VOLATUS AEROSPACE INC.

(Formerly Drone Delivery Canada Corp.)

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2026

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

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

	Notes	September 30, 2026	December 31, 2025
Assets			
Current			
Cash		50,605,356	41,114,832
Restricted cash		271,679	29,372
Trade and other receivables	6	6,200,538	3,368,470
Prepaid expenses, deposits, and other current assets	7	2,842,297	1,756,129
Inventories	11	4,898,532	3,266,550
Total current assets		**64,818,402**	**49,535,353**
Property, plant and equipment	8	6,965,004	5,548,323
Intangible assets	9	14,217,858	15,113,662
Right-of-use asset	18	4,442,097	1,718,821
Goodwill	10	20,739,606	20,739,606
Total non-current assets		**46,364,565**	**43,120,412**
Total Assets		**111,182,967**	**92,655,765**
Liabilities and Shareholders' Equity			
Current liabilities			
Trade payables and accrued liabilities	12	4,192,335	3,433,728
Deferred revenue		86,283	78,102
Current portion of lease liability	19	884,467	888,174
Current portion of long-term borrowings	13	1,892,995	8,652,631
Total current liabilities		**7,056,080**	**13,052,635**
Long-term borrowings	13	7,529,464	3,003,475
Convertible debentures		9,406,137	7,885,106
Lease liability	19	3,976,311	1,010,676
Total non-current liabilities		**20,911,912**	**11,899,257**
Total Liabilities		**27,967,992**	**24,951,892**
Shareholders' Equity			
Common equity	16	141,207,425	103,053,180
Warrants reserve	16	12,247,415	12,977,274
Share-based payment reserve	16	3,583,645	2,921,500
Convertible Debenture – equity portion		3,651,645	3,651,645
Preferred shares	16	-	206,188
Deficit		(76,567,248)	(53,943,094)
Accumulated other comprehensive income		135,469	175,493
Contributed surplus		221,863	211,831
Equity Attributable to Owners of The Company		**84,480,214**	**69,254,017**
Non-controlling interest		(1,265,239)	(1,550,144)
Total Equity		**83,214,975**	**67,703,873**
Total Liabilities and Equity		**111,182,967**	**92,655,765**

Approved and authorized to issue by the Board of Directors
"Glen Lynch" _____ Director
"Andrew Leslie" _____ Director
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

	Notes	Three months ended September 30		Nine months ended September 30	
		2026	**2025**	**2026**	**2025**
Revenue	20	10,512,712	10,605,438	24,562,101	26,905,671
Direct costs		7,321,460	7,134,827	16,932,990	18,229,667
Gross profit		**3,191,252**	**3,470,611**	**7,629,111**	**8,676,004**
OPERATING EXPENSES					
Advertising and marketing		595,636	321,558	2,081,373	885,261
Provision for expected credit loss		(50,170)	-	17,705	-
IT and tech		347,338	521,629	905,408	884,826
Personnel		3,477,458	2,574,798	10,000,299	7,372,814
R&D		506,958	834	1,110,667	16,980
Office cost		942,728	395,516	2,689,427	1,808,904
Travel		262,404	101,097	817,065	239,150
Professional fees		856,952	399,524	2,546,440	1,074,035
Depreciation and amortization	8, 9, 18	1,254,475	1,334,223	4,145,395	4,493,731
Share based payments		472,320	670,844	1,371,342	1,015,697
Total operating expenses		**8,666,099**	**6,320,023**	**25,685,121**	**17,791,398**
(Loss) from operations		**(5,474,847)**	**(2,849,412)**	**(18,056,010)**	**(9,115,394)**
OTHER ITEMS - INCOME/(EXPENSE)					
Finance cost		(1,130,030)	(1,874,601)	(3,082,117)	(4,263,996)
Other income		379,917	42,803	872,128	56,439
Loss on investments		-	-	-	(58,963)
Loss on extinguishment of financial liabilities		-	-	-	(1,558,758)
Loss on modification of convertible debt		-	-	-	(672,444)
Gain (loss) on disposal of property and equipment		-	597	(46,009)	597
Foreign exchange gain		42,672	140,881	36,430	83,693
Net loss		**(6,182,288)**	**(4,539,732)**	**(20,275,578)**	**(15,528,826)**
OTHER COMPREHENSIVE LOSS					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation adjustment		(13,818)	-	(45,509)	-
Net loss and comprehensive loss		**(6,196,106)**	**(4,539,732)**	**(20,321,087)**	**(15,528,826)**
Net loss attributable to					
Owners of Volatus Aerospace Inc.		(6,097,936)	(4,545,679)	(19,718,826)	(15,171,780)
Non-controlling interest		(84,352)	5,947	(556,752)	(357,046)
		(6,182,288)	**(4,539,732)**	**(20,275,578)**	**(15,528,826)**
Total comprehensive loss attributable to					
Owners of Volatus Aerospace Inc.		(6,109,330)	(4,545,679)	(19,758,850)	(15,171,780)
Non-controlling interest		(86,776)	5,947	(562,237)	(357,046)
		(6,196,106)	**(4,539,732)**	**(20,321,087)**	**(15,528,826)**
Loss per share attributable to ordinary shareholders					
Basic and diluted		(0.01)	(0.01)	(0.03)	(0.03)
Weighted average number of common shares outstanding					
Basic and diluted		700,974,213	524,144,739	700,974,213	524,144,739

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

	Number of Shares	Common Equity	Preferred Shares	Warrants Reserve	Share-based Reserve	Convertible Debt - Equity Portion	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total	Non-Controlling Interest	Total Equity
December 31, 2024	468,841,273	46,615,125	286,188	7,026,618	2,954,307	2,760,433	211,831	-	(32,578,867)	**27,275,635**	(938,870)	**26,336,765**
Shares issued on acquisition	4,635,860	849,971	-	-	-	-	-	-	-	**849,971**	-	**849,971**
Equity Offering	78,519,231	13,790,270	-	6,842,040	-	-	-	-	-	**20,632,310**	-	**20,632,310**
Warrant Exercise	35,295,397	8,787,286	-	(1,721,206)	-	-	-	-	-	**7,066,080**	-	**7,066,080**
Debt Issuance/Conversion	23,894,280	3,204,700	-	1,296,720	-	1,043,601	-	-	-	**5,545,021**	-	**5,545,021**
Preferred shares redemption	666,667	80,000	(80,000)	-	-	-	-	-	-	**-**	-	**-**
Stock options expense	-	-	-	-	648,031	-	-	-	-	**648,031**	-	**648,031**
Stock options exercise	1,368,126	670,298	-	-	(432,135)	-	-	-	-	**238,163**	-	**238,163**
Net loss for the period	-	-	-	-	-	-	-	-	(15,171,780)	**(15,171,780)**	(357,046)	**(15,528,826)**
September 30, 2025	**613,220,834**	**73,997,650**	**206,188**	**13,444,172**	**3,170,203**	**3,804,034**	**211,831**	**-**	**(47,750,647)**	**47,083,431**	**(1,295,916)**	**45,787,515**

	Number of Shares	Common Equity	Preferred Shares	Warrants Reserve	Share-based Reserve	Convertible Debt - Equity Portion	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total	Non-Controlling Interest	Total Equity
December 31, 2025	668,245,623	103,053,180	206,188	12,977,274	2,921,500	3,651,645	211,831	175,493	(53,943,094)	**69,254,017**	(1,550,144)	**67,703,873**
Shares issued on acquisition of non-controlling interest	2,443,494	1,808,186	-	-	-	-	-	-	(2,905,328)	**(1,097,142)**	847,142	**(250,000)**
Equity Offering	53,130,000	32,399,760	-	-	-	-	-	-	-	**32,399,760**	-	**32,399,760**
Warrant exercise	10,644,444	3,102,991	-	(719,827)	-	-	-	-	-	**2,383,164**	-	**2,383,164**
Warrants expired	-	-	-	(10,032)	-	-	10,032	-	-	**-**	-	**-**
RSU vesting and net settlement	1,907,659	327,547	-	-	(424,061)	-	-	-	-	**(96,514)**	-	**(96,514)**
Share-based payment expense	-	-	-	-	1,371,342	-	-	-	-	**1,371,342**	-	**1,371,342**
Stock options exercise	1,329,410	515,761	-	-	(285,136)	-	-	-	-	**230,625**	-	**230,625**
Preferred share redemption	-	-	(206,188)	-	-	-	-	-	-	**(206,188)**	-	**(206,188)**
Other comprehensive loss	-	-	-	-	-	-	-	(40,024)	-	**(40,024)**	(5,485)	**(45,509)**
Net loss for the period	-	-	-	-	-	-	-	-	(19,718,826)	**(19,718,826)**	(556,752)	**(20,275,578)**
September 30, 2026	**737,700,630**	**141,207,425**	**-**	**12,247,415**	**3,583,645**	**3,651,645**	**221,863**	**135,469**	**(76,567,248)**	**84,480,214**	**(1,265,239)**	**83,214,975**

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

	Nine months ended September 30	
	2026	**2025**
OPERATING ACTIVITIES		
Net loss for the period	(20,275,578)	(15,528,826)
Adjustments for:		
Depreciation and amortization	4,145,395	4,493,731
Loss (gain) on disposal of property and equipment	46,009	(597)
Finance cost	2,542,436	3,970,214
Loss on extinguishment of financial liabilities	-	1,558,758
Share based payments	1,371,342	1,015,697
Interest expense on lease liability	539,681	293,782
Loss on modification of convertible debt	-	672,444
Provision for expected credit loss expense	17,705	-
Loss on investment	-	58,793
Unrealized foreign exchange loss	-	12,057
	(11,613,010)	**(3,453,947)**
Net changes in non-cash working capital items:		
Trade and other receivables	(2,849,773)	(2,216,066)
Restricted cash	(242,307)	(309,064)
Prepaid expenses and deposits	(1,336,168)	254,153
Inventories	(1,631,982)	529,736
Trade payables and accrued liabilities	758,607	(2,588,396)
Deferred revenue	8,181	(471,107)
Other short-term liabilities	-	(804,884)
Cash used in operating activities	**(16,906,452)**	**(9,059,575)**
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,128,601)	(758,390)
Proceeds on disposal of property, plant and equipment	1,000	31,887
Additions to intangible assets	(390,992)	(317,176)
Cash used in investing activities	**(3,518,593)**	**(1,043,679)**
FINANCING ACTIVITIES		
Repayment of borrowings	(3,263,773)	(4,230,820)
Repayment of preferred shares	(206,188)	-
Net proceeds from common equity	32,399,760	20,988,000
Net proceeds from issuance of convertible debenture	-	2,768,163
Repayment of lease obligations	(1,457,576)	(1,010,005)
Proceeds from exercise of warrants and stock options	2,613,789	7,303,912
Withholding taxes paid on net settlement of RSUs	(96,514)	-
Cash provided by financing activities	**29,989,498**	**25,819,250**
Net change in cash	9,564,453	15,715,996
Cash and cash equivalents, beginning of the period	41,114,832	1,558,909
Effect of foreign exchange rate changes	(73,929)	-
Cash and cash equivalents, end of the period	**50,605,356**	**17,274,905**

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

1. The Company and its Operations

Volatus Aerospace Inc. (formerly Drone Delivery Canada Corp.) is a company domiciled in Canada. The Company's principal office is located at 6221 Highway 7, Unit 6, Vaughan, Ontario L4H 0K8. The Company's shares trade on the Toronto Stock Exchange (the "TSX") under the symbol "FLT" and OTC Markets (the "OTCQX") under the symbol "TAKOF". Volatus and the entities it controls are together referred to in these condensed interim consolidated financial statements as the "Company" or "Volatus". Refer to Note 4 for the Company's major subsidiaries.

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

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

2. Basis of preparation, critical judgements and estimates

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with IFRS® Accounting Standards as issued by the IASB ("IFRS® Accounting Standards") have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the December 31, 2025 audited annual consolidated financial statements, which have been prepared in accordance with IFRS® Accounting Standards.

These condensed interim consolidated financial statements have been approved for issuance by the Company's Board of Directors on November 10, 2026.

Basis of measurement

The condensed interim consolidated financial statements have been prepared on a going concern basis using the historical cost basis, except for certain financial instruments and other balances that are required to be measured at fair value under IFRS® Accounting Standards. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

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

Critical judgments and estimates

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

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events believed to be reasonable under the

circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

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

3. Summary of material accounting policies

These condensed consolidated interim financial statements have been prepared following the same accounting policies, presentation and methods of computation as were applied in the preparation of the Company's audited annual consolidated financial statements for the year ended December 31, 2025. A description of the accounting standards and interpretations that have been adopted by the Company can be found in the notes of the annual consolidated financial statements for the year ended December 31, 2025.

4. Subsidiaries

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

Name of Subsidiary	Principal Activity	Functional Currency	Country of Incorporation	Ownership Interest September 30, 2026	Ownership Interest September 30, 2025
Volatus Aerospace Canada Corp.	Drone Solutions Provider	CAD	Canada	100%	100%
Volatus Flight Systems Inc.	Fixed-wing Drone Technology	CAD	Canada	70%	70%
Volatus Delaware Corp.	Drone Solutions Provider	USD	USA	90%	90%
ConnexiCore LLC	Drone Solutions Provider	USD	USA	90%	90%
Indigenous Aerospace Corp.	RPAS/UAV Service and Training	CAD	Canada	100%	100%
Volatus Aviation (Partner Jet Inc.)	Aircraft management and charter services	CAD	Canada	100%	100%
RPV Aviation Inc.	Regulatory Consulting	CAD	Canada	100%	100%
MVT Geo Solutions Inc.	RPAS/UAV Service	CAD	Canada	100%	100%
Canadian Air National Inc.	Pipeline Inspection and Surveillance Services	CAD	Canada	100%	100%
Volatus Aerospace UK Ltd.	RPAS/UAV Service and Training	GBP	UK	100%	100%
iRed Limited	RPAS/UAV Service and Training	GBP	UK	100%	100%
Synergy Aviation Ltd.[2]	Pipeline Inspection and Surveillance Services	CAD	Canada	100%	58%
Synergy Flight Training Inc.	Aircraft Training	CAD	Canada	100%	58%
Empire Drones LLC	Distribution and Services	USD	USA	100%	100%
Volatus Aerospace US Corp.	Drone Solutions Provider	USD	USA	100%	100%
Aerial Motion Pictures Limited (UAV Hub)	RPAS/UAV Training	GBP	UK	100%	100%
Open Sky Consulting International Ltd (Drone Mentor)	RPAS/UAV Training	GBP	UK	100%	100%
Volatus Aerospace EU AS	Drone Solutions Provider	NOK	Norway	100%	100%

Volatus Unmanned Services Inc.[1]		CAD	Canada	100%	100%
- UAViation Aerial Solutions Limited	RPAS/UAV Service	CAD	Canada	100%	100%
- SkyGate Videography Inc.	RPAS/UAV Service and Training	CAD	Canada	100%	100%
- M3 Drone Services Limited	RPAS/UAV Service	CAD	Canada	100%	100%
- M3 Drone Training Zone Inc.	RPAS/UAV Training	CAD	Canada	100%	100%
- Canadian UAV Solutions Inc.	RPAS/UAV Service	CAD	Canada	100%	100%
- OmniView Tech Corp.	Distribution and Service	CAD	Canada	100%	100%

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

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

5. Equity transaction with non-controlling interest

Synergy Aviation Ltd.

During the nine months ended September 30, 2026, the Company acquired the remaining 42% equity interest in Synergy Aviation Ltd. ("Synergy"), increasing its ownership from 58% to 100%.

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

Consideration Transferred

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

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

Total consideration transferred: $2,058,186

Accounting Treatment

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

Accordingly:

- No remeasurement of previously held interest was recognized
- No gain or loss was recorded in profit or loss
- The carrying amount of the non-controlling interest was derecognized
- The difference between consideration paid and the carrying amount of the NCI derecognized (a deficit balance of $847,142, representing the NCI's share of accumulated losses) was recognized directly in deficit

Impact on Equity

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

6. Trade and other receivables

	September 30, 2026	December 31, 2025
Trade receivables	**5,637,581**	3,320,186
Accrued revenues	**562,957**	48,284
Total	**6,200,538**	3,368,470

7. Prepaid expenses, deposits, and other current assets

	September 30, 2026	December 31, 2025
Prepaid expenses	**1,956,711**	1,147,442
Security deposit	**885,586**	358,687
Other current assets	**-**	250,000
Total	**2,842,297**	1,756,129

8. Property, plant and equipment

Cost	Drones and Accessories	Machinery	Leasehold Improvements	Furniture and Fixtures	Computer and Equipment	Vehicle	Aircraft	Construction in Progress	Total Property, Plant and Equipment
Balance, December 31, 2024	3,154,640	389,435	1,284,075	577,483	1,207,522	891,229	8,175,377	1,219,177	16,898,938
Additions	54,294	26,108	1,665	7,224	64,578	-	563,221	779,368	1,496,458
Foreign exchange adjustments	(21,625)	7,225	-	6,052	710	(29,257)		-	(36,895)
Disposals/Retirements	(16,884)	(28,708)	-	(221,432)	(273,803)	(15,000)		(178,175)	(734,002)
Reclassification	191,250	-	-	-	-	-	(952,495)	(1,498,299)	(2,259,544)
Balance, December 31, 2025	**3,361,675**	**394,060**	**1,285,740**	**369,327**	**999,007**	**846,972**	**7,786,103**	**322,071**	**15,364,955**
Accumulated Depreciation									
Balance, December 31, 2024	1,712,520	249,558	126,156	483,032	655,162	408,292	3,548,859	-	**7,183,579**
Depreciation for the year	865,148	90,436	348,794	18,850	211,642	172,770	1,728,513	-	3,436,153
Foreign exchange adjustments	(13,786)	5,124	-	5,140	173	(14,790)	-	-	(18,139)
Disposals/Retirements	(2,221)	(28,708)	-	(221,432)	(272,870)	(8,583)	-	-	(533,814)
Reclassification	-	-	-	-	-	-	(251,147)	-	(251,147)
Balance, December 31, 2025	**2,561,661**	**316,410**	**474,950**	**285,590**	**594,107**	**557,689**	**5,026,225**	**-**	**9,816,632**
Net carrying amount									
Balance, December 31, 2024	1,442,120	139,877	1,157,919	94,451	552,360	482,937	4,626,518	1,219,177	9,715,359
Balance, December 31, 2025	**800,014**	**77,650**	**810,790**	**83,737**	**404,900**	**289,283**	**2,759,878**	**322,071**	**5,548,323**

Cost	Drones and Accessories	Machinery	Leasehold Improvements	Furniture and Fixtures	Computer and Equipment	Vehicle	Aircraft	Construction in Progress	Total Property, Plant and Equipment
Balance, December 31, 2025	3,361,675	394,060	1,285,740	369,327	999,007	846,972	7,786,103	322,071	15,364,955
Additions	559,026	122,022	368,423	189,979	100,112	65,538	798,847	924,654	3,128,601
Foreign exchange adjustments	22,782	5,267	-	4,809	2,905	21,568	5,149	-	62,480
Disposals/Impairment	(26,280)	-	-	(19,229)	-	(5,000)	-	-	(50,509)
Balance, September 30, 2026	**3,917,203**	**521,349**	**1,654,163**	**544,886**	**1,102,024**	**929,078**	**8,590,099**	**1,246,725**	**18,505,527**
Accumulated Depreciation									
Balance, December 31, 2025	2,561,661	316,410	474,950	285,590	594,107	557,689	5,026,225	-	9,816,632
Depreciation for the period	472,847	36,128	233,413	32,737	140,352	135,495	632,409	-	1,683,381
Foreign exchange adjustments	24,642	4,384	-	3,852	1,759	8,987	386	-	44,010
Disposals/Retirements	-	-	-	-	-	(3,500)	-	-	(3,500)
Balance, September 30, 2026	**3,059,150**	**356,922**	**708,363**	**322,179**	**736,218**	**698,671**	**5,659,020**	**-**	**11,540,523**
Net carrying amount									
Balance, December 31, 2025	800,014	77,650	810,790	83,737	404,900	289,283	2,759,878	322,071	5,548,323
Balance, September 30, 2026	**858,053**	**164,427**	**945,800**	**222,707**	**365,806**	**230,407**	**2,931,079**	**1,246,725**	**6,965,004**

9. Intangible assets

	Technology	Customer	Trademark/ Brand Names	Total
Cost				
Balance, December 31, 2024	9,521,656	4,843,995	1,869,027	16,234,678
Additions	3,328,414	-	-	3,328,414
Foreign exchange adjustments	31,671	5,601	(50,492)	(13,220)
Balance, December 31, 2025	**12,881,741**	**4,849,596**	**1,818,535**	**19,549,872**
Accumulated Amortization				
Balance, December 31, 2024	406,691	1,778,825	510,470	2,695,986
Amortization for the year	786,007	692,033	262,184	1,740,224
Balance, December 31, 2025	**1,192,698**	**2,470,858**	**772,654**	**4,436,210**
Cost				
Balance, December 31, 2025	12,881,741	4,849,596	1,818,535	19,549,872
Additions	390,992	-	-	390,992
Foreign exchange adjustments	-	13,849	4,529	18,378
Balance, September 30, 2026	**13,272,733**	**4,863,445**	**1,823,064**	**19,959,242**
Accumulated Amortization				
Balance, December 31, 2025	1,192,698	2,470,858	772,654	4,436,210
Amortization for the period	595,906	519,025	190,243	1,305,174
Balance, September 30, 2026	**1,788,604**	**2,989,883**	**962,897**	**5,741,384**
Net carrying amount				
December 31, 2025	11,689,043	2,378,738	1,045,881	15,113,662
September 30, 2026	**11,484,129**	**1,873,562**	**860,167**	**14,217,858**

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

The acquired intellectual property consists of:

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

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

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

10. Goodwill

	September 30, 2026	December 31, 2025
Balance, end of reporting period	**20,739,606**	20,739,606

In accordance with IAS 36, management evaluated goodwill for indicators of impairment at September 30, 2026. Based on this assessment, no indicators of impairment were identified and, as such, no impairment test was required or performed.

11. Inventories

Inventory mainly consists of finished goods of drones and related accessories. No write-downs or reversals were recognized during the periods ended September 30, 2026 and 2025. Direct costs for the period ended September 30, 2026 included $4,891,152 of inventory sold (2025 - $4,949,412).

12. Trade payables and accrued liabilities

	September 30, 2026	December 31, 2025
Accounts payable	**1,648,243**	1,432,276
Deposits from customers	**120,722**	262,062
Payroll liability	**1,622,200**	1,365,245
Other accrued liabilities	**801,170**	374,145
Total	**4,192,335**	3,433,728

13. Long-term Borrowings

	September 30, 2026	December 31, 2025
Aircraft loans	**2,114,361**	2,731,555
Vehicles loans	**81,355**	231,130
CEBA borrowing	**61,066**	369,504
Promissory note	**101,609**	1,095,850
Term loan	**6,750,000**	6,750,000
Other loans	**314,068**	478,067
Total	**9,422,459**	11,656,106
Less: Current portion of long-term debt	**(1,892,995)**	(1,902,631)
Less: Term loan treated as current liability	**-**	(6,750,000)
Long-term borrowings	**7,529,464**	3,003,475

As at September 30, 2026, the Company was party to a $6.8 million term loan agreement with Export Development Canada ("EDC"), bearing interest at Prime+8% and maturing in October 2028. The loan is subject to certain financial covenants, including a minimum working capital requirement calculated quarterly and fixed charge coverage ratio annually. As of December 31, 2025, the Company was not in compliance with the minimum fixed charge coverage

ratio covenant. As a result, the outstanding balance of the term loan had been classified as a current liability as at December 31, 2025, as the covenant breach was an event of default under the terms of the term loan agreement and provided the lender with the right to demand immediate repayment. On February 3, 2026, EDC provided a waiver of the covenant breach at December 31, 2025. As of September 30, 2026, the Company was in compliance with the minimum working capital covenant and thus the loan is not categorized as current liability. The Company's right to defer settlement of the term loan beyond twelve months is conditional on continued compliance with these covenants. Compliance with covenants that the Company is required to meet after the reporting date does not affect the classification of the liability at the reporting date, and the term loan, with a carrying amount of $6,750,000 at September 30, 2026, has therefore been classified as non-current. The minimum working capital covenant is tested quarterly, and the fixed charge coverage ratio is tested annually, with the next test date being December 31, 2026. Based on management's current forecasts, the Company does not expect to satisfy the fixed charge coverage ratio at December 31, 2026. Absent a waiver or an amendment to the covenant terms, non-compliance would constitute an event of default under the term loan agreement, entitling the lender to demand immediate repayment, and the outstanding balance would be classified as a current liability.

Aircraft loans bear interest at fixed rates ranging between 8.05% and 12% with expiries between July 2027 and August 2030, with the exception of a loan from the Business Development Bank of Canada ("BDC"), with a carrying amount of $2,024,675 at September 30, 2026, which bears interest at a floating rate of BDC's base rate plus 0.5% (note 17). The loans are payable on a monthly basis with principal and interest.

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

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

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

Other loans consist mainly of equipment loans that bear interest at rates ranging between 4% and 8% with expiries between 2026 and 2050.

14. Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Trade payables and accrued liabilities:

On August 31, 2022, the Company entered into an independent consultant agreement (“Consultant Agreement”) with GripFast Solutions Inc., a company controlled by an independent director, to provide consulting services to the Company for scaling in the defense sector. The costs of all charges are based on the fees set in the Consultant Agreement and are settled on a monthly basis. The Company records these charges under Professional Fees in the consolidated statement of loss and comprehensive loss. For the nine months ended September 30, 2026, the Company incurred fees of $72,000 (2025 - $72,000). As at September 30, 2026, the Company was indebted to this company in the amount of $8,000 (December 31, 2025 - $8,000).

The Company has management services agreements with companies controlled by its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). During the nine months ended September 30, 2026, the Company incurred

consulting fees of $147,917 (2025 - nil) to a company controlled by the CEO and $56,250 (2025 - nil) to a company controlled by the CFO. These fees are paid to management entities and are not included in key management compensation in Note 15. As at September 30, 2026, $12,500 (December 31, 2025 – nil) was owing to the company controlled by the CEO and is included in trade payables and accrued liabilities.

In 2025, the Company entered into financing arrangements with its Chief Financial Officer ("CFO"), who is a member of key management personnel. In order to support short-term working capital requirements, the CFO advanced funds to the Company to finance operating expenditures. During the period ended September 30, 2026, advances amounted to nil (December 31, 2025 - $938,442) and were outstanding for periods ranging between 3 and 6 months. The advances were unsecured and were non-interest bearing. The amount outstanding as at September 30, 2026 is nil (December 31, 2025 - $78,465).

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

Share Capital:

The Company repaid the outstanding preferred shares valued at $206,188 with a face value of $1 to a company controlled by a director of the Company. (2025 – nil) (Refer to Note 16)

Promissory notes

The Company entered into promissory notes with the directors of the Company in 2024, at interest rates ranging between 0% and 15.50% per annum. The amount of $101,609 is outstanding as at September 30, 2026 (December 31, 2025 - $1,095,850) and repayable in full by September 2027. This amount is included in long-term borrowing in the consolidated statement of financial position.

15. Key management compensation

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

The Company has management services agreements with companies controlled by key management personnel.

Compensation awarded to key management for the periods ended September 30, 2026 and 2025 is summarized as follows:

	September 30, 2026	September 30, 2025
Salaries and Board Fees	**1,012,127**	721,561
Share-based payments	**706,928**	356,803
Total	**1,719,055**	1,078,364

16. Share Capital, Stock Options and Warrants

Authorized share capital

Unlimited number of common shares without par value.

Common shares

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

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

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

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

As disclosed above, the Company entered into an agreement with debt holders to settle the outstanding convertible debentures and unsecured non-convertible debentures through the issuance of common shares and common shares purchase warrants of the Company. The transactions are accounted for in accordance with *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*.

The carrying amount of the financial liability extinguished for convertible debentures and unsecured non-convertible debenture amounted to $2,759,089 and $446,400, respectively. The common shares and warrants issued as consideration were measured at their fair value at the date of settlement, determined to be $3,641,336 and $1,123,440, respectively, based on the quoted market price and fair value assessed through the Black Scholes Model. As a result, a loss on extinguishment of financial liabilities of $881,718 and $677,040, respectively, were recognized in profit or loss for the period.

These issuance of equity instruments were recognized directly in equity, net of applicable transaction costs.

On July 17, 2025, the Company announced closing of its non-brokered LIFE private placement (the "July LIFE Offering"). The Company issued 19,230,770 units of the Company (“July LIFE Units") at a price of $0.52 per July LIFE Unit for gross proceeds of approximately $10,000,000. Each July LIFE Unit is comprised of one Common Share and one-half of one warrant to purchase one Common Share of the Company (each whole warrant, a “July LIFE

Warrant"). Each July LIFE Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.76 per share for a period of 36 months following the date of issuance.

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

On July 3, 2025, the Company issued 1,313,092 common shares to a director of Empire Drone LLC, a subsidiary of the Company, amounting to $367,666, which is included in the total share-based payment expenses of $1,015,697 in the consolidated statement of loss for the period. As part of the purchase agreement, the seller was entitled to an earn-out and the arrangement involved the direct issuance of common shares rather than equity instruments granted under an option-based plan, the related amount was recognized in equity through capital stock, rather than through the share-based payment reserve.

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

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

On March 13, 2026, the Company issued 2,443,494 common shares as part of the consideration, measured at fair value based on the closing market price of $0.74 per share at the acquisition date.

On June 5, 2026, the Company closed a brokered bought-deal public offering, issuing 53,130,000 common shares at $0.65 per share, including 6,930,000 common shares issued pursuant to the full exercise of the over-allotment option, for aggregate gross proceeds of $34,534,500. Net proceeds of $32,399,760, after underwriting commissions and expenses of the offering, were recorded in common equity.

Preferred shares

	Number of Shares	Amount
Outstanding, December 31, 2025	206,188	206,188
Repayment	(206,188)	(206,188)
Outstanding, September 30, 2026	**-**	**-**
Outstanding, December 31, 2024	286,188	286,188
Conversion to Common Shares	(80,000)	(80,000)
Outstanding, December 31, 2025	**206,188**	**206,188**

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

Stock Options

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

	September 30, 2026		December 31, 2025	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of period	**15,981,643**	**0.28**	16,566,515	0.30
Forfeited	**(60,000)**	**0.14**	(269,719)	0.14
Exercised	**(732,411)**	**0.32**	(1,349,820)	0.29
Granted	**1,868,049**	**0.51**	1,977,000	0.14
Expired	**-**	**-**	(942,334)	0.34
Outstanding, end of period	**17,057,281**	**0.29**	15,981,643	0.28

The weighted average share price (at the date of exercise) of options exercised during the nine month period ended September 30, 2026 was $0.68 (December 31, 2025 - $0.47).

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2026:

	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**
$0.10 - $0.19	6,228,389	2.24	0.14	3,894,719	2.45	0.13
$0.20 - $0.35	2,098,844	0.87	0.22	2,076,531	0.88	0.21
$0.36 - $0.50	5,712,000	0.25	0.36	5,712,000	0.25	0.36
$0.51 - $0.75	3,018,049	2.97	0.53	1,150,000	2.97	0.53
Total	**17,057,281**	**1.58**	**0.29**	**12,833,251**	**1.06**	**0.29**

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

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

On January 2, 2025, the Company granted 1,977,000 additional options at an exercise price of $0.14.

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

Restricted Stock Units ("RSUs")

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

During the nine months ended September 30, 2026, 2,097,000 RSUs were exercised and settled through the issuance of common shares, comprising 1,500,000 RSUs granted on April 28, 2025 and 597,000 RSUs granted on January 2, 2025 that vested on January 2, 2026. The 597,000 RSUs were exercised on a net-settlement basis, whereby 189,341 shares were withheld to satisfy the employees' statutory withholding obligations remitted to the tax authority, recorded as a reduction of equity, and 407,659 common shares were issued. In total, 1,907,659 common shares were issued on the exercise of RSUs during the period.

	Number of RSU	
	September 30, 2026	December 31, 2025
Outstanding, beginning of period	**9,564,000**	-
Granted	**3,263,965**	9,946,000
Expired	**(1,000)**	(382,000)
Forfeited	**(62,000)**	-
Exercised	**(2,097,000)**	-
Outstanding, end of period	**10,667,965**	9,564,000

The following table summarizes information about RSUs outstanding and exercisable as at September 30, 2026:

Expiry Date	Weighted Average remaining contractual life (years)	Number of RSUs outstanding	Number of RSUs exercisable
January 2, 2030	3.26	4,504,000	1,123,334
June 18, 2030	3.72	2,900,000	966,667
February 5, 2031	4.35	3,263,965	-
Total	**3.68**	**10,667,965**	**2,090,001**

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

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

Warrants

The following table outlines the details of each warrant outstanding as at September 30, 2026 and December 31, 2025:

		As at September 30, 2026		As at December 31, 2025			
Series	Issuance Date	Number of warrants outstanding	Grant date Fair Value	Number of warrants outstanding	Grant date Fair Value	Exercise Price	Expiry Date
3	06-Nov-24	3,666,431	142,991	5,846,000	227,994	$0.20	06-Nov-26
4	06-Nov-24	105,456	5,484	337,552	17,553	$0.14	06-Nov-26
5	01-May-25	2,666,666	130,667	7,666,666	375,667	$0.20	01-May-28
6	14-May-25	6,845,540	355,968	7,833,319	407,333	$0.20	14-May-28
7	19-Jun-25	3,720,000	379,440	3,720,000	379,440	$0.20	19-Jun-28
8	27-Jun-25	8,749,000	1,242,358	10,899,000	1,547,658	$0.30	27-Jun-28
9	17-Jul-25	9,615,385	2,730,769	9,615,385	2,730,769	$0.76	17-Jul-28
10	14-Aug-25	4,529,231	1,005,489	4,624,231	1,026,579	$0.76	14-Aug-28
11	14-Aug-25	-	-	557,308	10,032	$0.76	14-Aug-26
		39,897,709	**5,993,166**	**51,099,461**	**6,723,025**		

As of September 30, 2026, the following warrants were outstanding and exercisable:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2025	51,099,461	$0.38
Issued	-	-
Exercised	(10,644,444)	0.22
Expired	(557,308)	0.76
Outstanding, September 30, 2026	**39,897,709**	**$0.42**

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

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

On May 14, 2025, Volatus issued 20,174,280 common shares and 17,640,000 warrants settling an aggregate debt of $2,759,089. The warrants have an exercise price of $0.20 and expiry after 36 months.

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

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

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was $0.102 per warrant. The following weighted

average assumptions were used for the Black-Scholes valuation of warrants: share price of $0.20, risk-free interest rate of 2.89%, expected life of 3 years, expected volatility of 76% and expected dividends of nil.

On June 27, 2025, Volatus issued 25,000,000 units as part of its $5 million LIFE Offering financing. Each Unit is comprised of one common voting share in the capital of the Company and one-half of one warrant to purchase one Common Share of the Company . The warrants have an exercise price of $0.30 and expiry after 36 months.

The Company uses the Black-Scholes option pricing model to determine the fair value of warrants issued. The weighted average fair value at date of issue for the warrants issued was $0.142 per warrant. The following weighted average assumptions were used for the Black-Scholes valuation of warrants: share price of $0.285, risk-free interest rate of 2.65%, expected life of 3 years, expected volatility of 76% and expected dividends of nil.

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

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

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

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

On August 14, 2026, the 557,308 agent warrants issued in connection with the August 14, 2025 bought deal LIFE Offering expired unexercised. The grant date fair value of $10,032 attributable to the expired warrants was transferred from warrants reserve to contributed surplus.

17. Financial Instruments and Risk Management

The Company is exposed to various risks through its financial instruments. The following analysis provides a summary of the Company's exposure to and concentrations of risk at September 30, 2026 and 2025:

Credit Risk

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

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 as at September 30, 2026 and 2025.

Foreign Currency Risk

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

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. As of September 30, 2026, the Company did not have any foreign currency hedges in place.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to the risks associated with debt financing, including the impact of changes in interest rates on floating-rate debt.

The Company's borrowings bear interest at fixed rates, with the exception of the term loan with Export Development Canada, which bears interest at Prime plus 8%, and a loan from the Business Development Bank of Canada ("BDC") included within aircraft loans, which bears interest at a floating rate of BDC's base rate plus 0.5% (note 13). As at September 30, 2026, the Company's floating-rate borrowings had an aggregate carrying amount of $8,774,675 (term loan – $6,750,000; BDC loan – $2,024,675), representing approximately 93% of the Company's total borrowings of $9,422,459 (2025 - $10,271,435, representing approximately 80% of total borrowings of $12,846,694). Fixed-rate borrowings of $647,784 (2025 - $2,575,259) are carried at amortized cost and are therefore not exposed to cash flow interest rate risk from changes in market rates.

Holding all other variables constant, a 100 basis point increase or decrease in the applicable floating reference rates would have increased or decreased interest expense on the Company's floating-rate borrowings by approximately $65,810 for the nine months ended September 30, 2026 ($87,747 on an annualized basis), with a corresponding effect on loss before income taxes and shareholders' equity.

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

The Company's exposure to interest rate risk relates to its floating-rate borrowings, being the EDC term loan and the BDC loan described above, which bear interest at rates that fluctuate with Prime and BDC's base rate, respectively.

Liquidity Risk

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

As at September 30, 2026, the Company's cash balance of $50,605,356 (2025 - $17,274,905) is expected to be sufficient to meet its obligations as they fall due for at least the next twelve months from the reporting date of these condensed interim consolidated financial statements.

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

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

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

(in C$)	Vehicle and Equipment	Building	Total
Cost			
Balance, January 1, 2025	376,029	3,156,566	3,532,595
Additions during the year	713,479	176,407	889,886
Derecognition on lease termination	-	(632,807)	(632,807)
Balance, December 31, 2025	**1,089,508**	**2,700,166**	**3,789,674**
Accumulated amortization			
Balance, January 1, 2025	131,834	1,565,418	1,697,252
Derecognition on lease termination	-	(594,895)	(594,895)
Depreciation expense for the year	322,426	646,070	968,496
Balance, December 31, 2025	**454,260**	**1,616,593**	**2,070,853**
Net book value			
Balance, January 1, 2025	244,195	1,591,148	1,835,343
Balance, December 31, 2025	**635,248**	**1,083,573**	**1,718,821**

(in C$)	Vehicle and Equipment	Building	Total
Cost			
Balance, January 1, 2026	1,089,508	2,700,166	3,789,674
Additions during the period	776,060	3,167,216	3,943,276
Derecognition on lease termination	(42,206)	(56,944)	(99,150)
Balance, September 30, 2026	**1,823,362**	**5,810,438**	**7,633,800**
Accumulated amortization			
Balance, January 1, 2026	454,260	1,616,593	2,070,853
Depreciation expense for the period	516,944	639,896	1,156,840
Foreign exchange adjustments	(33,051)	32,758	(293)
Derecognition on lease termination	(29,053)	(6,644)	(35,697)
Balance, September 30, 2026	**909,100**	**2,282,603**	**3,191,703**
Net book value			
Balance, January 1, 2026	635,248	1,083,573	1,718,821
Balance, September 30, 2026	**914,262**	**3,527,835**	**4,442,097**

19. Leases

Company as a lessee

Leasing arrangements

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

Lease liabilities

Carrying amounts of lease liabilities are as follows:

(in C$)	**September 30, 2026**	December 31, 2025
Balance, beginning of period	**1,898,850**	2,005,075
Additions	**3,943,276**	889,886
Derecognition on lease termination	**(63,453)**	(42,858)
Interest	**539,681**	327,850
Payments	**(1,457,576)**	(1,281,103)
Balance, end of period	**4,860,778**	1,898,850
Current	**884,467**	888,174
Non-current	**3,976,311**	1,010,676

20. Segment Information

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

The Company derives revenues in the following major categories:

Revenue	**September 30, 2026**	September 30, 2025
Sale of Products	**10,979,645**	13,198,631
Provision of Services	**13,582,456**	13,707,040
Total Revenue	**24,562,101**	26,905,671

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

Revenue	**September 30, 2026**	September 30, 2025
Canada	**14,977,293**	14,779,499
United States	**2,253,141**	4,232,215
United Kingdom	**7,331,667**	7,803,832
Europe	**-**	90,125
Total Revenue	**24,562,101**	26,905,671

21. Subsequent Events

On October 14, 2026, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of AISPECO UAB ("AISPECO"), a Vilnius, Lithuania-based developer and manufacturer of modular airborne sensor systems and proprietary flight-management software. Under the terms of the agreement, the Company agreed to pay base consideration of US$10.5 million, consisting of US$3.0 million in cash and US$7.5 million in common shares of the Company, subject to adjustments under the acquisition agreement. Additional consideration of up to US$2.5 million is payable in cash or common shares, at the option of the Company, upon the achievement of specified financial, commercial and product-development milestones over three years.

On October 28, 2026, the Company completed the acquisition of AISPECO. The acquisition will be accounted for as a business combination in accordance with IFRS 3, Business Combinations. Given the timing of the transaction, the initial accounting for the business combination, including the determination of the fair values of the identifiable assets acquired and liabilities assumed, has not been completed.