



VOLATUS AEROSPACE CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management Discussion & Analysis ("MD&A") is intended to provide readers with the information that management believes is required to gain an understanding of the current results of Volatus Aerospace Corp. (the "Company" or "Volatus") and to assess the Company's prospects. The following MD&A is presented and dated as of April 27, 2023 and should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2022. The Financial Statements presented herein include the accounts of the Company and all its subsidiaries. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and all amounts, unless otherwise indicated, are expressed in Canadian dollars.

NON-IFRS FINANCIAL MEASURES

In this MD&A we describe certain income and expense items that are unusual or non-recurring. There are terms not defined by International Financial Reporting Standards (IFRS). Our usage of these terms may vary from the usage adopted by other companies. Specifically, *Gross margin, Gross profit, and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization)* are undefined terms by IFRS. Management believes that gross profit, defined as revenue less cost of goods sold, is a useful supplemental measure of operations. Adjusted EBITDA is a supplemental measure used by management and other users of Volatus' financial statements, including lenders and investors, to assess the financial performance of the Company's business without regard to financing methods or capital structure. Adjusted EBITDA is also a key metric that management uses prior to the execution of any strategic investing or financing opportunity. For example, management uses Adjusted EBITDA as a measure in determining the value of acquisitions, expansion opportunities, and dispositions. In addition, Adjusted EBITDA is utilized by financial institutions to measure borrowing capacity. The Company believes that Adjusted EBITDA is useful to management, lenders, and investors in assessing the underlying performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements. The Company defines Adjusted EBITDA as IFRS net loss excluding interest expense, depreciation and amortization expense, share-based payments, income tax expense, integration costs, acquisition cost, and impairment of goodwill, property, plant, and equipment and right-of-use assets (ROU).

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

**Volatus Aerospace Corp.
Management’s Discussion & Analysis
For the year ended December 31, 2022**

FORWARD-LOOKING STATEMENTS

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

BUSINESS OVERVIEW

Volatus was incorporated on December 17, 1987, and has its registered office located at 60 Airport Road, Oro Medonte, Ontario L0L 2E0, Canada. The Company, through its subsidiaries, including, Volatus Unmanned Services Inc., Volatus Flight Systems Inc., Volatus Technologies Inc., Volatus Aerospace USA Corp., Volatus Aerospace LATAM S.A., Volatus Aerospace UK Limited and Volatus Aviation (consisting of Partner Jet Inc., Canadian Air National Inc., and Synergy Aviation Ltd.), is one of Canada’s leading, technology-enabled data analytics, intelligence, and logistics company. Steeped with aviation experience, the Company is dedicated to commercializing the full potential of unmanned technologies throughout the Americas and around the world. With locations across Canada, the United States, Latin America, and the United Kingdom, the Company offers a comprehensive range of solutions for civilian and military applications.

The Company’s mission is to be a leading, fully integrated unmanned technologies and services business and be at the forefront of melding uncrewed applications with traditional crewed aviation service offerings. In addition, one of our goals is to increase sustainability and help people do more for the planet. We’re reducing the environmental impact of our operations and working to empower people everywhere to live more sustainably.

The Company has acquired several established UAV (Unmanned Aerial Vehicles commonly known as Drones or Remotely Piloted Aircraft) technology and solution businesses to consolidate its position as an international player with operations from coast to coast across the Americas. The Company has a physical presence in Alberta, British Columbia, Manitoba, Ontario, Quebec, Prince Edward Island, New York (United States), Pennsylvania (United States), New Jersey (United States), Lima (Peru), and Emsworth (United Kingdom). The Company also has satellite offices in Florida, Nevada, Ohio, Illinois, Oklahoma, Oregon, Missouri, Texas, Maine, Colombia, the UK and Peru. In addition, a network of over 1200 Transport Canada and FAA-qualified UAV pilots is available to the Company to support service delivery in every province and territory of Canada and the US.

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

The Company under the Volatus Flight Systems Inc., and Volatus Technologies Inc., subsidiaries represent its technology arm. It offers system design engineering, research & development, and manufacturing. Volatus Flight Systems was formed in 2020 with the acquisition of the assets of Brican Flight Systems Inc. These assets include the intellectual property rights to the TD100 (since renamed M100 Velos and E100 Vedette) UAV program. The fixed-wing drone technology is the culmination of over 10 years of research and development activity leading to a commercialization readiness state. Volatus Technologies, formed in 2021, focuses on additional technological solutions developed to cater to the defense market, mining, and remote surveillance operations. One variant of the fixed-wing drone, the drone-in-the-box solution, and the surveillance fixed wing-drone for defense are expected to be marketed and sold commencing in 2023.

The Company, under its Volatus Unmanned Services and Volatus Aerospace USA subsidiaries, offers unmanned aerial vehicle (UAV) system sales and training; aerial inspection and imaging services; data processing and management, maintenance, and repair to numerous industries.

The Company, under its Volatus Aviation segment, offers long-linear inspections such as pipeline, energy, rail, and cargo services. The Company uses its proprietary technology 'AIRS' to capture and process data that is shared through its Valqari platform.

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

BUSINESS HIGHLIGHTS

The first half of 2022 is expected to be a slower period due to reduced service activities in Canada. Winter weather conditions create this seasonality in the business in Canada and the Northern USA. The third quarter is a stronger quarter compared to the first two quarters. Due to the Russian invasion of Ukraine, the significance of drones in the defense segment has increased dramatically. This has created opportunities for Volatus specifically in the ISTAR (Intelligence, Surveillance, Target-Acquisition, and Reconnaissance) categories. We have seen an increase in demand in our drone sales activities. This includes both third party OEM drones and our own technology solutions produced at our Lake Simcoe Regional Airport facility. The Company established a presence in London, England, to have a better access to potential sales in NATO countries to meet the demand for drones in defense. The Company continued to execute its strategy of creating partnerships with technology companies across the globe. It leveraged its sales and business development team to expand its offerings to its customers in both the industrial and defense segment. The Company also made an additional strategic acquisition in the second and fourth quarter to expand its business vertical into pipeline inspections and new geographies.

Despite the expected seasonality caused by colder temperatures in northern USA and Canada during the latter portion of the period combined with the holiday season, the Company achieved a number of important milestones, including the following:

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

Closing of Successful Over-subscribed Financing

On October 6, 2022, Volatus closed an over-subscribed financing for gross proceeds of \$4,021,852, which increased the public float by 11,171,812 common shares. This financing enabled us to continue the growth momentum and add \$7,206,549 in the last quarter of 2022, a growth of 146% compared to same quarter last year (Q4 2021).

Expanding Recurring Revenues in Oil and Gas Pipeline

Volatus added more than 500,000 km of Oil & Gas Pipeline Right of Way surveillance with the acquisition of Synergy Aviation Ltd. solidifying Volatus' position in Western Canada and providing privileged access to much of the oil and gas industry. Synergy's leadership in the sector combined with Volatus' technology solutions will position the Company with a strong competitive advantage to introduce innovative, efficient, green, remotely operated drone solutions to fulfill regulatory and asset monitoring requirements.

Increasing Our Presence in the UK, EMEA

Volatus completed the acquisition of iRed Limited, based in Emsworth, England, a drone services provider specializing in thermography, optical gas imaging, and training. This acquisition provides a foundation for continued growth in the region and reinforces Volatus' overall thermographic capabilities. In addition, iRed enables Volatus to expand its international reach as a value-added reseller and distributor of Volatus' own technologies.

Introduction of New Technology - Hydra

Volatus introduced its new 'Hydra' robotic crawler. Although the Hydra was originally designed and sold to the mining industry, its ability to handle challenging terrains, its modularity, and its ability to keep crew out of dangerous situations makes it compelling for use in a variety of industries in civil, public safety, and defense.

Targeting a Larger Market and Increased Margins for USA Equipment Sales

Volatus announced a definitive agreement to acquire New York based Empire Drone Company LLC. Empire is a rapidly growing, value-added reseller focused on equipment and solution sales in the commercial and public safety markets in the United States. This acquisition was closed on January 31, 2023 and will accelerate Volatus' growth in the vast USA market by maximizing gross margin performance through domestic supply and offer improved after sales support, maintenance, and repair by eliminating the need for cross border shipments. This acquisition also reduced the exchange currency risk especially involving goods purchased in USD and sold in CAD. Empire, combined with Volatus existing distribution in Canada, LATAM, and now iRed in the UK, establishes Volatus to be a leader in equipment distribution and after-market support in the industry.

\$500k Grant from Research Manitoba for Scientific Experiential Aerial Research Program (SEAR)

Research Manitoba and the Government of Manitoba approved a \$500k grant to Volatus to expand its Science Experiential Aerial Research (SEAR) Program with additional funding from industry partners to prepare high school students for careers in STEAM and the drone industry, aviation, and aerospace. The Company's SEAR program is designed to partner high school students with industry to research unique alternatives to solving community challenges.

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

Introducing a Subsidized Financing Program for rapid drone adoption

On July 6, 2022, Volatus announced a full-service financing program for enterprises and industrial drone equipment in partnership with Mitsubishi HC Capital Canada to help drone service providers, public safety agencies, and industrial clients leverage the rapid evolution of related technologies in Canada and the US. This program will help counter increasing interest rates due to inflation and the slow credit approval process. The Financing approval for customers is targeted within 48 hours for sums up to \$2 million per transaction. This program is expected to boost revenue across segments, reduce accounts receivable, and create a competitive advantage for Volatus.

Volatus Redeploys Aircraft Capital

As part of the amalgamation with Partner Jet Corp, in late 2021, Volatus assumed ownership of a Cessna Citation X business jet that was dedicated to revenue-generating third-party charter services. Continuing this activity was in line with our strategy to eventually merge crewed and uncrewed aircraft activity, such as large cargo drones, as the regulatory environment evolves. However, as a result of the acquisition of Canadian Air National Inc., as reported in the second quarter 2022 financial statement and the acquisition of Synergy Aviation on Oct 31, 2022, Volatus had three Transport Canada-approved air operating certificates and licenses through these acquisitions. To remain focused on core business activities of drones and surveillance and to take advantage of elevated used aircraft values, Volatus sold the Citation X aircraft with proceeds of approximately \$5.3 million with a gross margin of 33%. This capital was used to repay the debt related to the aircraft and deployed in uncrewed and inspection and surveillance business through Synergy Aviation.

BVLOS Approval and Conducting Remote Flight Operations

On August 10, 2022, Volatus received a Beyond Visual Line of Sight ("BVLOS") Special Flight Operations Certificate (SFOC) from Transport Canada to operate a remotely piloted aircraft (RPAS, drone) without a visual observer using a ground-based optical detect and avoid system. This is a key milestone in the commercialization of the Volatus developed AERIEPORT nesting station and a necessary and important step toward commercializing drone technologies at scale in Canada.

Following the approval, Volatus remotely operated multiple drones in flight at Las Vegas, NV, from its remote operations center at the Lake Simcoe Regional Airport in Ontario. This demonstration showcased the industry, the capabilities of remote operations and the path to commercializing BVLOS missions.

Strategic Partnership with Radar Company

To grow BVLOS operations on a large scale, Volatus collaborated with Accipiter Radar Technologies Inc. to facilitate and commercialize drone flights beyond visual line of sight (BVLOS). This will allow Volatus to introduce clean energy drone solutions for a variety of aerial inspections in oil and gas pipeline, energy, railway, and arctic surveillance using remotely piloted aircraft (drones) operating beyond visual line of sight. This partnership will play a key role in expanding our service offerings for long linear inspections in pipeline, rail and power line applications.

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

Profit with Purpose

The Company has signed and successfully completed RPAS technical skills training program with Moose Cree First Nation. The training activity took place in the Moose Cree community, and Volatus is actively mentoring members of the community in developing its critical skills and infrastructure for a robust RPAS business servicing the community.

ESG (Environment Social and Governance) Initiative

Because drones are battery operated or require less fuel to operate than crewed aircraft, they are—by default—a green technology that can help multiple industries reduce their Scope 3 carbon emissions. As a responsible corporation, Volatus has taken the initiative of measuring the reduction of greenhouse gas emissions across sectors when replacing carbon-heavy legacy practices with drones. The Company is currently implementing an environmental impact reporting strategy. This initiative will not only help Volatus quantify its impact on the environment but also expand its access to environmentally conscious impact investments and funds. With impact investments reaching over \$1 Trillion in U.S. dollars globally and 50% of those investments located within the U.S. and Canada, it is an initiative that is not only socially and environmentally responsible but also financially responsible.

Scaling Product Offerings and Capitalizing Defense Segment

Due to the Russian invasion of Ukraine, the demand for drones in defense applications has scaled significantly across the globe. Expanding in the United Kingdom and Europe was initially planned to take place in 2023/2024 but current opportunities accelerated the plan. Volatus had begun delivery of intelligence, surveillance, and reconnaissance (“ISR”) drones to a consortium of organizations supporting Ukraine.

The Company signed a global marketing and distribution agreement with UK based UAVTEK Limited and reseller agreements with Ascent Aerosystems Inc., and AeroVel Corporation. All three partnerships will allow the Company to market and sell high-endurance intelligence, target acquisition, and reconnaissance platforms tailored for ISR roles.

The Company made a major defense debut at CANSEC, Canada's global defense and security trade show in Ottawa, Ontario on June 1st and 2nd, 2022. At the event, through the strong support of Global Affairs Canada, the Company held high-level meetings with military attaches from Latin America, Europe and Africa.

The Company appointed Lt. General (Ret'd) Andrew Leslie to its Board of Directors. Lt. General Leslie is an expert in leadership, governance, risk management and ethics, and will provide independent advice to the Board of Directors and Leadership with particular focus on defense. Born into a multi-generational military and public service family, he has been a soldier, business leader, and a Member of Parliament for the federal riding of Orléans (2015). As a parliamentarian, he was a member of the Privy Council, Chief Government Whip, and Parliamentary Secretary focused on Canada–US relations, helping with NAFTA and other global matters.

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

Introducing Vetted by Volatus Program

Volatus provides custom solutions that use in-house and OEM drone technologies. As the OEM drone market is crowded with smaller players, Volatus has introduced the “Vetted by Volatus” program. Under this program, before the technology is sold or integrated by Volatus, a team of drone experts performs due diligence on the technology and certifies it as ready to be sold. Through our RPV Aviation subsidiary, the Company has leveraged RPV's regulatory strengths to assist OEM partners achieve compliance for their intended use. This program enables us to offer the best technology solutions to the industry and defense sectors.

Product Development

On June 20, 2022, Volatus at the Annual Energy Drone & Robotics Summit in Houston, Texas, introduced the inhouse developed AERIEPORT, an all-weather drone nesting station. This product is designed to operate remotely in extreme temperatures ranging from -50°C to +50°C. It features an onboard weather station, a 4-SIM, 5G, highspeed LTE connection with a Satcom option, an integrated ground-based detect and avoid system, a mission planner and remote operations system. Industry applications include oil and gas, rail, utilities, forestry, security, mining, agriculture, construction, and infrastructure. This product is expected to revolutionize various sectors through remote autonomous flights.

Expanded in Latin America

Volatus has entered into a joint venture agreement with EOLO Holdings S.A., a Latin American company, to create a Panama based corporation named Volatus Aerospace LATAM S.A. (“Volatus LATAM”). Volatus has an ownership interest equal to 75% of Volatus LATAM and EOLO Holdings S.A. has an ownership interest equal to 25%. Volatus LATAM was incorporated in Panama on November 11, 2022. The purpose of Volatus LATAM is to develop, market and sell the full suite of Volatus offerings in Central and South America.

Setting a Strong Foothold in Quebec

The Company made a strategic move with the acquisition of MVT Geo Solutions Inc February 28, 2022. This acquisition enhanced the Company's service and data processing capabilities in the province of Quebec and Eastern Canada. Volatus will integrate the operations of MVT to provide data insights and scale its LiDAR expertise across Canada.

Expanded in Pipeline Inspection Business

The Company through the acquisition of Canadian Air National Inc., a commercial aircraft operator, has expanded into pipeline inspections for the oil and gas industry. Building on a 3-year contract with a major gas utility, we intend to introduce sensor and drone technologies to monitor pipeline integrity.

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

Scaling Public Safety

The Company has hired key resources from the US public safety sector. These hires were made to expand the offerings to Public Safety organizations in the United States & Canada. The Solutions include selling drone technologies, providing surveillance service capabilities, drone training, customized solutions, and integrations.

Introducing Drone Network News

As part of creating a drone community and demonstration of thought leadership, Volatus introduced Drone Network News. This channel is developed to educate various stakeholders in the industry and enable sharing of knowledge and informed decision making. This channel highlights all the key developments in the drone industry across the globe through articles, discussions, and podcasts with the key leaders.

Trading on OTCQB – VLTF

On March 2, 2022, the Company qualified to trade its shares on the OTCQB market under the ticker symbol VLTF. This will provide additional liquidity to the shares and access to the US capital market.

RESULT AND BUSINESS OUTLOOK

FY 2022 Total Reported Revenue of \$29,771,139

As the industry adopts the use of unmanned aerial vehicles in various segments, the demand for drone technologies is increasing in both the commercial and defense segment. The Russian invasion of Ukraine accelerated the adoption of drone technologies across the globe in the defense and changed the face of modern warfare. The Company increased its fourth quarter reported revenues from \$2,931,692 in Q4 of 2021 to \$7,213,129 in Q4 of 2022, a growth of 146%. On an annual growth comparison (2022 Vs 2021), the reported revenue grew by 200%, from \$9,913,953 to \$29,771,139. On a proforma unaudited basis, the total revenue for the year ended Dec 2022 was \$39,085,183.

In Q4 2022, the Company added an additional revenue stream by acquisition of Synergy Aviation, Alberta based Oil and Gas inspection and surveillance company and iRed Limited, a UK based drone services and training company. The Company now services large Oil and Gas clients using crewed aircrafts – rotary wings and fixed wing. The data collected gets processed through its proprietary software called AIRS (Aerial Inspection Reporting System).

FY 2022 Gross Profit of \$8,345,353

The reported gross margin achieved in FY 2022 averaged 28% compared to 26% in FY 2021. On a proforma basis, FY 2022 gross margin averaged 31%. Higher margins were due to increase in service activities. FY 2022 reported gross margins by segment were 24% for equipment sales and 40% for services. Services segment is expected to generate a gross margin of 40% to 45% over the long term. Gross margins generated from equipment sales have been adjusted for shipping costs, payment gateway fees, and other direct costs.

Volatus Aerospace Corp. Management’s Discussion & Analysis For the year ended December 31, 2022

FY 2022 Revenue Distribution

For the year ended December 31, 2022, product mix consisted of Equipment sales at 77%, and services at 23% compared to, equipment sales of 79% and revenue from services of 21% in 2021. On a proforma basis for the year ended 2022, equipment sales were 58%, services at 42%. For Q4 2022, equipment sales were 61% and services at 39%. Over the long-term as the industry keeps maturing, the product mix will change more towards service segment that generates higher gross margins.

The distribution for product sales increased due to higher volume led by both commercial and defense segments. The increase in distribution for services compared to previous year was due to industrial adoption of drones and expansion of the Company in the long-linear inspection sector.

BUSINESS OUTLOOK AND STRATEGY

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

The Company also realized that certain sectors cannot be disrupted using drones due to regulatory guidelines and slow adoption rate. In certain cases, the Company will use conventional aircrafts – helicopters and fixed wing planes. And slowly introduce drones and replace these aircrafts generating higher gross margins and cost savings to its customers.

SELECTED FINANCIAL INFORMATION

The following selected financial data has been extracted from the consolidated financial statements for the fiscal years indicated and should be read in conjunction with the consolidated financial statements.

	2022	2021
Total Revenue	29,771,139	9,913,953
Gross Profit (as a % of revenues)	28%	26%
Net loss	(7,000,144)	(2,044,763)
Comprehensive loss	(6,974,830)	(3,678,734)
Adjusted EBITDA (loss)	(3,710,639)	(2,379,195)

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

Comprehensive loss per share, basic and diluted		
- Basic	(0.063)	(0.033)
- Diluted	(0.063)	(0.033)
Change in Cash and Cash Equivalents	(5,122,254)	8,616,863

Revenues for year ended December 31, 2022 increased significantly due to the increased sale of equipment, and increase in services activities, and addition of service revenue due to acquisitions in 2022. The scale was due to increased momentum in defense segment, presence in new markets, entry into long linear pipeline inspection, and increased industrial and commercial demand.

The reported gross margin of the Company was 28% for the year and 31% on a proforma basis after adding gross margin from acquired businesses. The average reported gross margin increased due to higher revenues from service businesses and sale of Volatus technology solutions.

The Comprehensive Loss included finance expenses consisting mostly of interest on promissory notes and right-of-use expenses.

The adjusted EBITDA loss for year ended December 31, 2022, totaled (\$3,710,639), an increase from (\$2,379,195) in 2021. The increase is attributable to scale in human capital to new regions, increased research and development expense, and additional spends on advertisement and marketing cost.

The Cash and Cash Equivalents decreased by \$5,122,254 for the year ended December 31, 2022. The decrease was attributable to acquisitions, increase in working capital, and higher operating expenses. Cash used in operating activities was \$7,112,474. The increased cash use was due to a ramp up in inventory (and prepaid expenses) to meet increased demand and higher receivables. Due to supply chain constraints, the Company increased the inventory holdings from \$686,610 in Dec 2021 to \$3,762,031 in December 2022 to minimize the impact on revenue opportunities. Accounts receivables increased by \$3,631,833 in 2022 compared to 2021.

As at	2022	2021
Total Assets	33,609,987	22,668,821
Goodwill	689,835	583,188
Total non-current Liabilities	13,246,800	3,788,122
Working Capital	7,615,000	7,372,281
Shareholder's Equity	14,197,852	15,260,042
Distribution or Cash Dividends	-	-

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

As at December 31, 2022, the Company held total assets of \$33,609,987. The increase in total assets was due to the acquisition of Synergy Aviation and the addition of \$3,742,555 (\$4,226,772 excluding fees and related expenses) in net equity raised. The Company continued to deploy cash in operating activities and scale its service segment. The increase in total liabilities was mainly driven by increased accounts payable and an increase in long-term borrowings due to acquisitions, and the addition of an operating line of credit. The Company has total cash of \$3,684,581 as of December 31, 2022.

RESULTS OF OPERATIONS

	Year ended		
	2022	2021	2020
Revenue	\$ 29,771,139	\$ 9,913,953	\$ 61,230
Cost of goods sold	17,210,773	6,298,929	56,913
Cost of providing services & training	4,215,013	1,086,314	-
GROSS PROFIT	8,345,353	2,528,710	4,317
OPERATING EXPENSES			
Audit fees	110,015	72,300	25,000
Advertising & marketing	2,225,224	521,250	14,215
IT & tech	512,056	169,571	10,173
Personnel	5,660,069	2,080,871	5,430
Research & development	541,023	-	-
Office cost	1,513,960	425,355	5,383
Travel	419,823	196,998	1,637
External partner cost	1,446,263	246,544	1,478
Depreciation	1,384,665	401,433	-
Share based Payments	1,244,858	459,152	-
	15,057,956	4,573,473	63,316
(Loss) from operations	(6,712,603)	(2,044,763)	(58,999)
OTHER ITEMS - INCOME/(EXPENSE)			
Canada Emergency Wage Subsidy	-	61,178	-
Unrealized gain on investments	-	-	494,851
Finance cost	(526,238)	(438,954)	(153)
Goodwill impairment	-	(1,399,029)	-
Other income (expense)	411,502	131,785	-
Gain (Loss) on disposal of drones	9,969	37,006	-
Foreign exchange translation	(182,774)	(25,958)	(59)
Net loss	(7,000,144)	(3,678,734)	435,641

OTHER COMPREHENSIVE LOSS

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

Foreign operations - foreign currency translation differences	25,314	-	-
Comprehensive Loss	\$ (6,974,830)	\$ (3,678,734)	\$ 435,641
Owners of Volatus Aerospace Corp.	(6,626,174)	(2,781,156)	440,101
Non-controlling interest	(348,656)	(897,578)	(4,460)
	\$ (6,974,830)	\$ (3,678,734)	\$ 435,641
Earnings (loss) per share			
Basic	(0.063)	(0.033)	0.006
Diluted	(0.063)	(0.033)	0.006

The Company generated revenues from three major segments: Sale of equipment (drones and aircrafts) (products), uncrewed services consisting of drone services and training, and crewed services consisting of charter services and long liner pipeline inspections. For the year ended 2022, services and training segment generated gross margins of 40% and equipment sale generated a gross margin of 24%. The sale of third-party products has low gross margins compared with services and training. The average gross margin for 2022 was 28%. On a proforma basis, after adding the gross profit generated from divisions prior to the date of acquisitions, gross margin was 31%.

The Company spent \$2,225,224 on marketing activities including participation at trade shows, investor relations, advertising, and business development events. The Company has spent a total of \$569,063 on investor relations (IR) activities for the year ending 2022.

Personnel costs increased by \$3,579,198 for the year ended December 31, 2022 compared to FY 2021. The majority of this increase is due to the hiring of additional business development and sales staff and additions due to acquisitions during the course of 2022. On a quarter-to-quarter growth basis, personnel cost increased by 11% from \$1,393,606 in Q3 2022 to \$1,552,913 in Q4 2022.

Office costs increased by 255% from \$425,355 in FY 2021 to 1,513,960 in FY 2022. The increase was attributable to insurance costs, maintenance, rental, and addition due to acquisitions. The external partner cost consists of third-party consulting firms, marketing firms, legal firms, and transfer agent fees. The cost increased on a year-on-year basis due to a one-time expense incurred in Q1 2022 related to the due diligence activities of the potential acquisition of French-based Delta Drone SA, and higher marketing, legal, and consulting fees.

The Company issued stock options under its Stock Option Plan to certain mid-management personnel, officers, and directors of the company. These options were issued at a weighted average exercise price of \$0.55 with vesting period of 2 and 3 years.

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:

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue	7,213,129	11,120,589	6,629,593	4,807,829
Cost of goods sold	(5,190,979)	(7,791,145)	(4,728,673)	(3,714,989)
GROSS PROFIT	2,022,150	3,329,444	1,900,920	1,092,840
<i>Gross Margin</i>	28%	30%	29%	23%
OPERATING EXPENSES				
Audit fees	90,000	10,000	10,015	-
Advertising & marketing	575,539	599,285	591,365	459,035
IT & tech	164,260	140,392	110,775	96,629
Personnel	1,552,913	1,393,606	1,565,456	1,148,094
Research & development	541,023	-	-	-
Office cost	490,740	378,474	416,589	228,157
Travel	144,372	140,622	54,456	80,373
External partner cost	512,171	393,238	158,356	382,497
Depreciation	604,849	270,081	300,511	209,224
Share based Payments	340,761	330,918	290,103	283,076
Total Operating Expense	5,016,629	3,656,615	3,497,626	2,887,086
Operating Expense Ratio	70%	33%	53%	60%
(Loss) from operations	(2,994,479)	(327,171)	(1,596,707)	(1,794,246)
OTHER ITEMS - NCOME/(EXPENSE)				
Finance cost	(249,798)	(121,672)	(81,239)	(73,528)
Other income	192,498	79,640	31,576	107,788
Gain (Loss) on disposal of drones	414	10,566	(1,011)	-
Foreign exchange translation	(195,277)	6,430	20,484	(14,412)
Net and Comprehensive (Loss)	(3,246,645)	(352,206)	(1,626,896)	(1,774,397)
Comprehensive (Loss) per share				
Basic	(0.030)	(0.013)	(0.019)	(0.021)
Diluted	(0.030)	(0.013)	(0.019)	(0.021)

Total revenue for the three months ended Dec 31, 2022, increased from \$2,931,692 in Q4 2021 to \$7,213,129 in Q4 2022. On a quarter-on-quarter growth basis, the revenue for three months ended December 31, 2022, decreased by 35% as compared to quarter ended September 30, 2022. The seasonality and holiday season in Q4 2022 slowed the sale of equipment.

**Volatus Aerospace Corp.
Management’s Discussion & Analysis
For the year ended December 31, 2022**

Gross margin increased from 23% in Q4 2021 to 28% in Q4 2022. As the product distribution changes and have more weightage towards services and Volatus own Integrated Technology Solutions, gross margin are expected to increase.

SG&A expenses increased by 37% on a quarter-on-quarter growth between December 31, 2022, and September 30, 2022. The increase was attributable to audit fees, higher personnel costs, investment in research and development, higher office expenses and external partner costs. Some of the increase were attributable to two acquisitions closed in Q4 2022.

For three months ended December 31, 2022, the Company incurred a net loss of (\$2,994,479) compared to net loss of (\$1,328,628) in Q4 2021.

LIQUIDITY AND CAPITAL RESOURCES

The following is a summary of working capital as of December 31, 2022 and December 31, 2021:

	As at	
	December 31, 2022	December 31, 2021
Current Assets	13,780,334	10,992,937
Current Liabilities	6,165,334	3,620,656
Working Capital	7,615,000	7,372,281

Current Assets of \$13,780,334 as of Dec 31, 2022 (December 31, 2021 - \$10,992,937). The balance was primarily comprised of cash of \$3,684,581, trade receivables of \$4,330,189, prepaid expense and deposits of \$2,003,533, and inventory of \$3,762,031.

Current Liabilities of \$6,165,334 as of Dec 31, 2022 (December 31, 2021 - \$3,620,656). The balance was primarily comprised of trade payables of \$3,397,068, lease liability of \$ 325,950, current portion of long-term borrowings of \$1,995,681, and other short-term liabilities of \$373,163.

The decrease in working capital for the year ended Dec 31, 2022 was because of operating activities and increased debt due to acquisitions. The cash balance reduced between December 31, 2021 and Dec 31, 2022 which has been used to scale the Company, invest in fixed assets, and close acquisitions. In order to manage working capital efficiently, the Company has entered into a demand revolving credit facility of \$2,000,000, which bears interest based on the bank’s prime rate plus 2.78%. The interest rate has gone up from prime + 1% to Prime + 2.78% compared due to the guarantee issued by EDC. As of Dec 31, 2022, the amount drawn under this facility was \$1,965,000, which was included in other loans.

Due to the ongoing supply chain constraints, the Company has invested in inventory and advances to suppliers as the procurement cycle started to increase. This enabled rapid scale and availability of inventory to satisfy the increased market demand.

**Volatus Aerospace Corp.
Management’s Discussion & Analysis
For the year ended December 31, 2022**

Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximates their carrying values because of their short-term nature. Volatus also plans to finance its operations through private and public offerings.

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

Management intends to finance operating costs over the next twelve months predominantly with cash on hand, profits, and with the issuance of securities such as the prospectus offering, private placement of common shares and convertible debentures. Further, in order to maintain or adjust its capital structure, the Company may issue new shares, new debt, or scale back the size and nature of its operations. The Company is not subject to externally imposed capital requirements. As of Dec 31, 2022, shareholders’ equity was \$14,197,852 and on December 31, 2021, shareholder’s equity was \$15,260,042.

On Oct 6, 2022, the Company announced the closing of a preliminary short form prospectus offering 11,171,812 units of the Company (the “Units”) at a price of \$0.36 per Unit (the “Offering Price”) for aggregate gross proceeds to the Company of approximately \$4,021,852. Each Unit of will consist of one common share (a “Common Share”) and one common share purchase warrant (each, a “Warrant”). Each Warrant will entitle the holder to acquire one additional Common Share at an exercise price of \$0.50 per Common Share for a period of 24 months from the closing of the Offering. In addition, the Company is closed concurrent with the prospectus offering, a non-brokered private placement of 569,222 Units at the Offering Price for gross proceeds of \$316,611 on same terms. In connection with the Offering, the Company: (i) issued the Agents an aggregate of 879,475 compensation warrants, each of which is exercisable into one Common Share at an exercise price of \$0.36 for a period of 24 months from the date of issuance; and (ii) paid the Agents an aggregate cash commission of \$316,610.97.

CASH FLOWS:

	For the year ended	
	2022	2021
Net cash used in Operating Activities	(7,112,474)	(1,573,017)
Net cash used in Investment Activities	(374,308)	(1,566,845)
Net Cash provided by Financing Activities	2,364,528	11,756,726
Net change in cash	(5,122,254)	8,616,863

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

Operating Activities

The net cash used in operating activities was primarily due to increase in prepaid expenses, inventory and trade receivables.

Investing Activities

The net cash used in investment activities was primarily due to the cost of acquisition of MVT Geo Solutions Inc., RPV Aviation Inc., and Canadian Air National Inc., and investment in fixed assets, especially drones.

Financing Activities

The net cash provided by financing activities was primarily due to the addition of debt during acquisition and addition of demand revolving credit facility.

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 December 31		Twelve months ended December 31	
	2022	2021	2022	2021
Adjusted EBITDA (loss)	(2,051,237)	(2,219,398)	(3,710,639)	(2,379,196)
Interest	249,798	146,066	526,238	438,954
Depreciation	604,849	127,536	1,384,665	401,433
Share-based Payments	340,761	251,768	1,244,858	459,152
Due diligence cost	-	-	133,774	-
Net Loss	(3,246,645)	(2,744,768)	(7,000,144)	(3,678,734)

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

Trade payables and accrued liabilities:

Volatus Aviation is engaged in a pass-through transaction with Flight Solutions Services Inc., a company controlled by a director of the Company. Aircraft operating expenses are reimbursed at cost to the related party with no mark-up or margin.

The Company paid an indebted amount of \$2,491,516.36 towards a promissory note and accrued liabilities against the purchase of a Citation X aircraft operated by Partner Jet (Volatus Aviation). The Citation X Jet was sold and thus the promissory note bearing an interest rate of five percent (5%) was settled on Q4 2022. (2021 - \$2,230,931)

The Company also settled accounts payable of \$19,320.12 towards purchase of fuel for operating the Citation X on Charter as pass through transaction to external vendors. The payable outstanding on Dec 31, 2022 is \$3,424 (2021 – \$123,241).

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. For the year ended December 31, 2022, the Company incurred fees of \$50,000 compared to \$Nil in 2021. As at December 31, 2022, the Company was indebted to this company the amount of \$8,000 (December 31, 2021 - \$nil).

Share Capital:

The Company has outstanding preferred shares valued at \$352,634 that are non-redeemable and have no coupon interest payment and have a face value of \$1. (2021 – \$704,322). In 2022, \$351,688 were repaid.

These transactions were 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.

Key management compensation

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management for the years ended December 31, 2022 and 2021 included:

	2022	2021
Management Fees paid to company controlled by CFO	\$ -	\$ 72,000
Management Fees paid to company controlled by VP of Business Development	-	60,000
Salaries	856,651	282,194
Share-based Payments	1,168,658	399,262
Total	\$ 2,025,309	\$ 813,456

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 18 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 18 months' salary, at \$350,000 per annum, is payable. If the termination had occurred on September 30, 2022, the amount payable under this agreement would be \$525,000.

The Company has an employment agreement with its CFO which provides that in the event the CFO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 12 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 12 months' salary, at \$190,000 per annum, is payable. If the termination had occurred on September 30, 2022, the amount payable under this agreement would be \$190,000.

CONTRACTUAL OBLIGATIONS

The following tables reconcile the changes in ROU assets for the years ended December 31, 2022 and 2021:

	2022	2021
Cost		
Balance, beginning of year	\$ 1,455,788	\$ -
Additions	99,037	1,174,428
Disposal/impairment	(25,821)	-
Acquired through business acquisition	-	281,360
Balance, end of year	1,529,004	1,455,788
Accumulated amortization		
Balance, beginning of year	225,867	-
Disposal/impairment	(4,304)	-
Depreciation	312,860	225,867
Balance, end of year	534,423	225,867
Net book value	\$ 994,581	\$ 1,229,921

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

SHARE CAPITAL

The Company's authorized share capital is unlimited common shares without par value. As of December 31, 2022, there were 113,943,079 issued and outstanding common shares and 352,634 issued and outstanding preference shares. In addition, there were 5,180,000 share options outstanding at an exercise price ranging from \$0.36 and \$0.65 per share and 24,954,951 warrants outstanding with exercise prices ranging from \$0.36 and \$0.75 per share.

SUBSIDIARIES & ACQUISITIONS

RPV Aviation Inc.

On January 31, 2022, Volatus acquired RPV Aviation Inc., an Ontario-based regulatory consulting company specializing in the safety and certification of unmanned aircraft, for a total cash value of \$125,000, payable in four quarterly instalments. The purchase price includes a contingent consideration of \$25,000 payable on the first anniversary of acquisition upon meeting performance guarantees.

The fair value of identifiable assets acquired, and liabilities assumed as at the acquisition date are as follows:

Purchase Price Allocation - RPV	\$ 125,000
Tangible assets acquired	
Cash & cash equivalents	622
Accounts receivables	17,283
Net fixed assets	1,924
Accounts payable and accrued liabilities	(6,773)
Tax liabilities	(2,138)
Identified intangible assets	
Customer relationships	75,827
Goodwill	\$ 38,256

The Company estimated the fair value as follows:

- Customer relationships based on an income approach, specifically multi-period excess earnings method, by identifying key customers, applying attribution rate of 20% per annum and discount rate of 16.90% per annum;

The goodwill recognized on acquisition is attributable mainly to the expected future growth potential from the diversified operations and assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

The Company did not incur any acquisition-related costs. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

The impairment analysis involved comparing the carrying amount of each CGU's assets and liabilities to their respective recoverable amounts. The recoverable amount was determined using the value in use approach measured by discounting the future expected cash flows of the CGUs. Impairment analysis has been done on December 31, 2022.

MVT Geo-Solutions Inc.

On February 28, 2022, Volatus acquired MVT Geo Solutions Inc, a Quebec-based Geomatics service company specializing in data collection and processing, for an equity value of \$850,000 in cash and \$145,001 in shares in Volatus Aerospace. The Company assumed all assets and liabilities of MVT as part of the transaction.

The fair value of identifiable assets acquired, and liabilities assumed as at the acquisition date are as follows:

Purchase Price Allocation - MVT Geo	\$ 995,001
Cash & cash equivalents	107,072
Accounts receivables	160,866
Other current assets	88,565
Net fixed assets	577,336
Accounts payable and accrued liabilities	(369,631)
Other current liabilities	(48,635)
Tax liabilities	(35,257)
CEBA loan	(50,000)
Non-current loans	(351,370)
Identified intangible assets	
Customer Relationships	868,059
Website	\$ 47,995

The Company estimated the fair value as follows:

- Customer relationships based on an income approach, specifically multi-period excess earnings method, by identifying key customers, applying attribution rate of 20% per annum and discount rate of 16.90% per annum; and
- Website based on an income approach, specifically relief from royalty methodology, using a reasonable royalty rate of 0.5% and discount rate of 9.61% per annum.

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

Canadian Air National Inc.

On April 30, 2022, the Company acquired Canadian Air National for \$85,000 (\$90,000 including the shareholder debt of \$5,000), an Ontario based Transport Canada licensed commercial air carrier performing right of way patrol for utility companies. The payment is a deferred payment method over several months and includes \$35,000 in performance consideration due to be paid upon renewal of the customer contract. The same amount has been included in accrued liabilities due to the likelihood of contract renewal.

The fair value of identifiable assets acquired, and liabilities assumed as at the acquisition date are as follows:

Purchase Price Allocation - Canadian Air National	\$ 85,000
Cash	7,725
Accounts receivable	27,052
Accounts payable	(7,345)
Accrued and other liabilities	(10,823)
Net assets	16,610
Goodwill	\$ 68,390

The goodwill recognized on acquisition is attributable mainly to the expected future growth potential from the renewed customer contract. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Company did not incur any acquisition-related costs.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

The impairment analysis involved comparing the carrying amount of each CGU's assets and liabilities to their respective recoverable amounts. The recoverable amount was determined using the value in use approach measured by discounting the future expected cash flows of the CGUs. The annual impairment test of goodwill was performed as of December 31, 2022 and did not result in an impairment loss.

Synergy Aviation Limited

On October 31, 2022, the Company acquired a controlling interest of 51% in Synergy Aviation Ltd and its subsidiary, Synergy Flight Training Limited, an Alberta-based Oil and Gas pipeline inspection, surveillance, and training company. The remaining 49% represents non-controlling interest. Under the terms of the agreement, Volatus will make an equity investment of \$2,290,000 in Synergy Aviation over the course of 10 months from closing in exchange for newly issued shares that will represent 51% of all outstanding shares. The remaining 49% will be acquired at the option of Synergy shareholders in 2024 after meeting minimum operational and financial metrics for a value of \$2,200,000 in exchange for Volatus shares based on 30 days VWAP (volume weighted average price) on date of Closing with a minimum floor price of \$0.65 per share.

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

The fair value of identifiable assets acquired, and liabilities assumed as at the acquisition date are as follows:

Purchase Price	\$ 2,200,000
Cash & cash equivalents	33,404
Accounts receivable	2,244,885
Inventory	2,498,334
Other current assets	919,647
Net fixed assets	6,282,499
Intangible assets	622,619
Accounts payable and accrued liabilities	(1,179,641)
Other current liabilities	(446,607)
Non-current liabilities	(8,701,822)
Non-controlling interest	(1,113,925)
Identifiable intangible assets	
Customer relationships	\$ 1,040,608

The Company estimated the fair value as follows:

- Customer relationships based on an income approach, specifically multi-period excess earnings method, by identifying key customers, applying attribution rate of 20% per annum and discount rate of 19.40% per annum.

iRed Limited

On October 31, 2022, the Company acquired a controlling interest of 51% in iRed Limited, a drone services and training company based in Emsworth, England. The remaining 49% represents non-controlling interest. Under the terms of the agreement, Volatus will make an equity investment of £100,000 (\$156,000) in iRed in exchange for newly issued shares (treasury shares) that will represent 51% of all outstanding shares. The transaction closed on October 31, 2022. At one year anniversary, the iRed shareholders will have an option to sell remaining shares for a total consideration of £100,000 (\$156,850) for an equivalent number of Volatus shares at a valuation of \$0.65 per share or 12 months anniversary price, whichever is lower.

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

Purchase Price	\$ 156,000
Cash & cash equivalents	5,909
Accounts receivable	266,887
Inventory	35,836
Other current assets	28,630
Net fixed assets	118,909
Intangible assets	222,705
Accounts payable and accrued liabilities	(80,901)
Other current liabilities	(235,897)
Non-Current Liabilities	(335,696)
Non-controlling interest	(12,927)
Identifiable intangible assets	
Customer relationships	\$ 142,545

The Company estimated the fair value as follows:

- Customer relationships based on an income approach, specifically multi-period excess earnings method, by identifying key customers, applying attribution rate of 20% per annum and discount rate of 19.40% per annum.

None of the acquisitions completed during the year ended December 31, 2022 were deemed to be individually significant.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Assets and Liabilities

The Company has classified cash and cash equivalents and short-term investments as financial assets and measured at fair value through profit or loss. Trade and other receivables are classified as financial assets and measured at amortized cost. Trade payables and accrued liabilities are classified as financial liabilities and measured at amortized cost.

Risk Management

The Company is exposed to risks that arise from its use of financial instruments. The Company's financial instruments comprise of cash and cash equivalents, short-term investments, trade and other receivables, and

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

trade payables and accrued liabilities. Disclosures relating to exposure to risks, in particular credit risk, foreign currency risk, concentration risk, market risk and liquidity risk are provided below.

Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, comprise primarily of cash and cash equivalents and trade and other receivables. The maximum exposure to credit risk of these items is the carrying amount as reported on the financial statements. Cash and cash equivalents are maintained at a major Canadian financial institution. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk. Credit risk on trade and other receivables is minimized as a result 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.

Foreign Currency Risk

The Company has operations in Canada 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 condensed interim consolidated financial statements are presented in Canadian dollars, which is also the parent company's consolidated functional currency. Each entity within the consolidated group determines its own functional currency.

Assets and liabilities of foreign subsidiaries are translated at the year-end rate and, therefore, have varying values from exchange rate fluctuations. The statements of comprehensive income (loss) of the foreign subsidiaries are translated into Canadian dollars using the year's average exchange rate and, accordingly, exchange rate fluctuations impact the Company's revenues and profit (loss), denominated in Canadian dollars.

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. As at December 31, 2022 the Company did not have any foreign currency hedges in place.

The summary quantitative data about the Company's exposure to currency risk is as follows:

	2022		2021	
	USD	GBP	USD	GBP
Cash	340,961	174,893	168,337	\$ -
Accounts receivable and other receivables	229,767	125,483	282,236	-
Accounts payable and other liabilities	(318,217)	(71,678)	(176,198)	-
Net assets	252,512	228,699	274,374	\$ -

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

Concentration Risk

The Company is not exposed to customer concentration risk as the Company's revenue are widely distributed across multiple customers and revenue streams. The Company will keep mitigating these risks and uncertainties by focusing its sales energies on securing additional customer contracts across wider revenue streams and channels.

Market Risk

The Company's investments are exposed to market risk arising from uncertainties about future values of the investments. The Company manages market risk through diversification and investing only in blue-chip equities with a history of stable return listed on various public stock exchanges. Senior management reviews the equity portfolio on a regular basis.

Interest Rate Risk

The Company is subject to the risks associated with debt financing, including the risk of interest rates on floating-rate debt rising before long-term fixed rate debt is arranged and existing mortgages may not be able to be refinanced on terms similar or more favourable than those currently in place.

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

The Company is also exposed to interest rate risk on its Credit Facility which fluctuates based on prime or floating bankers' acceptance rates. An increase (decrease) of 100 basis points in interest rates at December 31, 2022 for the Company's variable-rate financial instruments would have no material impact on net income and comprehensive income.

Liquidity Risk

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

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes that a 10% movement in interest rates and foreign exchange rates that may reasonably be expected to occur over the next twelve-month period will not have a significant impact on the Company.

**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

BUSINESS RISKS

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

Limited Operating History in Evolving Industry

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

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

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

Ownership and Protection of Intellectual Property

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

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

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 third 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;

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

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

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

Difficulty to Forecast

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

Industry Growth

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

Rapid Technology Developments

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

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

Defects in Offerings

Company's product and service offerings are highly complex and sophisticated and may contain design defects or errors that are difficult to detect and correct. Errors or defects may be found in new or existing offerings and, even if discovered, the Company may not be able to successfully correct such errors or defects in a timely

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

manner or at all. The occurrence of errors and failures in the Company's offerings could result in loss of or delay in end user acceptance of its offerings and may harm the reputation of the Company. Correcting such errors and failures in its offerings could require significant expenditures by the Company, involving cost or time and effort of personnel. The consequences of such errors, failures and claims could have a material adverse effect on the Company's prospects, business, financial condition or results of operations.

Risk of Accidents

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

Variable Revenues and Earnings

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

Operating Losses

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

Internal Controls

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

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

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 country 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

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

The Company believes that a significant amount of its business opportunities lie outside of Canada, particularly in the United States. Many of the third-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 third 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

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

- 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 third 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.

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

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.

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

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 third 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.

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

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.

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

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.

Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022

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

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

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

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

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

Catastrophic Events

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

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

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

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

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting ("ICFR")

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

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

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

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

Volatus Aerospace Corp. Management's Discussion & Analysis For the year ended December 31, 2022

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.

SUBSEQUENT EVENTS

On January 31, 2023, Volatus acquired of Empire Drone Company LLC., a drone network and reseller based out of New York, United States. Under the terms of the agreement Volatus will purchase 100% of the company for a cash consideration USD\$300,000 on Closing; (ii) issuance of 721,538 common shares at a deemed price of CDN\$0.65 per common share on Closing; and (iii) subject to certain revenue milestones 12 months after closing, issue up to an additional 721,538 common shares at a deemed floor price of CDN\$0.65 per common share or 30 days VWAP on first anniversary from Closing, whichever is higher.

On April 4, 2023, Volatus acquired Sky Scape Industries LLC., a New Jersey based company providing airborne intelligence data services. Under the terms of the definitive agreement, as amended following the completion of due diligence, the total purchase price, subject to an earn-out provision, is US\$585,000 (C\$783,900) to be paid as follows: An initial payment of approximately US\$275,000 (C\$368,500) in the form of newly issued common shares of Volatus Aerospace Corp. based on the share price at closing or the prior 30-day VWAP, whichever is higher. This converts to 969,737 common shares at the closing price of C\$0.38. The earn-out payment of US\$310,000 (C\$416,905), will be payable twelve (12) months after closing in the form of additional Volatus common shares issued on the share price of C\$0.65 or the prior 30-day VWAP, whichever is higher. This payment is conditional on Sky Scape retaining approximately C\$1M of inspection revenue previously contracted to be performed in 2024.

On April 13, 2023, Volatus announced a brokered private placement of up to 3,000 convertible debenture units of the Corporation (the "**Debenture Units**") at a price of \$1,000 per Debenture Unit for aggregate gross proceeds of up to \$3,000,000 (the "**Offering**") with an additional 15% over-allotment option. Pursuant to the Offering, each Debenture Unit will be comprised of \$1,000 principal amount senior unsecured convertible debenture (each, a "**Debenture**") and 1,000 common share purchase warrants of the Company (each, a "**Warrant**"). The Debentures will mature on the date that is 24 months from the date of issuance (the "**Maturity Date**") and shall bear interest at a simple rate of 12% per annum. Interest will be payable semi-annually in arrears in cash on the last day of June and December in each year, with the first coupon payment deferred until June 30, 2024. The principal amount of the Debentures, or any portion thereof, may be converted at the election of the holder thereof into common shares in the capital of the Company ("**Common Shares**") at a conversion price of \$0.50 per Common Share (the "**Conversion Price**"), being a conversion rate of 2,000 Common Shares per \$1,000 principal amount of Debenture Units, at any time prior to the Maturity Date. Each Warrant will entitle the holder thereof to acquire one Common Share at a price of \$0.50 per Common Share for a period of 24 months from the closing date of the Offering.



**Volatus Aerospace Corp.
Management's Discussion & Analysis
For the year ended December 31, 2022**

The Company has agreed to: (i) pay the Agents a cash fee equal to 8% of the gross proceeds raised from the Offering (reduced to 3% for subscribers identified on the Company's president's list); and (ii) issue to the Agents such number of non-transferable Common Share purchase warrants (the "**Agent's Warrants**") as is equal to 8% of the gross proceeds raised from the Offering (reduced to 3% for subscribers identified on the Company's president's list) divided by the Conversion Price. Each Agent's Warrant will entitle the holder thereof to acquire one Common Share at an exercise price of \$0.50 per Common Share for a period of 24 months from the closing date of the Offering.

End.

Additional Information

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