

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026

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MANAGEMENT'S DISCUSSION & ANALYSIS

This Management Discussion & Analysis ("MD&A") is intended to provide readers with the information that management believes is required to gain an understanding of the current results of Volatus Aerospace Inc. (the "Company" or "Volatus") and to assess the Company's prospects. The following MD&A is presented and dated as of November 10, 2026, and should be read in conjunction with the interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2026. 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 IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB). 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, amortization, one-time expenses, and R&D)* are undefined terms by IFRS® Accounting Standards. Management believes that gross profit, defined as revenue less cost of goods sold, is a useful supplemental measure of operations. Gross margin is defined as gross profit expressed as a percentage of revenue and provides insight into the proportion of revenue that exceeds direct costs. Adjusted EBITDA is a supplemental measure used by management and other users of Volatus' financial statements, including lenders and investors, to assess the financial performance of the Company's business without regard to financing methods or capital structure. Adjusted EBITDA is also a key metric that management uses prior to the execution of any strategic investing or financing opportunity. For example, management uses Adjusted EBITDA as a measure in determining the value of acquisitions, expansion opportunities, and dispositions. In addition, Adjusted EBITDA is utilized by financial institutions to measure borrowing capacity. The Company believes that Adjusted EBITDA is useful to management, lenders, and investors in assessing the underlying performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements. The Company defines Adjusted EBITDA as IFRS net loss excluding interest expense, depreciation and amortization expense, foreign exchange, share-based payments, income tax expense, integration, and due diligence costs, one time profit or loss (non-recurring), and impairment of goodwill, property, plant, and equipment and right-of-use assets (ROU).

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

FORWARD-LOOKING STATEMENTS

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

BUSINESS OVERVIEW

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

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

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

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

Our Mission

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

Core Offerings

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

Defence and Security Solutions

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

Aerial Intelligence Services

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

Cargo and Logistics Solutions

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

Equipment Sales and Maintenance

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

Training and Certification

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

Market Reach

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

Technology Development

SKYDRA™ — C-UAS SaaS Platform

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

V-Cortex™ — AI Flight Controller and Autonomy Operating System

V-Cortex™ is the Company's proprietary AI flight controller and autonomy operating system, developed in Canada with domestically controlled intellectual property. Introduced at CANSEC 2026, V-Cortex™ is a modular,

MOSA-based autonomy stack for uncrewed air, ground, and maritime platforms. Measuring approximately 3.5 cm by 3.5 cm and weighing under 15 grams, it supports autonomous mission execution, GNSS-denied navigation, edge computing, seeker and targeting integration, counter-UAS applications, and multi-domain interoperability. V-Cortex™ is being integrated into the Company's V-Series aircraft family and the Condor platform, and its development has been supported by NRC IRAP Defence Industry Assist funding and advisory services.

Drone Platforms:

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

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

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

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

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

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

All three platforms are slated for manufacture and integration at the Volatus Innovation and Drone Manufacturing Facility at Mirabel, Québec - the cornerstone of the Company's Made-in-Canada sovereign manufacturing strategy. The facility will serve as the primary site for production, integration,

and flight testing, supporting both Canadian Armed Forces programs and allied export opportunities under applicable Canadian and NATO export compliance frameworks.

Condor XL — Heavy-Lift RPAS

The Condor XL program was launched in July 2025, drawing on decades of helicopter operations experience and in-house avionics capabilities GlobeNewswire to deliver a next-generation heavy-lift remotely piloted helicopter platform. The Condor XL can carry payloads of up to 180 kg over 200 km, positioning it as one of the most capable Canadian-built RPAS platforms for industrial and defence applications. The platform has received Special Flight Operating Approval from Transport Canada for validation at the Company's Ontario test range, with flight testing and system validation ongoing. Initial commercial operations are planned for 2027. The Condor XL is also being developed for offshore cargo delivery, with a contract executed to commercialize cargo transfers of up to 100 kg for offshore wind operations. NRC-IRAP funding of up to $320,000 has been secured to support avionics architecture, autonomy integration, and flight validation through early 2027.

Canary Remotely Piloted Aircraft

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

Nesting Station – Sentinel Docks

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

DroneSpot™:

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

AIRS 3 (Advanced Integrity Reporting System):

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

Regulatory Achievements

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

Operational Synergies

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

Strategic Focus

The Company's strategy is anchored in four priorities:

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

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

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

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

Future Focus

- Continued development and commercialization of heavy-lift and BVLOS technologies.

- Deepening of advanced data collection in existing markets and continued expansion of aerial intelligence services into emerging markets, such as agriculture.

- Strengthening of global training programs, in both e-learning and in person, to meet growing market demand for advanced sensor certifications and training (such as thermography, multispectral, and mapping) along with continued support with drone operator certifications, especially in regions where regulations are changing.

Forward-Looking Context

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

BUSINESS HIGHLIGHTS

Executive Overview

The third quarter of fiscal 2026 marked continued execution of Volatus' transition into a sovereign aerospace and defence platform. Revenue for the quarter increased 24.9% compared to Q2 2026 as deliveries progressed, and the Company continued to scale manufacturing and systems integration activities at its Mirabel, Québec facility, supported by a strong balance sheet with a cash of $50.6M as at September 30, 2026. During the quarter, the Company was awarded a five-year Government of Canada contract to supply tactical ISR uncrewed aircraft systems to the Canadian Armed Forces, its first award under the Defence Drone Initiative Marketplace. The contract has an initial order of 100 systems, and Canada holds options for up to 4,900 additional systems. The Government of Canada's procurement framework contemplates a maximum envelope of $25 million. Subsequent to quarter end, on October 7, 2026, the Company completed delivery of the initial tranche of its NATO-partner ISR training system contract, and on October 14, 2026, entered into an agreement to acquire AISPECO UAB (completed on October 28, 2026), a Lithuania-based developer and manufacturer of modular airborne sensor systems and proprietary flight-management software.

Revenue for the quarter was $10,512,712, an increase of 24.9% from $8,418,830 in Q2 2026 and a decrease of 0.9% from $10,605,438 in Q3 2025. For the nine months ended September 30, 2026, revenue was $24,562,101 compared to $26,905,671 in the corresponding period of 2025, a decrease of 8.7%. As of October 7, 2026, the delivery of initial tranche of ~$4.5M defence contract has been fulfilled, and the Company has started receiving optional exercise for the part of remaining ~$4.5M contract. The unexercised balance remains available at the customer's option through the end of 2027.

The Company exited the quarter with cash of $50,605,356 and working capital of $57,762,322. This financial foundation positions Volatus to accelerate the manufacturing ramp at Mirabel, advance product development

for the defence market, and pursue the larger government and commercial programs that its expanding pipeline and sovereign capability increasingly bring within reach.

Strategic and Macro Context

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

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

Concurrently, the Company has been navigating an evolving U.S. defence procurement environment. On January 12, 2026, Volatus provided commentary on the recent U.S. Administration Executive Order and the proposed FY2027 U.S. Department of Defense budget of approximately US$1.5 trillion. The Company noted that the Executive Order's emphasis on speed, readiness, and contractor execution aligns with its operational and deployment capabilities, while the broader U.S. policy environment continues to favour domestically aligned suppliers — a dynamic Volatus is monitoring closely as it advances its Canadian-controlled platform strategy.

Capital Markets and Corporate Milestones

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

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

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

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

The proposed consolidation is being put forward as an enabling authority. Shareholder approval, if obtained, would provide the Board with the discretion to implement a consolidation within the approved ratio range at a future date, and only if and when market conditions, capital markets considerations, and the Company's strategic objectives warrant such action. The Company has not committed to a specific consolidation ratio, nor to a specific timeline for implementation, and the Board may elect not to proceed with a consolidation at all. Any decision to implement the consolidation will be subject to applicable regulatory approvals, including the Toronto Stock Exchange.

$34.5 Million Bought Deal Public Offering. On June 5, 2026, the Company closed a brokered bought deal public offering, issuing 53,130,000 common shares at a price of $0.65 per common share for aggregate gross proceeds of $34,534,500, including 6,930,000 common shares issued on the full exercise of the over-allotment option. The offering was conducted under the Company's base shelf prospectus and a prospectus supplement dated May 29, 2026, by a syndicate of underwriters including Desjardins Capital Markets as sole bookrunner and Stifel Nicolaus Canada Inc. as co-lead underwriter, together with Canaccord Genuity Corp., Haywood Securities Inc., Ventum Financial Corp., ATB Cormark Capital Markets, RBC Capital Markets and Scotia Capital Inc.

The Company intends to apply the net proceeds of the offering to expanded facilities and manufacturing capacity to fulfil increased international demand; product development of enhanced capabilities for remotely piloted aircraft systems for the defence industry; capacity to consider larger acquisitions of complementary technologies and businesses; strengthening the balance sheet to demonstrate additional working capital when bidding for larger governmental and commercial contracts; and general corporate purposes. The offering was completed at a price above the $0.60 per share price of the Company's November 2025 bought deal offering and broadened institutional participation in the Company's shareholder base.

Share Consolidation Authority. At the Company's annual general meeting held on May 7, 2026, shareholders approved all resolutions put before them, including a special resolution authorizing a discretionary share consolidation of up to 20-for-1. The Board sought this authority as a forward-looking element of the Company's capital markets strategy following its graduation to the Toronto Stock Exchange. A consolidated share structure and higher per-share trading price would broaden the Company's appeal to institutional investors, many of whom operate under mandates that restrict investment in lower-priced securities, and would support eligibility for inclusion in equity indices and coverage by a wider range of research analysts. It would also align the Company's trading profile with that of established issuers in the aerospace and defence sector, reduce share-price volatility associated with lower-priced stocks, and enhance the Company's flexibility to pursue future financings and strategic transactions on competitive terms. Taken together, these factors are intended to improve liquidity, deepen the Company's institutional shareholder base, and reinforce its positioning as a senior-listed aerospace and defence company.

The consolidation approval provides the Board with the flexibility to act as capital markets conditions and the Company's strategic objectives warrant. It is an enabling authority only: the Company has not committed to a specific consolidation ratio or timeline, and the Board may elect not to proceed. Any implementation would remain subject to applicable regulatory approvals, including those of the Toronto Stock Exchange.

Defence and Government Highlights

Defence continued to scale as the Company's fastest-growing vertical during the first nine months of 2026, supported by NATO-aligned contract awards, advancement in an allied procurement program, advisory leadership additions, and proprietary platform development.

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

Multi-Year NATO-Allied Training Contract. On April 15, 2026, the Company announced that it had been awarded a multi-year specialist training contract with a NATO-allied government ministry, secured through a competitive procurement process under an established government framework. The contract has an initial term of two years, with renewal options that could extend the total engagement to approximately CAD $2.1 million in aggregate value, subject to the exercise of those options. The scope covers curriculum development, instruction, and capability transfer for security and law enforcement personnel.

ISR Training System Delivery Update. As previously disclosed, the initial $4.5 million tranche of the December 2025 NATO-allied ISR training system contract had originally been anticipated for delivery in Q1 2026 has been fulfilled on October 7, 2026. The customer has started exercising their option for the second tranche of up to ~$4.5M and remains exercisable through the end of 2027. The management is working prudently to procure the critical components and fulfil the tranche in Q426 and Q127.

Canada's Drone Defence Initiative (DDI). The Company was selected as a qualified supplier under the Government of Canada's Defence Drone Initiative ("DDI") Marketplace, launched in July 2026 to accelerate the development, testing, adaptation and production of uncrewed and autonomous systems while strengthening Canada's domestic defence industrial capacity. Qualification does not constitute the award of a contract or guarantee future revenue.

Supply Arrangement Qualification. The Company qualified across all five DDI Marketplace streams: uncrewed and autonomous systems and counter-UxS; communications and data systems; engineering and integration services; testing and training; and innovation and experimentation

First Canadian up to $25M Contract Award. The Company was awarded a five-year contract by the Government of Canada to supply Low-Cost Tactical ISR uncrewed aircraft systems to the Canadian Armed Forces. The initial procurement is 100 systems, with options exercisable at Canada's sole discretion for up to an additional 4,900 systems. The procurement framework set a maximum price of C$5,000 per system and a maximum envelope of C$25 million; the Company's contracted pricing is commercially confidential. The award was the first RFP issued under Stream 1 of the DDI Marketplace and the Company's first conversion of its DDI qualification into a CAF contract. Delivery of the initial tranche is expected to begin in Q4 2026.

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

Strategic Collaboration

On March 26, 2026, the Company entered into a non-binding Memorandum of Understanding with Sentinel R&D Inc., a Canadian aerospace technology company specializing in advanced composite UAV structures, to collaborate on the development of a Canadian-developed interceptor UAV platform. Under the framework, Sentinel will contribute UAV airframe engineering and composite manufacturing expertise, while Volatus will lead systems integration, mission systems and autonomy development, operational testing, and commercialization activities. The collaboration aligns with priority capability areas identified in Canada's DIS and supports the development of Canadian-controlled production capability.

On May 28, 2026, the Company signed a memorandum of understanding with the UCan Brave Tech Centre to advance Canada–Ukraine defence innovation across autonomous systems, counter-UAS, ISR, resilient communications, and autonomy software, with the objective of transitioning operationally proven Ukrainian technologies into scalable capability using Canadian industrial and commercialization capacity. The memorandum is non-binding and does not commit either party to specific expenditures.

The Company entered into a Strategic Partnership with Singular Aircraft S.L., developer of the FlyOx 1 multi-mission heavy-lift autonomous aircraft platform. The agreement establishes Volatus as Singular's Canadian

Strategic Partner and creates a framework for introducing the FlyOx 1 into Canada, while evaluating Canadian manufacturing, systems integration, operational deployment and long-term in-country support. The initial focus is national wildfire response.

The Company became Kraus Hamdani Aerospace's Canadian Strategic Partner for the K1000ULE ultra-long-endurance autonomous aircraft and the ATNE++ communications architecture. The framework covers systems integration, operational deployment, training, lifecycle support and the progressive establishment of Canadian manufacturing at the Mirabel facility. The initial focus is wildfire detection and response, with intended extension to emergency management, public safety, critical infrastructure, Arctic operations and defence.

Proprietary Technology and Platform Development

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

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

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

V-Cortex™ Introduced at CANSEC 2026. On May 27, 2026, the Company introduced its proprietary V-Cortex™ AI flight controller and autonomy operating system at CANSEC 2026. Developed in Canada with domestically controlled intellectual property, V-Cortex™ is a modular, MOSA-based autonomy stack for uncrewed air, ground, and maritime platforms, measuring approximately 3.5 cm by 3.5 cm and weighing under 15 grams. It supports autonomous mission execution, GNSS-denied navigation, edge computing, seeker and targeting integration, counter-UAS applications, and multi-domain interoperability, and is being integrated into the V-Series aircraft family and the Condor platform. Development has been supported by NRC IRAP Defence Industry Assist funding and advisory services.

On September 22, 2026, the Company completed initial flight testing of its proprietary V-Cortex™ AI flight controller and autonomy operating system, demonstrating GNSS-denied navigation using onboard default sensors without reliance on external sensors.

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

Sovereign Manufacturing and Operational Infrastructure

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

Mirabel Facility Opening. On June 23, 2026, the Company opened its 53,000 square foot manufacturing and systems integration facility at Montreal-Mirabel International Airport, part of the YMX Innovation Centre. And on September 29, inaugurated the opening with stakeholders in the facility. The facility is operational, with production of drone docking stations underway and V-Series aircraft manufacturing expected to commence shortly. Mirabel establishes the Company's domestic manufacturing base for autonomous systems serving commercial, public safety, industrial, and defence customers across Canada, NATO, and allied markets. The facility is the principal driver of the increase in right-of-use assets and lease liabilities recognized during the first nine months of 2026.

Commercial Highlights — Cargo, Energy, and Infrastructure

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

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

operational aviation capacity, including its previously disclosed commercial aviation base in Tulsa, Oklahoma in support of the U.S. oil and gas sector.

Training and Global Footprint

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

Organizational and Leadership Developments

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

Equity Incentive Grants. On February 19, 2026, the Company announced the issuance of 5,132,014 stock options and restricted share units to 136 full-time employees and certain directors and officers, with vesting terms of up to four years, aligning long-term incentives with shareholder value creation as the Company scales its operations.

Board of Directors Appointment. On June 4, 2026, the Company appointed Catherine Loubier to its Board of Directors as the nominee of Investissement Québec, replacing Omar Mourad. Ms. Loubier's background spans public policy, international business, governance, infrastructure, technology, and Canada–United States relations, including senior federal roles, leadership positions with the Renault-Nissan-Mitsubishi Alliance, and service as Québec's Delegate General in New York.

Third Quarter Highlights

The following material events occurred during the three months ended September 30, 2026:

- July 8, 2026 — The Company received a Letter of Acceptance from Transport Canada under the new Pre-Validated Declaration process for its Canary remotely piloted aircraft system. The Canary is currently the only RPAS accepted as meeting all of Transport Canada's safety requirements for beyond visual line-of-sight operations in populated areas using onboard detect-and-avoid alone, without an external detect-and-avoid solution.

- July 13 to 16, 2026 — The Company participated in the Maritime & Arctic Security & Safety (MASS) 2026 conference in St. John's, Newfoundland and Labrador, presenting its autonomous systems, counter-UAS solutions including SKYDRA™, aerial intelligence, mission support, and training capabilities.
- July 20 to 24, 2026 - The Company participated in the Farnborough International Airshow as part of the Team Canada delegation, showcasing its aerospace, autonomy, and aerial intelligence solutions.
- July 21, 2026 - The Company signed a memorandum of understanding with Concordia University's Volt-Age research program to collaborate on energy technologies for uncrewed aircraft systems, including joint applied research, technology demonstrations, operational testing, and talent development. Specific projects are to be defined under separate agreements.

Subsequent Highlights to Quarter End

The following material events occurred subsequent to September 30, 2026, and prior to the date of this MD&A:

- 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. The Company will 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 priced at the 20-day volume-weighted average trading price ($0.58) on the Toronto Stock Exchange as of October 13, 2026, 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 Company's option, on the achievement of specified financial, commercial and product-development milestones over three years. On October 28, 2026, the Company completed the acquisition of AISPECO, which 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 has not been completed.

BUSINESS OUTLOOK & STRATEGY

Canada's Defence Industrial Strategy — Operating Tailwind

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

The DIS introduces a Build-Partner-Buy procurement framework. This is a tiered decision hierarchy intended to guide how Canada acquires defence capability:

- building domestically where sovereign capacity is required;

- partnering with trusted allies and industry partners where co-development or shared capability is appropriate; and
- buying from allies where domestic build or partnership is not practical.

The framework establishes the Defence Investment Agency ("DIA") as the central procurement body, with a mandate to prioritize Canadian suppliers and products, streamline processes, and accelerate delivery. A central objective of the DIS is to direct 70% of defence acquisitions to Canadian firms, while accelerating commercialization of Canadian-developed technologies and strengthening domestic export capacity.

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

Defence Drone Initiative - From Qualification to Contract

Alongside the DIS, the Government of Canada has begun putting in place dedicated procurement mechanisms for uncrewed and autonomous systems, one of the DIS's identified priority sovereign capability domains. In July 2026, the Government launched the Defence Drone Initiative ("DDI"), designed to accelerate the development, testing, adaptation and production of uncrewed and autonomous systems while strengthening Canada's domestic defence industrial capacity. The DDI Marketplace operates as a streamlined procurement mechanism connecting the Department of National Defence and the Canadian Armed Forces ("CAF") with pre-qualified Canadian suppliers.

Following a competitive federal review of its supply arrangement submission, Volatus was selected as a qualified supplier on September 3, 2026. On September 8, 2026, the Company confirmed qualification across all five DDI Marketplace streams:

- uncrewed and autonomous systems and counter-UxS;
- communications and data systems;
- engineering and integration services;
- testing and training; and
- innovation and experimentation.

Full-spectrum qualification allows the Company to compete for individual requirements. It also allows the Company to compete for opportunities that require an integrated combination of aircraft, autonomy, engineering, systems integration, training and operations.

Qualification converted into a first contract award in the same month. On September 10, 2026, Volatus was awarded a five-year contract under the first Request for Proposal issued under Stream 1, to supply low-cost tactical ISR uncrewed aircraft systems to the CAF. The contract comprises an initial order of 100 systems and options, exercisable at Canada's sole discretion, for up to 4,900 additional systems. The Government of Canada's procurement framework contemplates a maximum envelope of $25 million; the Company's

contracted pricing is confidential. The scope covers an end-to-end solution, including aircraft, payloads, ground control stations, data links, training, sustainment, spare parts and software support. Delivery of the initial order is expected to begin in Q4 2026. The optional systems are not committed purchases, backlog or revenue, and each future DDI opportunity remains subject to a separate competitive procurement process.

Positioning Across the Build–Partner–Buy Hierarchy

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

- **Build (domestic capability).** As a Canadian-controlled aerospace and defence company, Volatus operates sovereign manufacturing infrastructure in Mirabel, Québec. Its 53,000-square-foot manufacturing and systems integration facility was officially opened on September 29, 2026, with drone docking station production underway and V-Series aircraft integration and production supported on site. The facility is supplemented by a separate standalone Québec defence manufacturing facility secured in February 2026 under a ten-year lease. The Company is committing in excess of $10 million in the near term to expand production and integration capacity. Its proprietary technology base includes the V-Cortex™ autonomy platform, which completed initial flight testing demonstrating GNSS-denied navigation in September 2026, and the SKYDRA™ C-UAS software platform. Together with its qualification across all five DDI streams and its first Stream 1 award, these position Volatus as a domestic supplier of priority sovereign capabilities.

- **Partner (allied co-development).** Volatus has established a multinational platform of partnerships, advisory leadership, and operational presence across Canada, the United States, and the United Kingdom. During the quarter, the Company became the Canadian Strategic Partner of Singular Aircraft S.L. for the FlyOx 1 heavy-lift autonomous aircraft, and of Kraus Hamdani Aerospace for the K1000ULE ultra-long-endurance aircraft and ATNE++ communications architecture. Both frameworks contemplate Canadian systems integration and in-country support. The Kraus Hamdani framework also contemplates the progressive establishment of domestic manufacturing at Mirabel, while the Singular framework contemplates evaluating Canadian manufacturing. These complement the Company's collaboration with Sentinel R&D Inc. on a Canadian interceptor UAV platform, its partnership with Dufour Aerospace, and its multinational defence advisory bench spanning Canadian, NORAD, NATO, and Five Eyes operational expertise. Subsequent to quarter end, the Company's acquisition of AISPECO UAB, completed on October 28, 2026, adds an engineering and manufacturing base in Lithuania, a NATO and EU member state.

- **Buy (allied procurement).** Where Canada procures proven allied platforms, Volatus is positioned to provide in-country integration, training, maintenance, and lifecycle support. This positioning is supported by its demonstrated delivery to NATO-aligned defence customers, including completion of the initial ~$4.5 million tranche of its NATO-partner ISR training system contract by October 2026, and by its active National Master Standing Offer with the Government of Canada.

Management believes the DIS represents the most significant structural tailwind in the Company's history. The DDI qualification and first Stream 1 award are early evidence of Canada's accelerated domestic procurement of uncrewed systems. There can be no assurance that DIS or DDI implementation will proceed on the timelines

or terms currently anticipated. The Company is actively positioning to capture a meaningful share of the domestic and allied procurement opportunities these frameworks are expected to generate over the medium and long term.

Strategic Priorities

The Company's strategy is anchored in four priorities. These are consistent with the framework set out in fiscal 2025 and have been refined to reflect the post-DIS operating environment.

Scaling Defence and Security Revenue. Volatus continues to expand its presence in government, public safety and allied defence markets. It does so by leveraging its NATO-aligned ISR capabilities, its sovereign manufacturing infrastructure at Mirabel, and its qualification across all five streams of the DDI Marketplace. The Company's contracted defence portfolio now includes:

- the five-year Government of Canada contract to supply tactical ISR uncrewed aircraft systems to the CAF, awarded in September 2026 under Stream 1 of the DDI Marketplace. It covers an initial order of 100 systems, with options for up to 4,900 additional systems at Canada's sole discretion;
- the up to $9 million NATO ISR training system contract awarded in December 2025. Delivery of the initial ~$4.5 million tranche was completed on October 7, 2026, and the customer has begun exercising its second-tranche option;
- the NATO RPAS operator training contract awarded in February 2026; and
- the multi-year specialist training contract with a NATO-allied government ministry awarded in April 2026, with an aggregate value of up to approximately $2.1 million.

Commercializing Proprietary Technology. The Company is advancing commercialization of its proprietary platform portfolio across hardware and software:

- The V-Cortex™ AI autonomy platform completed initial flight testing in September 2026, demonstrating GNSS-denied navigation.
- The SKYDRA™ C-UAS SaaS platform, launched in March 2026, is designed to establish the Company's first recurring software revenue stream.
- Development continues on the Condor XL heavy-lift RPAS, the V-series long-endurance UAS family, the Canary RPAS and the AIRS 3 advanced integrity reporting system.
- Subsequent to quarter end, the acquisition of AISPECO UAB, completed on October 28, 2026, adds proprietary airborne sensor pods, AI-guided gimbals, control electronics and flight-management software to the portfolio.

The Company expects these proprietary assets to support a higher-margin revenue mix over the medium term.

Deepening Core Vertical Markets. Volatus continues to deepen its presence in established commercial verticals: energy, utilities and infrastructure inspection. These are anchored by the multi-year North American power utility services agreement covering approximately 100,000 miles of transmission and distribution lines through August 2028. The Company is also expanding into adjacent verticals:

- offshore wind logistics, through the heavy-lift offshore cargo drone program announced in March 2026;
- wildfire response, through the strategic partnerships with Singular Aircraft and Kraus Hamdani Aerospace announced in August 2026; and
- forestry and reforestation, agriculture and environmental services.

Achieving Profitability. The Company remains committed to achieving sustained profitability. It aims to get there through operational efficiency, cost structure optimization, long-term contract growth, and a growing share of higher-margin services, software and defence revenue. With cash of $50.6 million at September 30, 2026, the Company has the runway and capital flexibility to execute its growth strategy without reliance on operating cash flow.

Strategic Positioning and Operating Context

Volatus is advancing its strategy against a backdrop of significant geopolitical realignment, accelerating domestic defence investment, and structural shifts in the global drone and autonomous systems markets. Three forces are combining to create a sustained multi-year demand environment for Canadian-controlled defence and dual-use technology providers:

- the Government of Canada's commitments under the DIS, now being translated into procurement through mechanisms such as the DDI;
- multi-year NATO defence spending increases targeting the alliance's 5% of GDP commitment; and
- parallel investment programs across allied jurisdictions.

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

Third-quarter revenue of $10.5 million increased 24.9% sequentially as defence deliveries delayed earlier in the year progressed following the resolution of supply chain constraints. Delivery of the initial tranche of the NATO ISR training system contract was completed subsequent to quarter end. Looking ahead, the Company expects revenue to be supported by:

- the expected start of deliveries under the CAF tactical ISR contract in Q4 2026;
- orders under the second tranche of the NATO ISR contract; and
- continued momentum across defence training, infrastructure inspection services and sovereign manufacturing initiatives.

Capital Markets Positioning

The Company's graduation to the Toronto Stock Exchange in March 2026, combined with its inclusion in the 2026 TSX Venture 50 (ranking 16th overall and top 3 in the technology category), reflects the maturation of the Company's operating platform and provides Volatus with a senior exchange profile to access institutional and international capital. The base shelf prospectus filed during the first quarter, qualifying up to $250 million in securities, and the share consolidation authority approved by shareholders at the May 7, 2026, Annual General Meeting, are part of a broader capital markets framework intended to position the Company appropriately for institutional engagement as it executes against its defence and commercial growth strategy.

Future Focus

Looking forward, the Company will continue to prioritize:

- **Defence execution:** delivery on existing Canadian, NATO and allied defence contracts, including:
  - starting deliveries under the CAF tactical ISR contract in Q4 2026; and
  - fulfilling orders under the second tranche of the December 2025 NATO ISR training system contract, the balance of which remains available at the customer's option through the end of 2027;
- **Defence Drone Initiative:** pursuing further requirements across all five DDI Marketplace streams in which the Company is qualified, and building on the first Stream 1 award;
- **Heavy-lift and BVLOS technologies:** continued development and commercialization, including:
  - initial commercial deployments of the Condor XL heavy-lift RPAS;
  - scaling of the V-series long-endurance UAS family at the Mirabel manufacturing campus; and
  - expanded deployment of the Canary RPAS, including BVLOS operations in populated areas following its July 2026 Transport Canada acceptance under the Pre-Validated Declaration process;
- **Autonomy and software:** advancing the V-Cortex™ AI autonomy platform from initial GNSS-denied flight testing toward integration across the Company's proprietary platforms, and continuing commercialization and customer onboarding of the SKYDRA™ C-UAS SaaS platform;
- **Strategic partnerships:** advancing the Singular Aircraft and Kraus Hamdani Aerospace partnerships to introduce heavy-lift and ultra-long-endurance autonomous capabilities for Canadian wildfire response, emergency management and defence applications;
- **AISPECO:** integrating the business following completion of the acquisition on October 28, 2026, adding proprietary airborne sensor systems, mission software and a European engineering and manufacturing base;
- **Core and emerging markets:** deepening advanced data collection in existing verticals, and continuing expansion into emerging markets such as offshore wind logistics, forestry, reforestation and environmental monitoring;
- **Training:** strengthening global training programs, including the partnership with the University of Technology, Jamaica, and the broader NATO and allied defence training portfolio; and
- **Capital allocation:** disciplined allocation supported by the Company's strengthened balance sheet, including selective evaluation of strategic acquisitions, intellectual property, platforms and technologies aligned with the Company's defence and aerospace strategy.

Unmanned aerial systems and remotely piloted aircraft continue to displace traditional methods of inspection, surveillance, survey and cargo transportation across both commercial and defence sectors. This shift is driven by structural advantages in cost, safety and operational efficiency.
Several forces are now working together:

- regulatory frameworks in Canada, the United States and the United Kingdom continue to mature;
- BVLOS approvals are expanding;
- defence procurement is evolving, including the translation of Canada's DIS into dedicated procurement mechanisms such as the DDI; and
- allied jurisdictions are making parallel investments.

Against this backdrop, management believes Volatus is positioned at the intersection of multiple multi-year tailwinds. It is supported by a sovereign manufacturing footprint, a proprietary technology portfolio, a growing recurring services base with emerging software offerings, and a strengthened balance sheet. The Company will continue to execute against these opportunities while exercising disciplined capital allocation and operational focus.

Q3 2026 RESULTS

	Three months ended September 30	
	2026	2025
Total Revenue	10,512,712	10,605,438
Gross Profit (as a % of revenues)	30%	33%
Loss from operations	(5,474,847)	(2,849,412)
Net loss and comprehensive Loss	(6,196,106)	(4,539,732)
Adjusted EBITDA loss	(2,861,177)	(800,708)
Net loss per share	(0.01)	(0.01)
Change in cash and cash equivalents for 9 months	9,564,453	15,715,996

Gross Profit and Gross Margin

Gross profit for the three months ended September 30, 2026, was $3,191,252, representing a gross margin of 30%, compared to gross profit of $3,470,611 and a gross margin of 33% in Q3 2025. For the nine months ended September 30, 2026, gross profit was $7,629,111 at a gross margin of 31%, compared to $8,676,004 and 32% in the corresponding period of 2025.

Direct costs for the quarter were $7,321,460 compared to $7,134,827 in Q3 2025, an increase of $186,633 or 3%. On a nine-month basis, direct costs decreased by $1,296,677 or 7% to $16,932,990. Gross profit for the

quarter was 29% higher than the $2,468,184 recorded in Q2 2026, on revenue 25% higher, reflecting the delivery-driven increase in activity levels between the second and third quarters.

The 230 basis point year-over-year decline in blended gross margin reflects the composition of work delivered in the quarter, which carried a heavier weighting of defence programs. Defence work is delivered at lower margins than the Company's established commercial service lines, and its share of activity in any given quarter therefore moves the blended rate. Measured over the nine-month period, blended gross margin was 31.1% against 32.2% in the prior year.

Management's stated objective remains to drive consolidated gross margins toward the 35–40% range as defence revenue scales, as the program revenue starts, and the services mix deepens. Margin performance is expected to remain variable between quarters given the project-based nature of equipment and systems deliveries, and management assesses progress on a trailing basis rather than by reference to any single quarter.

Revenue Distribution

Revenue for the three months ended September 30, 2026 was $10,512,712, compared to $10,605,438 in Q3 2025, a decrease of $92,726 or 0.9%. On a sequential basis, revenue increased 24.9% from $8,418,830 in Q2 2026. For the nine months ended September 30, 2026, revenue was $24,562,101 compared to $26,905,671 in the corresponding period of 2025, a decrease of $2,343,570 or 8.7%.

For the nine months ended September 30, 2026, the revenue mix was 45% products and equipment ($10,979,645) and 55% services and training ($13,582,456), compared to 49% and 51% in the corresponding period of 2025. This distribution sits within the Company's stated long-term target range of 40–45% equipment and 55–60% services. By customer location, Canada accounted for $14,977,293, the United Kingdom and Europe for $7,331,667, and the United States for $2,253,141, with markets outside Canada representing approximately 39% of consolidated revenue for the period. For the quarter, products and equipment represented 45.3% of revenue and services and training 54.7%.

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

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

Adjusted EBITDA loss for the three months ended September 30, 2026, was $(2,861,177), compared to $(800,708) in Q3 2025. The following table reconciles net loss to Adjusted EBITDA for the three-month periods:

	Three months ended September 30	
	2026	2025
Adjusted EBITDA (loss)	**(2,861,177)**	**(800,708)**
Finance cost	1,130,030	1,874,601
Depreciation and amortization	1,254,475	1,334,223
Share-based payments	472,320	670,844
(Gain) loss on disposal of property & equipment	-	(597)
Foreign exchange translation	(42,672)	(140,881)
R&D	506,958	834
Net loss	**(6,182,288)**	**(4,539,732)**

For the nine months ended September 30, 2026, Adjusted EBITDA loss of $(10,556,478) (2025: $(3,175,427)) is derived from net loss of $(20,275,578) (2025: $(15,528,826)) by adding back finance cost of $3,082,117 (2025: $4,263,996), depreciation and amortization of $4,145,395 (2025: $4,493,731), share-based payments of $1,371,342 (2025: $1,015,697), research and development of $1,110,667 (2025: $16,980) and the loss on disposal of property and equipment of $46,009 (2025: gain of $597, deducted), and deducting the foreign exchange gain of $36,430 (2025: $83,693). The 2025 period also adds back the loss on extinguishment of financial liabilities of $1,558,758, the loss on modification of convertible debt of $672,444, the loss on investments of $58,963, and one-time other expenses of $357,120.

The year-over-year variance in Adjusted EBITDA of $2,060,469 for the quarter is primarily attributable to the increase in operating expenses described under "Results of Operations", together with the lower gross profit contribution in the quarter. The principal expense drivers were personnel costs, office costs, professional fees, advertising and marketing which includes investor relations and government relations expenses, and travel, each reflecting the Company's accelerated investment in its defence vertical, the establishment of its sovereign manufacturing base at Mirabel, and its market and capital markets positioning during the period.

Research and development expenditure of $506,958 for the quarter (Q3 2025: $834) and $1,110,667 for the nine-month period (2025: $16,980) has been excluded from Adjusted EBITDA as it represents investment in the Company's proprietary technology platforms, including the V-Cortex™ AI flight controller and autonomy operating system and the Condor XL heavy-lift uncrewed aerial system, that management views as capital-equivalent in nature and directly supporting the Company's long-term revenue-generating capability.

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

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

Cash Position and Strategic Use of Capital

As at	September 30 2026	December 31 2025
Total assets	111,182,967	92,655,765
Non-current assets	46,364,565	43,120,412
Goodwill	20,739,606	20,739,606
Total non-current liabilities	20,911,912	11,899,257
Total liabilities	27,967,992	24,951,892
Working capital	57,762,322	36,482,718
Shareholder's equity	83,214,975	67,703,873
Distribution or cash dividends	-	-

As at September 30, 2026, the Company held total assets of $111,182,967, compared to $92,655,765 at December 31, 2025, an increase of $18,527,202 or 20%. The increase is primarily attributable to the $9,490,524 increase in the reported cash balance following the June 2026 bought deal public offering, together with increases in trade and other receivables, inventories, and prepaid expenses and deposits as the Company positioned working capital to support defence and commercial contract delivery.

Non-current assets increased from $43,120,412 to $46,364,565, driven primarily by the addition of right-of-use assets associated with the Company's Mirabel, Québec manufacturing and systems integration facility, which increased from $1,718,821 to $4,442,097, and by additions to property, plant and equipment of $3,128,601, which increased net property, plant and equipment from $5,548,323 to $6,965,004. This facility underpins the Company's sovereign manufacturing capability and supports the anticipated production ramp of the V-Series platforms, Condor XL, and other proprietary platforms. The increase was partially offset by amortization of intangible assets, which decreased from $15,113,662 to $14,217,858.

Working capital increased to $57,762,322 at September 30, 2026 from $36,482,718 at December 31, 2025, an increase of $21,279,604. The improvement reflects the net proceeds of the June 2026 public offering, proceeds received on the exercise of warrants and stock options, and a $5,996,555 reduction in current liabilities. The reduction in current liabilities is principally the result of the reclassification of the EDC term loan of $6,750,000 from current to long-term borrowings following receipt of a formal covenant waiver from Export Development Canada on February 3, 2026. As at September 30, 2026, the Company was in compliance with the minimum working capital covenant under the EDC facility, including the current ratio covenant of 1.25, against an actual current ratio of 9.19. The fixed charge coverage ratio covenant 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.

Total liabilities increased from $24,951,892 to $27,967,992. The increase is principally driven by the recognition of the Mirabel lease liability under IFRS 16, which increased total lease liabilities from $1,898,850 to $4,860,778, a non-cash addition that reflects the present value of future lease obligations rather than any increase in financial indebtedness, together with a $1,521,031 increase in the carrying amount of convertible debentures. Interest-bearing borrowings, excluding lease liabilities and convertible debentures, decreased from $11,656,106 to $9,422,459 as scheduled principal repayments were made across the Company's facilities.

Total equity increased to $83,214,975 at September 30, 2026 from $67,703,873 at December 31, 2025. Common equity increased by $38,154,245 to $141,207,425, reflecting the June 2026 public offering, the exercise of warrants and stock options, and shares issued in connection with the acquisition of the Synergy Aviation minority interest, partially offset by the net loss for the period, which increased the deficit to $(76,567,248). The Company redeemed all remaining preferred shares during the first quarter of 2026, simplifying the capital structure and eliminating a class of shares ranking ahead of common shareholders. No dividends or distributions were declared or paid during the period.

RESULTS OF OPERATIONS

	Three months ended September 30		Nine months ended September 30	
	2026	**2025**	**2026**	**2025**
Revenue	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 & marketing	595,636	321,558	2,081,373	885,261
Provision for expected credit loss	(50,170)	-	17,705	-
IT & 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	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
	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 (expense)	379,917	42,803	872,128	56,439
Gain (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 translation	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				
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)**
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				
Basic and diluted	(0.01)	(0.01)	(0.03)	(0.03)
Basic and diluted	700,974,213	524,144,739	700,974,213	524,144,739

Total operating expenses for the three months ended September 30, 2026 were $8,666,099 compared to $6,320,023 in Q3 2025, an increase of $2,346,076 or 37.1%. For the nine months ended September 30, 2026, operating expenses were $25,685,121 compared to $17,791,398, an increase of $7,893,723 or 44.4%. The variance reflects a concentrated period of growth-stage investment tied to the Company's defence vertical development, the establishment of its Mirabel manufacturing base, technology platform advancement, and its market and capital markets positioning. The principal year-over-year increases in the quarter were in personnel ($3,477,458 against $2,574,798), office cost ($942,728 against $395,516), research and development ($506,958 against $834), professional fees ($856,952 against $399,524), advertising and marketing ($595,636 against $321,558), and travel ($262,404 against $101,097), partially offset by lower IT and technology costs ($347,338 against $521,629) and share-based payments ($472,320 against $670,844).

Loss from operations was $(5,474,847) for the quarter compared to $(2,849,412) in Q3 2025, and $(18,056,010) for the nine-month period compared to $(9,115,394). Net loss was $(6,182,288) for the quarter compared to $(4,539,732) in Q3 2025, and $(20,275,578) for the nine-month period compared to $(15,528,826). The increase in net loss for the quarter is smaller than the increase in operating loss because finance cost declined to $1,130,030 from $1,874,601 following the balance sheet restructuring completed during 2025, and other income increased to $379,917 from $42,803. For the nine-month period, the prior year also included a loss on extinguishment of financial liabilities of $1,558,758 and a loss on modification of convertible debt of $672,444, neither of which recurred in 2026.

Adjusted EBITDA loss was $(2,861,177) for the quarter compared to $(800,708) in Q3 2025, and $(10,556,478) for the nine-month period compared to $(3,175,427). The variance is concentrated in personnel, office, professional fees, and marketing costs, and also reflects the lower gross profit contribution in the period.

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:

	Q3 2026	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024
Revenue	10,512,712	8,418,830	5,630,559	7,298,364	10,605,438	10,587,075	5,713,158	6,783,176
Direct costs	7,321,460	5,950,646	3,660,884	4,873,412	7,134,827	7,211,655	3,883,185	4,209,577
Gross Profit	**3,191,252**	**2,468,184**	**1,969,675**	**2,424,952**	**3,470,611**	**3,375,420**	**1,829,973**	**2,573,599**
	30%	29%	35%	33%	33%	32%	32%	38%
OPERATING EXPENSES								
Advertising & marketing	595,636	996,721	489,016	273,142	321,558	428,128	135,575	100,878
IT & tech	347,338	293,619	264,451	369,988	521,629	118,017	245,180	157,851
Personnel	3,477,458	3,583,245	2,939,596	3,444,560	2,574,798	2,147,111	2,650,905	1,958,572
R&D	506,958	313,995	289,714	234,868	834	4,390	11,756	25,429
Office cost	942,728	1,011,161	735,538	644,280	395,516	795,819	617,569	673,047
Travel	262,404	285,764	268,897	277,446	101,097	73,765	64,288	38,959
Professional fees	856,952	921,662	767,826	1,004,383	399,524	473,874	200,637	386,259
Depreciation and amortization	1,254,475	1,441,645	1,449,275	1,651,141	1,334,223	1,663,083	1,496,425	1,315,544
Share based payments	472,320	518,990	380,032	262,934	670,844	179,399	165,454	77,523
Provision for expected credit loss	(50,170)	-	67,875	-	-	-	-	-
	8,666,099	**9,366,802**	**7,652,220**	**8,162,742**	**6,320,023**	**5,883,586**	**5,587,789**	**4,734,061**
(Loss) from Operations	**(5,474,847)**	**(6,898,618)**	**(5,682,545)**	**(5,737,790)**	**(2,849,412)**	**(2,508,166)**	**(3,757,816)**	**(2,160,462)**
OTHER ITEMS - INCOME/(EXPENSE)								
Finance cost	(1,130,030)	(939,429)	(1,012,658)	(944,859)	(1,874,601)	(1,743,710)	(645,685)	(1,072,341)
Other income (expense)	379,917	271,834	220,377	129,788	42,803	17,104	(62,431)	113,777
Impairment Loss – PPE	-	-	-	(178,175)	-	-	-	-
Loss on extinguishment of financial liabilities	-	-	-	-	-	(1,558,758)	-	-
Loss on impairment of property and equipment	-	(500)	(45,509)	-	-	-	-	-
Gain (Loss) on disposal of property and equipment	-	-	-	2,416	597	-	-	(1,541)
Loss on redemption	-	-	-	-	-	(672,444)	-	-
Foreign exchange translation	42,672	66,583	(72,825)	109,779	140,881	(58,413)	1,225	92,541
Net loss	**(6,182,288)**	**(7,500,130)**	**(6,593,160)**	**(6,618,840)**	**(4,539,732)**	**(6,524,387)**	**(4,464,707)**	**(3,028,025)**
Deferred Tax Income/ (Expense)	-	-	-	152,389	-	-	-	283,457
Net loss	**(6,182,288)**	**(7,500,130)**	**(6,593,160)**	**(6,466,451)**	**(4,539,732)**	**(6,524,387)**	**(4,464,707)**	**(2,744,568)**
OTHER COMPREHENSIVE LOSS								
Foreign currency translation adjustment	**(13,818)**	**(19,853)**	**(11,838)**	**195,269**	**-**	**-**	**-**	-
Net loss and comprehensive loss	**(6,196,106)**	**(7,519,983)**	**(6,604,998)**	**(6,271,183)**	**(4,539,732)**	**(6,524,387)**	**(4,464,707)**	**(2,744,568)**
Total Comprehensive loss attributable to								
Owners of Volatus Aerospace	(6,109,330)	(7,424,305)	(6,225,215)	(6,016,955)	(4,545,679)	(6,509,690)	(4,116,411)	(2,715,484)
Non-controlling interest	(86,776)	(95,678)	(379,783)	(254,228)	5,947	(14,697)	(348,296)	(29,085)
	(6,196,106)	**(7,519,983)**	**(6,604,998)**	**(6,271,183)**	**(4,539,732)**	**(6,524,387)**	**(4,464,707)**	**(2,744,568)**
Loss per share								
Basic and Diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

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

Q3 2026 revenue of $10,512,712 increased 24.9% sequentially from $8,418,830 in Q2 2026, consistent with the Company's normal seasonal pattern, and was 0.9% below the $10,605,438 recorded in Q3 2025. Gross

margin of 30% compares to 33% in Q3 2025 and 29% in Q2 2026, reflecting the heavier weighting of defence programs in the quarter's delivery mix.

Quarterly revenue across the eight periods presented ranged from $5,630,559 to $10,605,438, and quarterly gross margin from 29% to 38%. This variability reflects the project-based nature of equipment and systems deliveries and the timing of government procurement cycles, and does not on its own indicate a change in the underlying trajectory of the business. The Company's expanding presence in the United Kingdom and Europe, which represented approximately 30% of nine-month revenue, and its growing defence programs are expected to progressively reduce the impact of North American seasonality, as these revenue streams are not subject to the same weather-related constraints.

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary of working capital as of September 30, 2026, and December 31, 2025:

As at	September 30, 2026	December 31, 2025
Current Assets	**64,818,402**	**49,535,353**
Current Liabilities	**7,056,080**	**13,052,635**
Working Capital	**57,762,322**	**36,482,718**

Working capital at September 30, 2026 was $57,762,322, compared to $36,482,718 at December 31, 2025, an increase of $21,279,604. The increase reflects the net proceeds of the June 2026 bought deal public offering, proceeds received on the exercise of warrants and stock options, and a reduction in current liabilities. The Company's current ratio at September 30, 2026 was 9.19, against a covenant requirement of 1.25.

Current assets increased from $49,535,353 to $64,818,402, primarily reflecting the increase in cash to $50,605,356, together with increases in trade and other receivables to $6,200,538, inventories to $4,898,532, and prepaid expenses, deposits and other current assets to $2,842,297 as the Company positioned working capital ahead of contracted deliveries. Current liabilities decreased by $5,996,555 to $7,056,080, driven by the reclassification of the EDC term loan of $6,750,000 from current to long-term borrowings following receipt of a covenant waiver from Export Development Canada on February 3, 2026.

The Company's cash balance of $50,605,356 as at September 30, 2026 (December 31, 2025: $41,114,832) is expected to be sufficient to meet obligations as they fall due for at least the next twelve months from the reporting date. The Company has not declared or paid any dividends during the period.

As the Company prepares a path toward profitability, it will be dependent on its ability to increase sales and maintain margins at current levels. This will be influenced by general economic conditions, financial, regulatory, and other factors, including factors beyond the Company's control. The Company may need additional capital and may raise additional funds should the Board of Directors of the Company deem it advisable to support its aggressive acquisition strategy. To date, the Company has had a negative operating cash flow position due to

the Company investing in inventory buildup, product development and human capital to meet increased demand. As a result of the Company's business plan for the development of its products and services, the Company expects cash flow from operations to be negative until revenues increase to offset its operating expenditure.

CASH FLOW:

	Nine months ended September 30	
	2026	**2025**
Cash used in Operating Activities	(16,906,452)	(9,059,575)
Cash used in Investment Activities	(3,518,593)	(1,043,679)
Cash provided by Financing Activities	29,989,498	25,819,250
Net change in cash	9,564,453	15,715,996

Operating Activities

Cash used in operating activities for the nine months ended September 30, 2026 was $(16,906,452), compared to $(9,059,575) in the corresponding period of 2025. Before changes in non-cash working capital, cash used in operations was $(11,613,010) (2025: $(3,453,947)), reflecting the increased operating loss for the period. Changes in non-cash working capital consumed a further $(5,293,442), principally investments of $2,849,773 in trade and other receivables, $1,631,982 in inventories and $1,336,168 in prepaid expenses and deposits to fulfil defence and commercial contracts, partially offset by a $758,607 increase in trade payables and accrued liabilities.

Investing Activities

Cash used in investing activities was $(3,518,593), compared to $(1,043,679) in the corresponding period of 2025. This comprised $3,128,601 of additions to property, plant and equipment, principally the fit-out of the Mirabel facility and expansion of the fleet servicing the oil and gas inspection segment in the United States, and $390,992 of additions to intangible assets, partially offset by $1,000 of proceeds on disposal of property, plant and equipment.

Financing Activities

Cash provided by financing activities was $29,989,498, compared to $25,819,250 in the corresponding period of 2025. The principal source was $32,399,760 of net proceeds from the issuance of common equity, together with $2,613,789 received on the exercise of warrants and stock options. These were partially offset by net repayments of borrowings of $3,263,773, repayment of lease obligations of $1,457,576, the $206,188 redemption of the remaining preferred shares, and $96,514 of withholding taxes paid on the net settlement of RSUs.

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.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

Trade payables and accrued liabilities:

On August 31, 2022, the Company entered into an independent consultant agreement ("Consultant Agreement") with GripFast Solutions Inc., a company controlled by an independent director, to provide consulting services to the Company for scaling in the defense sector. The costs of all charges are based on the fees set in the Consultant Agreement and are settled on a monthly basis. The Company records these charges under 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 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.

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 period 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

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 September 30, 2026, the amount payable under this agreement would be $525,000.

The Company has an employment agreement with its CFO which provides that in the event the CFO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 12 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 12 months' salary, at $200,000 per annum, is payable. If the termination had occurred on September 30, 2026, the amount payable under this agreement would be $200,000.

SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Common shares

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

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

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

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks through its financial instruments. The following analysis provides a summary of the Company's exposure to and concentrations of risk at 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 relates 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%. 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 (December 31, 2025 - $10,271,435, representing approximately 80% of total borrowings of $12,846,694). Fixed-rate borrowings of $647,784 (December 31, 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 (December 31, 2025 - $41,114,832) is expected to be sufficient to meet its obligations as they fall due for at least the next twelve months from the reporting date of these condensed interim consolidated financial statements.

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

BUSINESS RISKS

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

I. Business and Strategic Risks

Operating History and Evolving Business Model

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

Difficulty to Forecast and Pipeline Conversion

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

Industry Growth

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

Competition

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

Rapid Technology Developments

The industries in which the Company operates are characterized by rapid technological change, evolving industry standards, frequent new product introductions, and short product life cycles. The Company will need to continue developing and upgrading its offerings — including RPAS platforms, ISR systems, autonomous

capabilities, and the SKYDRA™ software platform — to remain relevant to customers and competitive against other providers. The development and application of new technologies involves time, substantial costs, and uncertainty. There can be no assurance that the Company will be able to develop new offerings in a timely manner, that such offerings will achieve market acceptance, or that they will be reliable and not susceptible to failure.

New Business Models and Revenue Streams

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

Future Acquisitions

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

II. Defence and Government Sector Risks

Defence Sector Risk

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

Defence Contract Concentration and Procurement Cycle Risk

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

assurance that initial contract awards will lead to the anticipated downstream sustainment, training, and software revenue.

Export Controls and Technology Transfer

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

Middle East and Global Geopolitical Supply Chain Risk

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

Canada's Defence Industrial Strategy — Policy and Execution Risk

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

Trade Policy and Geopolitical Risks

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

Russia-Ukraine Conflict and Global Instability

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

III. Manufacturing and Platform Development Risks

UAS Manufacturing Risk

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

Sovereign Manufacturing — Mirabel Facility Execution Risk

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

Intellectual Property — SKYDRA™ and Proprietary Platforms

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

Ownership and Protection of Intellectual Property

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

IV. Operational Risks

Product Liability

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

Risk of Accidents

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

Defects in Offerings

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

Supplier and OEM Risk

The Company acquires products it sells and components for the manufacture of its platforms from a concentrated group of suppliers and subcontractors. Such suppliers may not be committed or obligated to continue selling to the Company. Certain components require long lead-times, and any lack of working capital

or supply chain disruption may result in delays in procurement and delivery. The Company may not be able to obtain required components from alternative sources on acceptable terms, and any disruption to its supply chain could have a material adverse effect on its ability to fulfill contracts and its financial results.

Regulatory Risks — BVLOS and RPAS Operations

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

Regulatory Approvals — Transport Canada and International

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

Operating Risk and Insurance Coverage

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

Volatus Aviation — Licensed Aviation Operations

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

V. People and Organizational Risks

Key Talent and Expertise Risk

The Company's ability to execute its strategy depends on access to specialized expertise across all business lines, including commercial inspection services, utility programs, cargo operations, training, and defence.

Demand for qualified RPAS pilots, systems engineers, data analysts, software developers, manufacturing technicians, and regulatory specialists continues to exceed supply in the broader aerospace and technology labour markets. Difficulty attracting or retaining skilled personnel, or delays in filling highly technical roles, may affect operational delivery, platform development, regulatory compliance, and customer commitments across both commercial and defence lines of business.

Dependence on Key Personnel

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

Succession and Leadership Continuity Risk

The Company's operational performance and strategic execution rely on continuity within leadership, programme management, and technical oversight roles. Unplanned departures of key leaders or individuals with deep institutional knowledge may disrupt ongoing projects, delay integration of new technologies, and affect customer relationships. As the Company scales its operations across services, manufacturing, cargo logistics, and training, effective succession planning and knowledge transfer remain essential to maintaining stability and long-term execution capability.

Workforce Availability and Labour Market Risk

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

Human Capital Integration and Retention Risk

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

VI. Financial and Capital Risks

Operating Losses

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

Future Capital Requirements

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

Covenant Compliance and Debt Obligations

The Company's term loan with Export Development Canada contains financial covenants, including a minimum working capital requirement and a fixed charge coverage ratio. The Company was not in compliance with its minimum fixed charge coverage ratio covenant as at December 31, 2025, and received a formal waiver from EDC on February 3, 2026. The term loan is subject to a minimum working capital requirement tested quarterly and a fixed charge coverage ratio tested annually. 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. There can be no assurance that the Company will satisfy its financial covenants in future measurement periods, or that lenders will continue to provide waivers if breaches occur. A covenant breach that is not waived would constitute an event of default, giving the lender the right to demand immediate repayment of the outstanding loan balance. The occurrence of such an event could have a material adverse effect on the Company's liquidity, financial condition, and ability to continue operations as planned.

Variable Revenues and Earnings

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

Foreign Currency Risk

The Company engages in significant transactions and activities in currencies other than its Canadian dollar functional currency, including the U.S. dollar and British pound sterling. Depending on the timing of

transactions and applicable currency exchange rates, conversions to the Company's functional currency may positively or negatively impact revenues, costs, and reported financial results. The Company does not currently maintain a comprehensive currency hedging program, and currency fluctuations could adversely affect financial performance.

Interest Rate Risk

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

Internal Controls

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

VII. Technology and Cybersecurity Risks

SKYDRA™ SaaS Platform Risk

The Company launched its first proprietary SaaS platform, SKYDRA™, for counter-unmanned aircraft system operational planning and simulation. The development and commercialization of software products involves risks distinct from those associated with hardware and services, including the risk that the platform does not achieve market acceptance among target customers — armed forces, public safety agencies, and critical infrastructure operators — within the anticipated timeframe. Subscription-based software revenue depends on customer retention and contract renewal, and the failure to convert evaluation programs into commercial agreements could adversely affect the recurring revenue stream the platform is intended to generate. The platform operates in defence and security contexts and is subject to heightened cybersecurity risks, including the risk of unauthorized access or exploitation that could damage the Company's reputation and expose it to liability.

Cyber Threats

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

Privacy Laws Compliance

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

VIII. Market and External Risks

Geographical Expansion

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

Foreign Political and Legal Risk

A significant portion of the Company's business opportunities and defence engagements lie outside Canada. Operating in foreign countries and relying on suppliers in foreign countries — including countries in Asia for certain components — exposes the Company to political risks, country risks, and currency risks. Changes in government investment policies, intellectual property regimes, or taxation in jurisdictions in which the Company operates or sources materials may adversely affect the Company's operations or profitability. Inherent risks of foreign operations include extreme currency fluctuations, military instability, organized crime, terrorism, expropriation, and changing governmental regulations.

Catastrophic Events and Pandemics

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

Tax Risks

The Company is a resident of Canada for purposes of the Income Tax Act (Canada). Since the Company operates in a developing industry across multiple jurisdictions, there is a risk that governments may introduce additional taxes or levies that adversely affect the Company's cost structure. There is no guarantee that governments will

not impose additional adverse taxes in the future, and changes in tax policy in Canada or in foreign jurisdictions could materially affect the Company's financial condition and results of operations.

IX. Capital Markets and Governance Risks

TSX Listing and Increased Disclosure Obligations

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

Brand Development

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

Reputational Risk

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

Litigation

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

Future Capital Requirements and Dilution

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

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting ("ICFR")

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

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

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

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures and ICFR will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system objectives will be met. The likelihood of achievement is affected by limitations inherent in all internal control systems. These inherent limitations

include the realities that judgments or decision making can be faulty, and that breakdowns occur because of simple errors or mistakes. Controls can also be circumvented in numerous ways including collusion, overrides and deception. In addition to the inherent limitations, the design of a control system must reflect that there are resource constraints, and the expected benefit of controls must be considered relative to the expected costs. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Further, no evaluation of controls can provide absolute assurance that all control issues within a company will be detected.

There were no changes in the issuer's internal control over financial reporting during the period beginning January 1, 2026 and ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, the issuer's ICFR.

Additional Information

Additional information relating to the Company can be found under the Company's profile on the System for Electronic Data Analysis and Retrieval Plus (SEDAR+) at www.sedarplus.ca.