VOLATUS AEROSPACE INC.
(formerly, Drone Delivery Canada Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTH ENDED SEPTEMBER 30, 2025

Dated: December 1, 2025

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management Discussion & Analysis ("MD&A") is intended to provide readers with the information that management believes is required to gain an understanding of the current results of Volatus Aerospace Inc. (the "Company" or "Volatus") and to assess the Company's prospects. The following MD&A is presented and dated as of December 1, 2025, 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, 2025. The Financial Statements presented herein include the accounts of the Company and all its subsidiaries. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and all amounts, unless otherwise indicated, are expressed in Canadian dollars.

NON-IFRS FINANCIAL MEASURES

In this MD&A we describe certain income and expense items that are unusual or non-recurring. There are terms not defined by International Financial Reporting Standards (IFRS). Our usage of these terms may vary from the usage adopted by other companies. Specifically, *Gross margin, Gross profit, and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization)* are undefined terms by IFRS Accounting Standards. Management believes that gross profit, defined as revenue less cost of goods sold, is a useful supplemental measure of operations. Gross margin is defined as gross profit expressed as a percentage of revenue and provides insight into the proportion of revenue that exceeds direct costs. 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). 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.

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

BUSINESS OVERVIEW

Volatus Aerospace Inc. ("Volatus" or the "Company" or "we") (formerly, Drone Delivery Canada Corp.) was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. The Company's principal office is located at 6221 Highway 7, Unit 6, Vaughan, Ontario L4H 0K8. The Company's shares trade on the TSX Venture Exchange (the "TSXV") under the symbol "FLT" and OTC Markets (the "OTCQX") under the symbol "TAKOF"). On August 30, 2024, the Company acquired all outstanding shares in the capital of Volatus

Aerospace Corp. by way of plan of arrangement and changed its name to Volatus Aerospace Inc. Under the terms of the plan of arrangement, each shareholder of Volatus Aerospace Corp. received 1.785 shares of the Company.

Volatus is an industry-leading provider of integrated aerial solutions across Canada, the United States (the "U.S."), and the United King (the "U.K."). The Company serves commercial and defense markets with imaging, inspection, surveillance, cargo delivery, equipment sales, training, and support. Through subsidiaries, Volatus also provides pipeline inspection and monitoring with piloted aircraft. All other activities are conducted in the remotely piloted sector.

Our Mission

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

Core Offerings

Volatus Services

Volatus holds an Operating Certificate for the commercial operation of remotely piloted aircraft systems ("RPAS"), as well as two Air Operator Certificates for piloted airplanes and helicopters issued by Transport Canada. These authorities enable a full spectrum of aerial solutions under a robust regulatory framework. The Company recently surpassed 75,000 cumulative flight hours, underscoring both operational maturity and client trust.

- **Aerial Intelligence Services** – Comprehensive inspection, mapping, surveillance, and advanced data collection using both RPAS and piloted aircraft, enhanced with geographic information systems ("GIS"), data management, and machine learning analytics.
- **Cargo and Logistics Solutions** – RPAS-based cargo transportation for time-critical deliveries and remote area access, supported by advancements in heavy-lift RPAS technology.
- **Consulting Services** – Advisory services supporting the development and scaling of RPAS programs, including BVLOS, heavy-lift, wildfire operations, training, and safety management.
- **Remote Operations** – The Operations Control Center ("OCC") provides secure, global beyond visual line of sight ("BVLOS")oversight and RPAS-in-a-box deployments, enabling continuous and scalable remote operations.

Volatus Drones

Volatus Drones operates as a solution provider and value-added reseller of aircraft systems (VAR) both piloted and remotely piloted, serving civil and defense markets. With distribution facilities in Canada, the U.S., and the U.K., it supplies platforms and sensors from more than 60 OEM partners while also driving the commercialization of proprietary Volatus technologies. This dual approach ensures customers receive complete, mission-ready solutions supported by integration, technical expertise, and lifecycle services.

Volatus Academy

Volatus Academy is a global RPAS training leader with operations in Canada, the U.S., and the U.K. Through subsidiaries iRed and UAVHub, it holds CAA Recognised Assessment Entity (RAE) status in the UK and delivers BINDT-accredited thermography programs. Training is offered through multiple delivery methods, including classroom instruction, hands-on flight training, virtual classes, and self-paced online learning. Since inception, Volatus and its subsidiaries have trained over 114,000 students worldwide, including 2,000+ youth and Indigenous participants through award-winning programs such as the Science Experiential Aerial Research (SEAR) Program. These initiatives generate high-margin revenue, build a skilled operator pipeline, and reinforce Volatus' leadership in global RPAS education.

Research and Development

Volatus continues to advance proprietary technologies that enable safe, scalable, and commercially viable RPAS operations. Platforms under active development and commercialization include:

- **Condor XL –** A heavy lift cargo drone that will be capable of lifting up to 180 kg payload with 200 km range.
- **Canary RPAS** – A next-generation small cargo drone approved for BVLOS operations and currently deployed in healthcare and community logistics projects.
- **AIRS 3** – An advanced integrity reporting system delivering real-time monitoring and regulatory-compliant inspection data for pipelines, utilities, and transportation corridors.
- **FLYTE** – A mission planning and execution platform integrating airspace data, weather, compliance, and analytics.
- **DroneSpot™** – A drone logistics depot providing automated landing, charging, and monitoring infrastructure for cargo operations.
- **Aeriport** – A modular docking and charging station enabling recurring, automated BVLOS operations.

The Company maintains an intellectual property portfolio that includes a growing number of North American patents, consisting of U.S. grants with parallel Canadian filings, publicly announced since 2019 and covering mission management, routing, safety, and drone infrastructure.

Drone Platforms:

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

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

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

Condor XL: The Condor large helicopter RPAS continued through structured development and systems integration activities during the quarter. The engineering focus remained on preparing the platform for controlled testing, validating critical subsystems and progressing toward configuration maturity suitable for future commercial and defense missions.

The company advanced work on airframe preparation, systems wiring, avionics layout and mechanical installation. The team also continued analysis of flight control behaviour across expected weight and balance conditions, including configurations for cargo, sensors and endurance optimized operations. These activities supported readiness for ground run testing and initial low risk flight evaluations at the company's test range.

The Condor program continues to align with longer term objectives in heavy lift logistics, remote resupply, emergency response and defense support missions. The platform's size, endurance profile and payload capacity are expected to address operational needs that cannot be met by smaller multi rotor or fixed wing systems. The company is targeting controlled flight testing in the upcoming periods, followed by staged expansion of operational envelopes once initial results are validated.

The engineering schedule remains focused on achieving a reliable baseline configuration while ensuring that all future mission payloads, autonomous functions and safety systems can be integrated within the same airframe architecture. Once flight testing is complete, the company expects to transition the program into operational evaluation for specific customer applications.

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

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

AIRS 3 (Advanced Integrity Reporting System):

AIRS 3 is a proprietary software platform designed to revolutionize the data gathering, analysis and reporting of oil and gas client infrastructures. The system integrates data from aerial inspections with advanced reporting and analytics tools, enabling oil and gas operators to ensure pipeline integrity, operational efficiency, and regulatory compliance. During Q3 2025, the Company continued to work on customized features for specific customer requirements and ongoing improvements to support scalability.

Market Reach

Volatus has established operations across North America, Europe, the UK, and Latin America, serving civilian, industrial, and government clients. The Company maintains a presence for solution sales in Peru to support opportunities in the LATAM region. Volatus leverages its extensive pilot network and its Toronto-based OCC to deliver aerial intelligence and cargo solutions at scale.

Strategic Focus

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

Regulatory Achievements

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

Operational Synergies

The 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 organization streamlined certifications and improved resource allocation.

Future Focus

- Continued development and commercialization of heavy-lift and BVLOS technologies.
- Deepening of advanced data collection in existing markets and continued expansion of aerial intelligence services into emerging markets, such as agriculture.
- Strengthening of global training programs, in both e-learning and in person, to meet growing market demand for advanced sensor certifications and training (such as thermography, multispectral, and

mapping) along with continued support with drone operator certifications, especially in regions where regulations are changing.

- Increased focus on the defense and national-security segment, including the development and deployment of dual-use technologies, accelerated support for mission-critical ISR applications, and alignment with evolving defense procurement pathways and interoperability standards.

BUSINESS HIGHLIGHTS

Executive Overview

The third quarter of 2025 represented a step-change for the Company. Liquidity improved, regulatory authorities expanded, and commercial momentum accelerated across energy, defense, forestry, agriculture, and autonomous operations. The company executed multiple financings, strengthened its balance sheet, and advanced capabilities in remote and BVLOS operations. Commercial programs moved from demonstrations to paid deployments, and partnerships deepened with major industrial and government clients. The Company ended the quarter financially stronger, operationally advanced, and better positioned to scale national and international aerial solutions.

Financing

The quarter was marked by decisive actions to strengthen the balance sheet and improve liquidity:

- On July 17, the Company completed a private placement for gross proceeds of $10 million at price of $0.52 per unit of the Company, each unit being comprised of one common voting share and one-half warrant.
- On August 14, the Company completed an institutional led bought deal private placement for gross proceeds of $4.83 million at a price of $0.52 per unit, each unit being comprised of one common voting share and one-half warrant.
- As subsequent event, the Company has further raised $26.39 million in equity financing.

These transactions materially enhance our liquidity and provided the Company with the runway to advance strategic growth initiatives.

Aviation Platforms

The company advanced development and commercialization of its heavy-lift Condor XL platform through launch of a reforestation program and preparation for flight validation. The platform is now positioned for first operational deployments in 2026 across forestry and other high-payload applications.

Defense and Government

The company expanded its defense footprint through new ISR system contracts with NATO partners and completed multiple deliveries during the quarter. Order volume increased and repeated demand confirmed the company's growing role as a reliable supplier of tactical ISR solutions.

Utilities and Infrastructure

The company secured a major multi-year agreement with a leading North American electric utility covering widespread transmission and distribution inspections. This engagement establishes a long-term, recurring services base in one of the company's highest-value sectors.

Forestry and Environmental

A new strategic reforestation partnership advanced the adoption of heavy-lift RPAS for large-scale aerial seeding. Testing and validation are underway, positioning the company for commercial deployment in 2026.

Technology and Remote Operations

The company strengthened its BVLOS ecosystem through integration of radar-based detect-and-avoid technology into the Operations Control Center. This enables scalable automated and remote operations for infrastructure, environmental and security applications.

Supply Chain and Platform Performance

A new domestic battery supply partnership enhances endurance, cold-weather capability and supply chain resilience for next-generation UAV platforms.

BUSINESS OUTLOOK & STRATEGY

Volatus is advancing its strategy against a backdrop of changing geopolitical circumstances, including heightened security concerns and Canada's commitment to increased defence spending. As noted by Mark Carney, the federal government is making multi-year commitments to expand defence budgets, while Hon. Mélanie Joly has emphasized the importance of building Canadian capacity and repatriating defence dollars historically spent abroad. These priorities align closely with Volatus' recapitalization and growth trajectory. *[Source: Carney, AP News, Aug 2024; Joly, ISED Canada, Aug 2025]*

The Company is accelerating the commercialization of its proprietary technologies: including Condor XL, Canary RPAS, DroneSpot™, FLYTE, AIRS 3, and Aeriport, and building out manufacturing capability to strengthen Canada's sovereign industrial base. Volatus has engaged actively with the Government of Canada and the Canadian Armed Forces, submitting proposals and retaining a lobby firm to ensure its solutions are represented in national discussions on defence modernization, border protection, and Arctic sovereignty.

Across all business units, the Company is focused on converting its commercial and defence pipeline into long-term contracts. Volatus Services is expanding its offering by leveraging its Operations Control Center (OCC) and BVLOS approvals to deliver scalable remote operations. Volatus Drones continues to integrate technologies from 60+ OEMs while commercializing in-house innovations, providing mission-ready solutions to civil and defence customers. Volatus Academy is reinforcing its position as a trusted global training provider, ensuring a pipeline of qualified operators and strengthening relationships with government, industrial, and community partners.

Forward Strategy

The company advanced and clarified its forward strategy during the third quarter, with a focus on commercial scale, defense readiness, sovereign capability, and expansion of high-margin training revenue.

Commercializing New Technology

The company is progressing commercialization of its proprietary platforms, including the Canary cargo RPAS and the DroneSpot automated launch and recovery system. Cargo operations remain a priority as the Canary and Condor XL move toward broader deployment. Conversion of the company's sales pipeline into multi-year recurring contracts across civil, industrial, and defense sectors remains a central objective.

Expanding Into New Markets and Critical Missions

The company is targeting expansion into border surveillance, Arctic domain awareness, wildfire response, agriculture, and environmental monitoring. These mission sets leverage the company's BVLOS approvals, Operations Control Center infrastructure, and multirole RPAS platforms. The aim is to increase sector diversity and build durable positions in markets with long-term demand.

Defense Strategy and ISR/ISTAR Growth

The company strengthened its defense strategy with a focus on ISR and ISTAR capabilities. Key priorities include expanding deliveries of tactical ISR systems to NATO partners, advancing fixed-wing endurance platforms, integrating advanced sensors and secure communications, and maturing autonomous mission-management technologies. These initiatives support the company's positioning as a competitive supplier of deployable intelligence and surveillance solutions for allied defense customers.

Building Sovereign Capacity

The company is advancing domestic capability across design, manufacturing, testing, and supply chain security. Development of the Mirabel RPAS production facility, combined with domestic sourcing of critical components such as batteries, supports establishment of a Canadian center of excellence for advanced RPAS with export potential.

Enhancing Training Capabilities

The company is expanding its training ecosystem to support both small and large RPAS platforms. This includes ground school, advanced certifications, BVLOS operations readiness, and platform-specific training for proprietary systems such as Canary, Condor XL, and future fixed-wing ISR drones. Training represents a high-margin revenue stream that complements equipment sales, strengthens customer retention, and supports regulatory compliance for enterprise clients. The company will continue to scale training offerings to support public safety agencies, industrial operators, and defense customers requiring operational conversion training for larger RPAS.

Disciplined Scaling

With an improved cash position following Q3 financings, the company is prioritizing disciplined growth, focusing on solution-based sales, operational services, and high-margin training programs. Selective acquisitions will be evaluated where they expand capability or accelerate entry into key growth markets.

Path to Profitability

The company is committed to achieving sustained profitability through cost discipline, operational efficiency, and expansion of recurring service revenue. Growth in defense systems, utility inspection programs, cargo operations, and proprietary platform deployments supports progress toward stable margins and long-term financial performance.

Strategic Context

RPAS technologies continue to replace traditional inspection, surveillance, and logistics methods due to improved cost, safety, and efficiency. ISR and ISTAR platforms are experiencing significant global demand as defense organizations shift to distributed, rapidly deployable intelligence capabilities. These trends align directly with the company's product roadmap and long-term strategy.

Q3 2025 RESULTS

	Three months ended Sept 30	
	2025	**2024**
Total revenue	10,605,438	6,618,504
Gross profit (as a % of revenues)	33%	34%
Loss from operations	(2,849,412)	(4,192,648)
Net loss and comprehensive Loss	(4,539,732)	(5,491,822)
Adjusted EBITDA loss	(660,661)	(1,364,143)
Net loss per share	(0.01)	(0.02)

Change in cash and cash equivalents for nine months ended Sept 30, 2025	15,715,996	(1,002,965)

Q3 2025 Revenue Performance

Volatus Aerospace reported total revenue of $10.60 million in Q3 2025, a 60% increase year-over-year compared with $6.62 million in Q3 2024. Growth was driven by equipment sales as a result of higher defense orders and adequate inventory levels.

The revenue mix in Q3 2025 was 53% equipment sales and 47% services, compared to 16% equipment and 84% services in Q3 2024. This shift demonstrates our ability to fulfil market demand, scale rapidly in response to market opportunities and capture growth across both segments of the industry.

Q3 2025 Gross Profit of $3,470,611. Gross Margin of 33%

Gross profit for Q3 2025 was $3,470,611, representing a gross margin of 33%, compared with 34% in Q3 2024. The modest decline in margin reflects a higher proportion of equipment sales in the revenue mix, as demand in the defense and commercial sector accelerated during the quarter.

Breaking down performance by segment:

- Services continued to deliver strong margins in the 40%–50% range, reinforcing the Company's strategic emphasis on high-value, recurring contracts that provide predictable cash flow.
- Equipment sales generated margins consistent with defense and commercial drone industry norms. Strategic sourcing from distributors, rather than OEMs, ensured immediate fulfillment of urgent orders and preserved flexibility in an evolving global supply chain environment.

Looking forward, the Company expects overall margins to strengthen as service revenues expand with seasonal activity and the ramp-up of newly secured contracts expected to start in Q126.

Q3 2025 Revenue Distribution

The Q3 2025 revenue mix was 53% equipment and 47% services, compared with 16% equipment and 84% services in Q3 2024. This shift was primarily driven by:

- Accelerated demand for drones and related equipment in the defense and public safety markets.
- Expansion of service contracts in the utility and oil and gas sector.

This flexibility underscores the Company's ability to adapt quickly to evolving customer needs and market conditions. Over the longer term, management expects the mix to normalize toward 55%–60% services and 40%–45% equipment, in line with our strategy to prioritize higher-margin, recurring service revenue.

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

Volatus achieved an Adjusted EBITDA loss of ($660,661) in Q3 2025 compared to ($1,364,143) in Q3 2024. This improvement was primarily driven by:

- Increases in revenue and gross profit
- Continued realization of merger synergies and integration benefits.

The personnel costs have increased which is attributable to increased hiring to scale in defense market and new geographies.

This performance reflects continued success in aligning our cost structure with revenue priorities and positions the Company for continued Adjusted EBITDA improvement. A detailed reconciliation of Adjusted EBITDA is provided later in this MD&A.

Cash Position and Strategic Use of Capital

The Company's cash flow from operating activities was (9,059,575) during the nine months ended September 30, 2025. The Company also raised strategic capital during Q3 2025 from institutional investors. The cash and cash equivalents increased by $15,715,996, primarily due to the following:

- Equity financing of $14.80 million
- Aggressive working capital management
- Strategic capital expenditures to support new service contracts and continued development of the drone technologies.
- Repayment of scheduled debt obligations.

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

As at	Sept 30, 2025	Dec 31, 2024
Total Assets	72,586,876	57,804,071
Non-Current Assets	42,432,575	45,829,000
Goodwill	20,739,606	20,739,606

Total non-current Liabilities	19,137,304	11,099,860
Total Liabilities	26,799,361	31,467,306
Working Capital	22,492,244	(8,392,375)
Shareholder's Equity	45,787,515	26,336,765
Distribution or Cash Dividends	-	-

As at September 30, 2025, the Company held total assets of $72,586,876. The increase in total assets was mainly due to changes in the cash position of the business due to equity financing as well as increases in receivables and other assets. Non-current assets decreased by $3,396,425 due to depreciation and disposal of certain assets. The Company continued to deploy cash in operating activities and scale its defense and service business. The decrease in total liabilities was driven by conversion of debt into equity and continuous repayment of scheduled debt obligations.

RESULTS OF OPERATIONS

	Notes	Three months ended September 30		Nine months ended September 30	
		2025	2024	2025	2024
Revenue		10,605,438	6,618,504	26,905,671	20,364,238
Direct costs		7,134,827	4,366,107	18,229,667	13,381,538
Gross Profit		**3,470,611**	**2,252,397**	**8,676,004**	**6,982,700**
OPERATING EXPENSES					
Advertising & marketing		321,558	331,763	885,261	1,022,459
IT & tech		521,629	210,328	884,826	726,586
Personnel		2,574,798	1,787,175	7,372,814	5,499,433
R&D		834	4,011	16,980	15,851
Office cost		395,516	497,706	1,808,904	1,634,955
Travel		101,097	77,011	239,150	174,774
External partner cost		399,524	2,117,840	1,074,035	2,748,053
Depreciation and amortization	7,8,19	1,334,223	1,294,350	4,493,731	3,509,136
Share based Payments		670,844	124,861	1,015,697	378,505
		6,320,023	**6,445,045**	**7,791,398**	**15,709,752**
(Loss) from Operations		**(2,849,412)**	**(4,192,648)**	**(9,115,394)**	**(8,727,052)**
OTHER ITEMS - INCOME/(EXPENSE)					
Finance cost		(1,874,601)	(992,806)	(4,263,996)	(1,863,576)
Other income (expense)		42,803	(2,669)	56,439	(12,684)
Gain (loss) on investments		-	-	(58,963)	-
Loss on extinguishment of financial liabilities		-	-	(1,558,758)	-
Gain (Loss) on disposal of property and equipment		597	(194,662)	597	117,198
Loss on modification of convertible debt		-		(672,444)	
Foreign exchange translation		140,881	(109,037)	83,693	(79,641)
Net Loss		**(4,539,732)**	**(5,491,822)**	**(15,528,826)**	**(10,565,756)**

Total comprehensive Income (loss) for the period attributable to:				
Owners of Volatus Aerospace Corp.	(4,545,679)	(5,440,827)	(15,171,780)	(10,426,120)
Non-controlling interest	5,947	(50,994)	(357,046)	(139,636)
	(4, 539,732)	**(5,491,822)**	**(15, 528,826)**	**(10,565,756)**
Loss per share				
Basic and diluted	(0.01)	(0.02)	(0.03)	(0.04)
Weighted average number of common shares outstanding				
Basic and diluted	524,144,739	249,689,240	524,144,739	249,689,240

The Company generates revenue from two principal business divisions: equipment sales and aerial services and training, which include drone-based services, training, and crewed long-liner pipeline inspections. During nine months period ending September 30, 2025, equipment sales delivered a gross margin within the range of defense sector and commercial drone players , while services ranged between 40% and 50% range. The sale to defense segment equipment yields lower gross margins than services and training, due to the nature of contracts and delivery lead time constraints. Despite a revenue mix of 49:51, the blended gross margin remained stable at 32%.

The operating expense excluding depreciation and share based payments reduced by $710,878 for Q325 due to reduction in legal expenses. For nine months period, the overall cost increased by $459,859 due to increased ramp-up and hiring activities. The Net loss increased due to higher finance cost related to convertible debt (not paid in cash) and non—cash charge related to conversion and extinguishment of debt into equity.

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:

	Q325	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Revenue	10,605,438	10,587,075	5,713,158	6,783,176	6,618,504	7,121,993	6,623,741	10,500,995
Direct costs	7,134,827	7,211,655	3,883,185	4,209,577	4,366,107	4,617,447	4,397,985	7,700,881
Gross Profit	3,470,611	**3,375,420**	**1,829,973**	**2,573,599**	**2,252,397**	**2,504,546**	**2,225,757**	**2,800,114**
	33%	32%	32%	38%	34%	35%	34%	27%
OPERATING EXPENSES								
Advertising & marketing	321,558	428,128	135,575	100,878	331,763	397,357	293,339	278,781
IT & tech	521,629	118,017	245,180	157,851	210,328	259,456	256,802	28,439
Personnel	2,574,798	2,147,111	2,650,905	1,958,572	1,787,175	1,515,536	2,196,722	1,312,983
R&D	834	4,390	11,756	25,429	4,011	-	11,840	771,861
Office cost	395,516	795,819	617,569	673,047	497,706	554,050	583,199	605,396
Travel	101,097	73,765	64,288	38,959	77,011	40,143	57,621	126,710
External partner cost	399,524	473,874	200,637	386,259	2,117,840	430,141	200,072	436,686
Depreciation and amortization	1,334,223	1,663,083	1,496,425	1,315,544	1,294,350	1,116,698	1,098,088	1,647,364
Share based Payments	670,844	179,399	165,454	77,523	124,861	126,822	126,822	173,671
	6,320,023	**5,883,586**	**5,587,789**	**4,734,061**	**6,445,045**	**4,440,202**	**4,824,504**	**5,381,891**
(Loss) from Operations	**(2,849,412)**	**(2,508,166)**	**(3,757,816)**	**(2,160,462)**	**(4,192,648)**	**(1,935,656)**	**(2,598,748)**	**(2,581,777)**

OTHER ITEMS - INCOME/(EXPENSE)								
Finance cost	(1,874,601)	(1,743,710)	(645,685)	(1,072,341)	(992,806)	(491,664)	(379,106)	(667,949)
Other income (expense)	42,803	17,104	(3,468)	(133,884)	(2,669)	153	(10,168)	14,955
Gain (Loss) on investments		-	(58,963)	247,661	-	-		
Gain (Loss) on disposal of property and equipment	597	-	-	(1,541)	(194,662)	319,044	(7,184)	(125,476)
Loss on extinguishment of financial liabilities		(1,558,758)						
Loss on modification of convertible debt		(672,444)						
Foreign exchange	140,881	(58,413)	1,225	92,541	(109,037)	25,508	3,887	(24,156)
Net Loss	**(4,539,732)**	**(6,524,387)**	**(4,464,707)**	**(3,028,025)**	**(5,491,822)**	**(2,082,615)**	**(2,991,319)**	**(2,775,864)**
Deferred Tax Income/ (Expense)				(100,899)				464,216
Net Loss	**(4,539,732)**	**(6,524,387)**	**(4,464,707)**	**(3,128,924)**	**(5,491,822)**	**(2,082,615)**	**(2,991,319)**	**(2,311,647)**
Total comprehensive Income (loss) for the period attributable to:								
Owners of Volatus Aerospace Corp.	(4,545,679)	(6,509,690)	(4,116,411)	(3,099,840)	(5,440,827)	(2,070,150)	(2,915,143)	(1,997,089)
Non-controlling interest	5,947	(14,697)	(348,296)	(29,084)	(50,994)	(12,465)	(76,176)	(314,559)
	(4,539,732)	**(6,524,387)**	**(4,464,707)**	**(3,128,924)**	**(5,491,822)**	**(2,082,615)**	**(2,991,319)**	**(2,311,647)**
Loss per share								
Basic and Diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)

The Company's third quarter results reflected a significant rebound in activity, with revenues increasing by over 85% from Q1 2025 and increasing 60% year-over-year. Growth was driven by strong equipment demand in the defense sector, supported by recent policy shifts and NATO-related procurement, as well as steady execution of service contracts across utilities, oil and gas, and public safety.

Gross margin held at 33%, consistent with Q2 2025 and Q1 2025 at 32%, as the higher proportion of equipment sales was offset by continued strength in services, which remain within the Company's 40–50% margin range. This balance highlights our ability to scale quickly in response to market opportunities while maintaining profitability discipline.

Operating expenses increased in the quarter, reflecting higher personnel and IT & Tech costs. Despite this, operating leverage improved as revenue growth outpaced expense increases, and the net loss attributable to shareholders narrowed compared with previous quarter (Q2 2025) and same quarter last year (Q3 2024).

With revenues surpassing $10 million for the second consecutive quarter, Q3 2025 demonstrates the Company's ability to capture growth across both segments on a consistent basis. The Company is witnessing slowing service activities in Q4 2025, which is expected to be offset by increased defense activities. The service contract awards and new contract execution have been pushed to Q1 2026.

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary of working capital as of September 30, 2025, and December 31, 2024:

As at	Sept 30, 2025	Dec 31, 2024
Current Assets	30,154,301	11,975,071
Current Liabilities	7,662,057	20,367,446
Working Capital	22,492,244	(8,392,375)

As of September 30, 2025, the Company reported current assets of $30,154,301, an increase from $11,975,071 as of December 31, 2024. The increase was primarily driven by the completion of equity financing and cash received due to exercise of warrants, which strengthened the Company's cash position.

Current liabilities decreased to $7,662,057 as of September 30, 2025, $20,367,446 as of December 31, 2024. The decrease reflects the reclassification of certain obligations to long-term debt after meeting working capital covenants at September 30, 2025, resulting in the reclassification of EDC debt to non-current liabilities. In addition, a portion of debt was extinguished and converted into equity, further reducing current obligations.

As a result, the Company reported a positive working capital position of $22,492,244, a significant improvement from a deficit of ($8,392,375) as at December 31, 2024. This turnaround underscores both the impact of new financing activities and disciplined Balance Sheet management.

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

CASH FLOW:

As at	Nine months ended Sept 30, 2025	Nine months ended Sept 30, 2024
Cash generated from (used in) Operating Activities	(9,059,575)	79,635
Cash provided by (used in) Investing Activities	(1,043,679)	161,402
Cash provided by (used in) Financing Activities	25,819,250	(1,244,003)
Net Change in Cash	15,715,996	(1,002,965)

Operating Activities

For the nine months ended September 30, 2025, the Company used $9.1 million of cash in operating activities, compared with cash generated by $79,635 in the same period of 2024. The increase in outflows reflects higher activity levels and operating losses and application of cash in working capital as the Company invests in growth.

Investing Activities
Net cash used in investing activities totaled $1.0 million for the nine months ended September 30, 2025, and was primarily related to the investment in capital expenditure to execute service contracts and development of AIRS4, inhouse oil and gas software technology.

Financing Activities
Net cash provided by financing activities was $25.8 million for the nine months ended September 30, 2025, compared with a use of $1.24 million in the same period of 2024. The increase was due to equity and convertible debt financings completed in Q2 and Q3 2025, as well as the conversion of certain debt into equity, which strengthened the Company's balance sheet and liquidity position.

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

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

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

RECONCILIATION OF ADJUSTED EBITDA TO NET LOSS

	Three Months ended Sept 2025	Three Months ended Sept 2024
Adjusted EBITDA (loss)	**(660,661)**	**(1,364,143)**
Interest	1,874,601	992,806
Depreciation	1,334,223	1,294,350
Share-based Payments	670,844	124,861
(Gain) or Loss on Disposal of Property & Equipment	(597)	194,662
M&A Advisory and Legal Cost		1,521,000
Net Loss	**(4,539,732)**	**(5,491,822)**

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

Trade payables and accrued liabilities:

On August 31, 2022, the Company entered into an independent consultant agreement ("Consultant Agreement") with GripFast Solutions Inc., a company controlled by an independent director, to provide consulting services to the Company for scaling in the defense sector. The costs of all charges are based on the fees set in the Consultant Agreement and are settled on a monthly basis. The Company records these charges under External Partner Cost in the consolidated statement of loss and comprehensive loss. For the quarter ended September 30, 2025, the Company incurred fees of $24,000 (2024 - $24,000). As at September 30, 2025, the Company was indebted to this company in the amount of Nil (December 31, 2024 - $16,000).

Share Capital:

The Company has outstanding preferred shares valued at $206,188 that are non-redeemable and have no coupon interest payment and have a face value of $1 to a company controlled by a director of the Company. (2024 – $206,188) (Refer to Note 17)

Loans & Advance:

The Company has entered into promissory notes with the directors of the Company in 2024, at interest rates ranging between 0% and 15.50% per annum. The amount of $1,181,873 is outstanding as at September 30, 2025 and repayable in full between August 2026 and June 2029. This amount is included in long-term borrowing in the consolidated balance sheet.

Key management compensation

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

Compensation awarded to key management for the year ended September 30, 2025 and 2024 is summarized as follows:

	Three months ended	Nine months ended

	30-Sep-25	30-Sep-24	**30-Sep-25**	30-Sep-24
Salaries	**281,250**	156,201	**721,561**	589,701
Share-based payments	**174,356**	94,355	**356,803**	291,114
	455,606	250,556	**1,078,364**	880,815

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 Sept 30, 2025, the amount payable under this agreement would be $525,000.

The Company has an employment agreement with its CFO which provides that in the event the CFO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 12 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 12 months' salary, at $210,000 per annum, is payable. If the termination had occurred on Sept 30, 2025, the amount payable under this agreement would be $210,000.

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 in the capital of the Company ("Common Share") and one Common Share purchase warrant of the Company (each common share purchase whole warrant, a " May LIFE Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share (each, a "Warrant Share") at an exercise price of $0.20 per May LIFE Warrant Share for a period of 36 months following the date of issuance.

On May 14, 2025, the Company completed its shares-for-debt transaction and 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 Common Share purchase warrant of the Company (each whole warrant, a " June LIEF Warrant "). Each June LIFE Warrant entitles the holder thereof to purchase one Common Share (each, a "June LIFE Warrant Share ") at an exercise price of $0.30 per June LIFE Warrant 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 Common Share purchase warrant of the Company (each whole warrant, a "July LIFE Warrant"). Each July LIFE Warrant entitles the holder thereof to purchase one Common Share (each, a "July LIFE Warrant Share") at an exercise price of $0.76 per July LIFE Warrant 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 Common Share purchase warrant of the Company (each whole warrant, an "August LIFE Warran "), 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, amounted to $367,666, which is included in the total share-based payment expenses of $1,015,697 for the period. As part of purchase agreement, seller was entitled to earn-out clause and the arrangement involved the direct issuance of common shares rather than equity instruments granted under an option-based plan, the related amount was recognized in equity through capital stock, rather than through the share-based payment reserve. Included in the share-based payment expense of $1,015,697 is an amount related to the direct issuance of shares to Empire Drone, which is recognized in equity through capital stock rather than through the share-based payment reserve.

Preferred shares

	September 30, 2025		**December 31, 2024**	
	Shares	**Amount**	Shares	Amount
Issued for acquisition of Partner Jet Corp.	**206,188**	**206,188**	206,188	206,188
UAViation Aerial Solutions Limited Investment	**-**	**-**	80,000	80,000
Total	**206,188**	**206,188**	286,188	286,188

The above preferred shares are non-redeemable and have a face value of $1. The preferred shares outstanding at December 31, 2024 in UAViation Aerial Solutions Limited are in the Volatus owned subsidiary, Volatus Unmanned Services Inc. have been settled in full in 2025 by issuing common equity.

Stock Options

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

	September 30, 2025		December 31, 2024	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of period	**16,566,515**	**0.30**	14,623,953	0.25
Forfeited	**(166,138)**	**0.14**	(5,372,438)	0.56
Exercised	**(1,368,126)**	**0.29**		
Granted	**1,977,000**	**0.14**	-	-
Expired	**(707,149)**	**0.58**		
Options – acquisition	-	-	7,315,000	0.58
Outstanding, end of period	**16,302,102**	**0.27**	16,566,515	0.30

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2025:

	Options Outstanding			Options Exercisable		
Range of price (C$)	**Number of Stock Options outstanding**	**Weighted Average remaining contractual life (years)**	**Weighted Average Exercise Price**	**Number of Stock Options exercisable**	**Weighted Average remaining contractual life (years)**	**Weighted Average Exercise Price**
$0.10 - $0.19	6,547,290	3.27	0.13	2,065,622	2.84	0.13
$0.20 - $0.35	2,157,312	1.88	0.21	1,599,500	1.90	0.21
$0.36 - $0.50	6,247,500	1.25	0.36	6,247,500	1.25	0.36
$0.50- $0.75	1,350,000	1.49	0.58	1,350,000	1.49	0.58
	16,302,102	**2.16**	**0.27**	**11,262,622**	**1.67**	**0.33**

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

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

On August 30, 2024, the Company did a reverse acquisition with Drone Delivery Canada Corp. and acquired 7,315,000 stock options with an average exercise price of $0.58. The Company replaced the acquired DDC options with Volatus options with no changes to any terms of the options.

Restricted Stock Units (RSU)

On January 2, 2025, the Company granted 5,546,000 RSU's 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 RSU's 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 RSU's that will vest over three years and will expire five years from grant date.

	September 30, 2025		December 31, 2024	
	Number of RSU	**Weighted Average Exercise Price**	Number of RSU	Weighted Average Exercise Price
Outstanding, beginning of period	**-**	**-**	-	-
Granted	**9,946,000**		-	-
Forfeited	**(271,000)**			
Outstanding, end of period	**9,675,000**	**-**	-	-

The following table summarizes information about RSUs outstanding and exercisable as at September 30, 2025:

RSU Outstanding	RSU Exercisable

	Number of RSU outstanding	Weighted Average remaining contractual life (years)	Weighted Average Exercise Price	Number of RSU exercisable	Weighted Average remaining contractual life (years)	Weighted Average Exercise Price
2025 Issuance	9,675,000	4.45	-	-	-	-
Total	**9,675,000**	**4.45**	**-**	**-**	**-**	**-**

Warrants

Details of warrants and their value:

Sr. No	Issue Date	Number of warrants outstanding at September 30, 2025	Number of warrants outstanding at December 31, 2024	Exercise Price	Expiry Date
1	06-May-23	-	753,020	$0.28	06-May-25
2	06-May-23	-	4,723,110	$0.28	06-May-25
3	06-Nov-24	4,345,005	19,760,000	$0.20	06-Nov-26
4	06-Nov-24	372,552	1,383,620	$0.14	06-Nov-26
5	01-May-25	7,666,666	-	$0.20	01-May-28
6	14-May-25	17,640,000	-	$0.20	14-May-28
7	19-Jun-25	3,720,000	-	$0.20	19-Jun-28
8	27-Jun-25	10,964,000	-	$0.30	27-Jun-28
9	17-Jul-25	9,615,385	-	$0.76	17-Jul-28
10	14-Aug-25	4,644,231	-	$0.76	14-Aug-28
11	14-Aug-25	557,308	-	$0.76	14-Aug-26
		59,525,147	**26,619,750**	**$0.36**	

As of September 30, 2025, the following warrants were outstanding and exercisable:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, Dec 31, 2024	26,619,750	0.22
Issued	73,676,924	0.30
Expired	(5,476,130)	0.28
Exercised	(35,295,397)	0.20
Outstanding, September 30, 2025	**59,525,147**	**0.36**

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

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

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

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

On June 25, 2025, Volatus issued 3,720,000 debt settlement units to settle aggregate debt of $446,400. The Debt Settlement Warrants partially comprising the Debt Settlement Units warrants have an exercise price of $0.20 and expire 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 Debt Settlement warrants issued was $0.102 per Debt Settlement warrant. The following weighted average assumptions were used for the Black-Scholes valuation of share: share price of $0.20, risk-free interest rate of 2.89%, expected life of 3 years, expected volatility of 76% and expected dividends of Nil.

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

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

On July 17, 2025, Volatus issued 19,230,770 July LIFE units as part of its $10 million July LIFE (Listed Issuer Financing Exemption) Offering financing. Each July LIFE Unit is comprised of one common voting share in the capital of the Company (" Common Share ") and one-half of one Common Share purchase warrant 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 share: share price of $0.61, risk-free interest rate of 2.82%, expected life of 3 years, expected volatility of 78% and expected dividends of Nil.

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit Risk

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

The Company also maintains an allowance for credit losses at an estimated amount, allocating sufficient protection against losses resulting from collecting less than full payments from its receivables. There is no indication, as at this date, that the debtors will not meet their obligations, except as has been provided for as bad debts during the reporting periods. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all sales. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible. There are no significantly aged trade and other receivables on September 30, 2025 and 2024.

Foreign Currency Risk

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

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. As of September 30, 2025, the Company did not have any foreign currency hedges in place.

SUBSEQUENT EVENTS

On October 27, 2025, the Company announced the intellectual property acquisition of Unmanned Aerial Systems from a UK engineering firm for gross proceeds of $2 million payable in common shares at $0.75 (15 days VWAP from signing of definitive agreement). One half of the Common Shares (1,315,790) to be issued shall have the customary no-trade hold period of 4 months from the date of issuance and the other half of the common Shares (1,315,790) to be issued will have a no-trade hold period of 24 months from the date of issuance. The transaction was closed on November 10, 2025.

On November 26, 2025, the Company announced that it had closed its bought-deal public offering (the "Offering") and non-brokered private placement (the "November Private Placement") for aggregate gross proceeds of $26,391,500. Pursuant to the Public Offering, a total of 38,352,000 Common Shares were issued at a price of $0.60 per Common Share, including an aggregate of 5,002,500 Common Shares issued as a result of the full exercise of the over-allotment option (the "Over-Allotment Option"). Pursuant to the November Private Placement, 5,633,333 Common Shares were at a price of $0.60 per Common Share, to certain international strategic investors. The Public Offering was conducted by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including Ventum Financial Corp., Canaccord Genuity Corp. and Haywood Securities Inc. (collectively, the "Underwriters"). The Underwriters received a cash commission equal to 6.0% of the gross proceeds of the Public Offering (including the gross proceeds raised pursuant to the full exercise of the Over-Allotment Option) in addition to an advisory fee of $22,374 (inclusive of HST). The Company also paid finder's fees in the amount of $120,000 to certain persons who assisted the Company with the November Private Placement. The Company intends to use the net proceeds for development of the Company's Mirabel Manufacturing Hub, research and development of drone technologies to support the defence sector, potential acquisitions related to the defence sector, capital expenditures and for working capital and general corporate purposes.

BUSINESS RISKS

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

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

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

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

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

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

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

Supplier risk

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

Emerging Industry

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

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

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

Defense Sector Risk

The company's growing participation in the defense sector introduces several inherent risks. Defense procurement cycles are often lengthy and subject to shifts in government priorities, which can delay or reduce anticipated contract volumes. Sales to allied markets require strict compliance with export controls and technology-transfer regulations, and any restriction or delay in 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. The company also faces supply-chain risks related to specialized sensors, communications systems, and other controlled components, where disruptions or sourcing constraints could impact delivery schedules. Defense revenues may be concentrated among a small number of customers, creating exposure to changes in procurement policy or political direction. International engagements introduce geopolitical considerations, compliance obligations, and currency risks. In addition, the defense ISR and ISTAR market is competitive, and advancements by other manufacturers in autonomy, endurance, or sensor capability may influence the company's ability to secure and retain contracts.

UAS Manufacturing Risk Factors

The company's expansion into the manufacturing of unmanned aircraft systems introduces certain risks. 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. Manufacturing operations also carry risks related to regulatory compliance, workforce availability, and the need to maintain consistent product quality as volume increases. Failure to manage these risks effectively could impact margins, timelines, and overall program viability.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales, as detailed forecasts are not generally obtainable from other sources at this preliminary stage of the industry. A failure in the demand for its products or services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the businesses, results of operations and financial condition of the Company. In addition, while the Company maintains an active sales pipeline and has announced certain contract wins, there can be no assurance that such 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 revenues. As such, actual results may differ from management's expectations and forward-looking statements.

Industry Growth

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

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

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

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

Risk of Accidents
An accident involving a drone or UAV provided by the Company or another manufacturer could cause regulatory agencies around the world to tighten restrictions on the use of drones and UAVs, particularly overpopulated areas, and could cause the public to lose confidence in the Company's products. There are risks associated with unmanned systems and services, flight control, communications and/or other advanced technologies, and there may be accidents associated with these technologies, including crashes with or without personal injury. The safety of certain cutting-edge technologies depends in part on user interaction, and users may not be accustomed to using such technologies. The Company could face unfavorable and tightened

regulatory control and intervention on the use of UAVs and other advanced technologies and be subject to liability and government scrutiny to the extent accidents associated with the Company's systems occur. Should a high-profile accident occur resulting in substantial casualty or damages, either involving the Company's products or products offered by other companies, public and political confidence in and regulatory attitudes toward UAVs could deteriorate. Any of the foregoing could materially and adversely affect the Company's reputation, results of operations, financial condition, cash flow, and/or future prospects.

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

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

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

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

Regulatory approvals

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

Geographical Expansion

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

Foreign Political and Legal Risk

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

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

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

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

- non-performance by fourth party contractors;
- increases in materials or labour costs;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity; and
- inability to attract sufficient numbers of qualified workers.

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

- personnel, including significant increases to the total compensation as the Company pays its employees as it grows employee headcount;
- marketing, including expenses relating to increased direct marketing efforts;
- office and facility costs, as the Company increases the space it needs for its growing employee base; and

- general administration, including legal, accounting and other compliance expenses related to being a public company.

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

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

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

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

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

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

The Company's adoption of new business models could fail to produce any financial returns.

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

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

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

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

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

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

Cyber-threats

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

Reputational Risk

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

Future Capital Requirements

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

Operating Risk and Insurance Coverage

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

Dependence on Key Employees

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

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

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

Litigation

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

Future Acquisitions

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

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

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

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

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

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

which it does business, then the Company's business, prospects, results of operations and financial condition could be materially and adversely affected.

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

Key Talent and Expertise Risk

The company's ability to execute its strategy depends on access to specialized expertise across all segments, including commercial services, utility inspections, environmental programs, cargo operations, training, and defense. 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 defense lines of business.

Succession and Leadership Continuity Risk

The company's operational performance and strategic execution rely on continuity within leadership, program 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, customer-facing training staff, 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 programs, 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. Challenges in aligning teams, integrating new hires, or retaining high-performing employees may impact productivity, program 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 defense portfolios.

Catastrophic Events

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

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

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

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

Trade Policy and Geopolitical Risks

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting ("ICOFR")

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

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

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

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

Additional Information

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