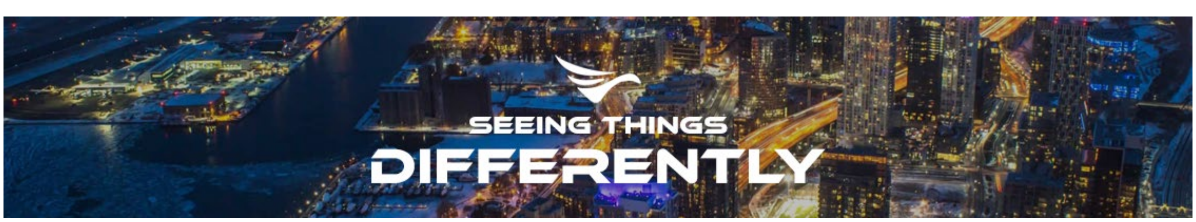
VOLATUS AEROSPACE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 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. (formerly Partner Jet Corp.) (the "Company" or "Volatus") and to assess the Company's prospects. The following MD&A is presented and dated as of May 25, 2022 and should be read in conjunction with the condensed consolidated interim financial statements and related notes for the three months ended March 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 and Gross profit* are undefined terms by IFRS. Management believes that gross margin, defined as revenue less cost of goods sold, is a useful supplemental measure of operations. We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards ("IFRS").

FORWARD LOOKING STATEMENTS

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

BUSINESS OVERVIEW

Volatus Aerospace Corp. (the "Company") 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 Aerospace USA Corp., and Volatus Aviation (registered as Partner Jet Inc.) is one of Canada's leading, technology-enabled unmanned aerial solutions providers and manned aviation management 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 both 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 unmanned applications with traditional 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 British Columbia, Manitoba, Ontario, Quebec, Prince Edward Island, and Pennsylvania. The Company also has satellite offices in New York, Florida, Nevada, Texas, Maine, Columbia, 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.

The Company under the Volatus Flight Systems subsidiary offers system design engineering, research & development, and manufacturing. The Company, under its Volatus Unmanned Services and Volatus 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 commercial distribution activities are centered around its distribution agreement with the world's leading manufacturer and supplier of consumer and enterprise level drones throughout Canada and the US.

The Company's subsidiary, Volatus Flight Systems represents its technology arm. This subsidiary was formed during 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. Two variants of the fixed-wing drones, the multi-fueled powered Velos and electrically powered Vedette, are expected to be marketed and sold commencing in 2022.

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 UAV in all sectors the Company is targeting.

BUSINESS HIGHLIGHTS

The first three months of 2022 were expected to be a slow period due to reduced drone activities in Canada. Severe weather conditions create this seasonality in the business in Canada and the Northern USA. Due to the Russian invasion of Ukraine, the significance of drones in the defense segment has increased dramatically. We have seen an increase in demand in our drone sales activities. 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 two strategic acquisitions to expand its business vertical, larger geographic access and data processing capabilities.

Expanding footprint in Defense

Due to the Russian invasion of Ukraine, the demand for drones in defense 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 is promoting its capabilities to provide ISR (Intelligence, Surveillance, Reconnaissance) and humanitarian cargo drone solutions. The Company is actively supporting non-government organizations (NGO's) including Mriya Aid and Second Front Ukraine in their efforts to support Ukraine.

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. With the acquisition of RPV Aviation, the Company has leveraged RPV's regulatory certification program to certify OEM drone technologies as compliant and ready to fly. This program enables us to offer the best technology solutions to the industry and defense sectors.

Commercializing American & European UAV Technologies

The Company has entered numerous strategic partnerships with North American and European drone technology companies with unique capabilities in different sectors. These partnerships enable the Company to provide a portfolio of technologies that are "Vetted by Volatus" to support defense and public safety sectors seeking domestic technology solutions.

Scaling Public Safety

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

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.

Introducing Drone Network News

As part of creating a drone community, Volatus decided to introduce 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 - VLTTF

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

RESULT AND BUSINESS OUTLOOK

Q1 2022 Total Revenues of $4,807,829

As industry adopts the use of unmanned aerial vehicles in various segments the demand for drone technologies is increasing at an accelerated rate. The Russian invasion of Ukraine accelerated adoption of drone technologies across the globe. The Company scaled its revenues from $299,863 in Q1 of 2021 to $4,807,829 in Q1 of 2022. On a quarter-on-quarter growth basis (Q1 2022 and Q4 2021), the revenue has grown by 64%. The first quarter is the slowest quarter in terms of drone service activities. The growth was driven by increased demand for drones in Ukraine and neighbouring regions. The Company has a highly diversified revenue base from sales of drone equipment, drones-as-a-service, drone trainings, and traditional aircraft charter services.

Blended Gross Margin of $1,092,840

The blended gross margin of the Company was 23% in Q1 2022 compared to 54% in Q1 2021. The margins were higher in Q1 2021 because of limited product sale activities and revenue scale (the Company did a revenue of $299,863 in Q1 2021 compared to $4,807,829 in Q1 of 2022). On a quarter-on-quarter basis, the gross margins from Q1 2022 and Q4 2021 have remained stable at 23%.

Q1 2022 gross margins by segment were 49% for drone services and training activities, 23% for equipment sales and 8% for aircraft charter services. The gross margins from equipment sales have been adjusted for shipping cost, payment gateway fees, and other direct costs.

BUSINESS OUTLOOK AND STRATEGY

The 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 seeking 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 introduce the "Vetted by Volatus" program that can qualify great drone technologies as part of their integrated solution.

The move to become a publicly traded company has enabled the Company to scale and capture a larger share of the market through internal growth and acquisitions. The Company can leverage its common shares as alternate currency to close potential acquisitions. This strategy has allowed the Company to expand its reach across Canada, the US, and some parts of Latin America. Due to the recent Russian invasion of Ukraine, Volatus accelerated its global expansion plan and has opened an office in London, UK to provide drone technology solutions to NATO countries.

SELECTED FINANCIAL INFORMATION

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

Three months ended March 31,	2022	2021
Total Revenue	4,807,829	299,863
Gross Profit (as a % of revenues)	23%	54%
Net Income (Loss)	(1,794,246)	(115,115)
Comprehensive Income (Loss)	(1,774,397)	616,219
Comprehensive Income (Loss) per share, basic and diluted		
- Basic	(0.022)	0.008

- Diluted	(0.022)	0.008
Cash and Cash Equivalents	3,046,282	488,135

Revenues for the three months ended March 31, 2022 increased tremendously due to organic growth and strategy of providing best integrated solutions to customers.

The blended gross margin of the Company was 23% for the period. The blended gross margins were lower due to higher revenues from third-party product sales which have lower profit margins compared to the drones-as-a-service segment, drone training segment, and Volatus drone solutions which have higher gross margins.

The Comprehensive Loss of $1,774,397 included finance expense mostly consisting of interest on promissory notes and right-of-use.

The Cash and Cash Equivalents reduced by $5,706,554 as cash used in operating activities was $4,190,367. The increased cash was due to ramp up in inventory (and prepaid expenses) to meet increased demand.

As at	March 31, 2022	December 31, 2021
Total Assets	21,493,430	22,668,821
Goodwill	621,444	583,188
Total non-current Liabilities	3,992,571	3,788,122
Working Capital	4,189,138	7,372,281
Shareholder's Equity	13,913,723	15,260,042
Distribution or Cash Dividends	-	-

As at March 31, 2022, the Company held total assets of $21,493,430. The decrease in total assets were due to deployment of cash in operating activities. The increase in total liabilities was mainly driven by increased accounts payable.

RESULTS OF OPERATIONS

	Three months ended March 31, 2022	Three months ended March 31, 2021
Revenue	**4,807,829**	299,863
Cost of goods sold	**(3,714,989)**	(137,772)
GROSS PROFIT	**1,092,840**	162,091
Gross Margin	***23%***	*54%*
OPERATING EXPENSES		
Audit fees	-	12,000
Advertising & marketing	**459,035**	19,786
IT & tech	**96,629**	5,970
Personnel	**1,148,094**	137,042
Office cost	**228,157**	42,250
Travel	**80,373**	6,564
External partner cost	**382,497**	19,696
Depreciation	**209,224**	33,896
Share based Payments	**283,076**	-
Total Operating Expense	**2,887,086**	277,206
Operating Expense Ratio	**60%**	92%
(Loss) from operations	**(1,794,246)**	(115,115)
OTHER ITEMS - INCOME/(EXPENSE)		
Canada Emergency Wage Subsidy		
Unrealized gain on investments		742,277
Finance cost	**(73,528)**	(6,692)
Goodwill Impairment		
Income tax expense		
Other income (expense)	**107,788**	31,053
Loss on disposal of drones and accessories		(35,281)
Foreign exchange translation	**(14,412)**	(24)
Net and Comprehensive Income (Loss)	**$ (1,774,397)**	$ 616,219
Comprehensive Income (Loss) per share		
Basic	**(0.022)**	0.0084
Diluted	**(0.022)**	0.0083

The Company generated revenues from four major segments: Sale of drones and equipment (products), drone services, drone training, and aircraft charter services. Drone services and drone training generated gross margins of 49%. The sale of third-party products has low gross margins compared with services and training. The blended gross margin for Q1 2022 (three months ended March 31, 2022) averaged 23%.

The Company spent $459,035 on marketing activities including participation at trade shows, advertising, and business development events. The Company spent $142,983 on the investor relations (IR) activities in the first quarter of 2022. IR activities will continue to scale in 2022 as the Company began trading on the TSX-V exchange on January 4, 2022 and OTCQB on March 2, 2022.

Personnel costs increased by $1,011,052 for the three months ended March 31, 2022 because of the scaling of activities with the hiring of employees across Canada, the US, and international locations.

Office cost consists of expenses incurred to establish the facility at Lake Simcoe Regional Airport and additional offices across Canada and the US resulting from acquisitions.

The external partner cost consists of third-party consulting firms, marketing firms, legal firms, and transfer agent fees.

The Company issued stock options to certain management personnel and directors of the company. These options were issued at a listing price of $0.65 and have vesting period of 2 and 3 years.

Total operating expenses were 60% of revenue for three months period ended March 31, 2022, and 68% in the fourth quarter of 2021.

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:

	Q1 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenue	**4,807,829**	299,863	3,396,003	3,286,395	2,931,692
Cost of goods sold	**(3,714,989)**	(137,772)	(2,439,051)	(2,553,976)	(2,254,444)
GROSS PROFIT	**1,092,840**	162,091	956,952	732,419	677,248
Gross Margin	***23%***	*54%*	*28%*	*22%*	*23%*
OPERATING EXPENSES					
Audit fees	-	12,000	20,000	-	40,300
Advertising & marketing	**459,035**	19,786	77,979	230,190	193,294
IT & tech	**96,629**	5,970	36,917	41,932	84,752
Personnel	**1,148,094**	137,042	411,849	650,009	881,972
Office cost	**228,157**	42,250	88,969	136,043	158,093
Travel	**80,373**	6,564	10,686	54,688	125,059
External partner cost	**382,497**	19,696	54,677	29,069	143,102
Depreciation	**209,224**	33,896	122,610	117,391	127,536
Share based Payments	**283,076**	-	136,980	70,404	251,768
Total Operating Expense	**2,887,086**	277,206	960,668	1,329,724	2,005,876
Operating Expense Ratio	**60%**	92%	28%	40%	68%
(Loss) from operations	**(1,794,246)**	(115,115)	(3,716)	(597,306)	(1,328,628)
OTHER ITEMS - INCOME/(EXPENSE)					

Canada Emergency Wage Subsidy			61,178		-
Unrealized gain on investments		742,277	(742,277)		-
Finance cost	**(73,528)**	(6,692)	(123,191)	(163,005)	(146,066)
Goodwill Impairment					(1,399,029)
Income tax expense					-
Other income (expense)	**107,788**	31,053	(29,409)	58,641	71,500
Loss on disposal of drones and accessories		(35,281)	(2,128)		74,415
Foreign exchange translation	**(14,412)**	(24)	(3,029)	(5,945)	(16,960)
Net and Comprehensive Income (Loss)	**$ (1,774,397)**	$ 616,219	$ (842,570)	$ (707,613)	(2,744,770)
Comprehensive Income (Loss) per share					
Basic	**(0.022)**	0.0084	(0.0107)	0.0001	(0.0309)
Diluted	**(0.022)**	0.0083	(0.0106)	0.0001	(0.0309)

Total revenue for the three months ended March 31, 2022 increased by $4,507,966 as compared to same quarter in 2021. This comparison does not show an accurate growth picture as the Company made several acquisitions between the periods. On a quarter-on-quarter growth basis, the revenue for three months ended March 31, 2022 increased by 64% as compared to quarter ended December 31, 2021. This growth was driven in sale of products.

The gross margin between quarter ended March 31, 2021 and quarter ended December 31, 2021 was at 23%. The product distribution changed. For three months ended March 31, 2022, the margin from product sales were higher by 4%, margin from services and training were higher by 13%, and margins were lower by 17% for charter services. The gross margin from product sales increased as the Company sourced products from OEMs directly instead of dealers and distributors.

SG&A expenses increased by 44% on a quarter-on-quarter growth between March 31, 2022 and December 31, 2021. The increase was attributable to higher advertising and marketing cost, increased travel expense, personnel cost, and external partner cost. Most of the external partner cost is attributable to due diligence expense of Delta Drone, Paris. However, the operating expense ratio for three months ended March 31, 2022 was at 60% compared to 68% for the three months ended December 31, 2021.

For three months ended March 31, 2022, the Company incurred a net loss of ($1,794,246), net loss of ($1,774,397), and net loss of ($2,744,770) in three months ended December 31, 2021. The significant difference is attributable towards changes in income and expense as discussed above and goodwill write-off that happened in previous three months ended December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

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

	As at 31,	
	March 2022	**December 2021**
Current Assets	**7,776,274**	10,992,937
Current Liabilities	**3,587,135**	3,620,656
Working Capital	**4,189,138**	7,372,281

Current Assets of $7,776,274 as at March 31, 2022 (December 31, 2020 - $10,992,937). The balance was primarily comprised of cash of $3,046,282, trade receivables of $1,707,704, prepaid expense and deposit of $2,047,255, and inventory of $975,032.

Current Liabilities of $3,587,135 as at March 31, 2022 (December 31, 2020 - $3,620,656). The balance was primarily comprised of trade payables of $2,552,851 and deferred revenue of $185,569.

The decrease in working capital for the three-month ended March 31, 2022 was because operating activities, investment in fixed assets, and acquisitions.

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 towards profitability by the end of 2022, it will be dependent on its ability to raise capital through equity or debt financing. The Company may need additional capital and may raise additional funds should the Board of Directors of the Company deem it advisable. To date, the Company has had a negative operating cash flow due to the Company investing in building inventory to meet increased demand. In addition, as a result of the Company's business plans 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 expenditures. The Company's cash flow from operations may be affected in the future by expenditures incurred by the Company in continuing product and services development. The amounts set out above to be used as working capital may be used to offset this anticipated negative operating cash flow.

CASH FLOWS:

	For the three months ended March 31, 2022
Net cash used in Operating Activities	(4,190,367)
Net cash used in Investing Activities	(1,383,120)
Net Cash provided by (used in) Financing Activities	(187,066)
Net change in cash	(5,760,554)

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 investing activities was primarily due to the cost of acquisition of MVT Geo Solutions Inc. and investment in fixed assets, especially drones.

Financing Activities

The net cash provided by financing activities was primarily due to the repayment of debt and lease payments

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.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

Trade payables and accrued liabilities:

On May 1, 2021, the Company entered into an independent Consultant Agreement with a company controlled by Abhinav Singhvi, CFO, to provide executive consulting services to the Company. The agreement was terminated on December 31, 2021, and the Company was indebted in the amount of $5,085 that was repaid in January 2022.

On May 1, 2021, the Company entered into an independent Consultant Agreement with a company controlled by Rob Walker, COO, to provide executive consulting services to the Company. The agreement was terminated on December 31, 2021, and the Company was indebted in the amount of $7,875 that was repaid in January 2022.

On December 31, 2021, the Company was indebted to Glen Lynch, CEO of the Company, for the sum of $30,000 as part of a consulting contract that was entered into with Partner Jet Corp. in 2020. The outstanding amount was settled in January 2022.

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 is indebted for a sum of $2,387,938 towards a promissory note and accrued liabilities against the purchase of a Citation X aircraft currently operated by Volatus Aviation. The promissory note bears an interest rate of five percent (5%) and will be repaid in consecutive monthly installments of $20,000.00 on the first of each month commencing on December 1, 2021 and continuing for 48 months with the balance then owing under the note being paid at that time.

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

Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management for the three and year ended December 31, 2021 and 2020 included:

	Three months ended	
	March 31, 2022	**March 31, 2021**
Salaries	210,000	18,000
Share-based Payments	283,076	-

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated by the Company without cause, (i) a lump sum payment equal to 18 months' salary, or (ii) within 90 days of, a change in control, a termination payment equal to 18 months' salary, at $350,000 per annum, is payable. If the termination had occurred on December 31, 2021, 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 $180,000 per annum, is payable. If the termination had occurred on December 31, 2021, the amount payable under this agreement would be $180,000.

CONTRACTUAL OBLIGATIONS

As of March 31, 2022, the Company's right-of-use assets consisted of the followings:

(in C$)	Total
Cost	
Balance, January 1, 2022	1,455,788
Additions during the period	-
Lease acquired in the acquisition	-
Balance, March 31, 2022	1,455,788

Accumulated amortization	
Balance, January 1, 2022	225,867
Depreciation expense for the period	77,504
Balance, March 31, 2022	303,371
Net book value	
December 31, 2021	1,229,921
March 31, 2022	$ 1,152,417

SHARE CAPITAL

The Company's authorized share capital is unlimited common shares without par value. As at May 25, 2022, there were 102,202,045 issued and outstanding common shares and 704,322 issued and outstanding preference shares. In addition, there were 3,790,000 share options outstanding at an exercise price of $0.65 per share and 12,334,442 warrants outstanding with exercise prices ranging from $0.65 and $0.75 per share.

SUBSIDIARIES & ACQUISITIONS

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 Inc.	**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.

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 Company conducted its annual goodwill impairment analysis as at December 31, 2021. 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.

No impairment analysis has been done on March 31, 2022. The next impairment analysis is scheduled 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 Solutions Inc.	**995,001**
Tangible Assets Acquired	
Cash & Cash Equivalents	107,072
Accounts Receivables	160,866
Other CA	88,565

Net Fixed Assets	577,336
Right-of-Use Asset	
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.

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 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.

a) 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.

b) 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 March 31, 2022 the Company did not have any foreign currency hedges in place.

The following financial assets and liabilities are denominated in U.S. dollars and are exposed to changes in the foreign exchange rate:

	Three months ended March 31	
	2022	**2021**
Cash	172,535	-
Accounts Receivable and other current assets	479,049	-
Accounts Payable and other Liabilities	(387,345)	-

Net US dollars assets (liabilities)	**264,239**	**-**

c) 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.

d) 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.

e) 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.

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

The Company has a limited operating history in an evolving industry that may not develop as expected. Volatus began carrying on business in 2019 and 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 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's products and services are in new and rapidly evolving markets. The commercial drone market is in early stages of customer adoption. Accordingly, the Company's business and future prospects may be difficult to evaluate. The Company cannot accurately predict the extent to which demand for its products and services will develop and/or increase, if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact the Company's ability to do the following:

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

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

Difficulty to Forecast

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

Industry Growth

There can be no assurance that the Company's targeted vertical and geographic markets will grow, or that they will be successful in establishing new vertical and geographic markets. If the various markets in which the

Company's products and services compete fail to grow, or grow more slowly than anticipated, or if they are unable to establish themselves in new markets, their growth plans could be materially adversely affected.

Rapid Technology Developments

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

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

Defects in Offerings

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

Risk of Accidents

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

Variable Revenues and Earnings

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

Operating Losses

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

Internal Controls

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

Regulatory Risks

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

Regulatory approvals

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

Geographical Expansion

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

Foreign Political and Legal Risk

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

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

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

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

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

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

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

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

Cyber-threats

The Company and its customers are subject to cyber-attacks from cybercriminals. Rapid changes in attack vectors makes it difficult to stop attacks and adapt to new threats and the increased social hacking creates a cyber-threat risk for the Company. Information technology security breaches could lead to shutdowns or disruptions of the Company's systems and potential unauthorized disclosure of confidential information or data, including personal data. The Company may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. The theft or unauthorized use or publication of confidential information or other proprietary business information, or privacy-related obligations or 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.

Future Capital Requirements

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

Operating Risk and Insurance Coverage

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

Dependence on Key Employees

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

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

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

Litigation

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

Future Acquisitions

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

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

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

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

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

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

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

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

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

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting ("ICOFR")

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

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

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

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

SUBSEQUENT EVENTS

The Canadian economy continues to be impacted by uncertainties due to the impact of the COVID-19 Virus. This uncertainty has unlocked significant opportunities in unmanned or drone activities and the Company has benefited from this situation. On a going forward basis the volatile effect of the COVID19 pandemic on the economy and the Company is not currently determinable but does not pose a major business risk on a go-forward basis.

On February 24, 2022, Russian troops invaded Ukraine. This has led to sanctions imposed by different countries on Russia (and, in certain cases, Belarus). This unwarranted military action in Ukraine and related events occur at a time of significant global uncertainty and volatility. This uncertainty brings opportunity in the unmanned space as demand for drone technology in military and humanitarian causes increases. The volatile effect of this war does heighten trade frictions between certain countries but does not pose a significant business risk on a go-forward basis.

On April 30, 2022, the Company acquired Canadian Air National for $90,000, an Ontario based Transport Canada licensed commercial air carrier performing right of way patrol for utility companies. This acquisition is not considered material and was completed in the context of normal course of business.

End.

Additional Information

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