in other countries. As a result of such expansion, the Company may be subject to the legal, political, social, and regulatory requirements and economic conditions of foreign jurisdictions. The Company cannot predict government positions on such matters as foreign investment, intellectual property rights or taxation. A change in government positions on these issues could adversely affect the Company's business.

If the Company expands its business to foreign markets, it will need to respond to rapid changes in market conditions, including differing legal, regulatory, economic, social, and political conditions in these countries. If the Company is not able to develop and implement policies and strategies that are effective in each location in which it does business, then the Company's business, prospects, results of operations and financial condition could be materially and adversely affected.

There are tax risks the Company may be subject to in carrying on business in Canada.

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

Catastrophic Events

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

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

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

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting ("ICOFR")

Our management, with the participation of our CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the CEO and CFO, our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. 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 and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

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

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

Additional Information

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