The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Drone Delivery Canada Corp. ("DDC" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended September 30, 2019. This discussion should be read in conjunction with the audited annual consolidated financial statements and Management Discussion and Analysis of the Company for the year ended December 31, 2018 as well as the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at November 29, 2019 unless otherwise indicated.

Description of Business

The Company is a development stage technology firm based out of Toronto, Ontario that is focused on designing, developing and implementing a commercially viable drone delivery logistics platform within the Canadian market. The technology that the Company is seeking to develop and deploy is a technology that could re-define the traditional shipping and delivery market model.

The Company is a logistics company seeking to employ the use of drones in order to deliver products faster, easier and cheaper for the purpose of enabling retailers, service organizations, and government agencies to expand their revenue base and grow their respective bottom lines. Regulatory bodies have begun legislating commercial drone use and the Company intends to work with such bodies in Canada to develop this technology as it unfolds.

The Company is pioneering the design, development and implementation of a commercial drone logistics platform for retailers, service organizations and government agencies within a Canadian made solution. The Company's business foundation is based on three key principals:

(i) Canadian Innovation: develop an innovative drone delivery logistics platform utilizing partnerships with leading Canadian universities, academics and organizations;
(ii) Market Disruption: develop a logistics solution utilizing drone technology to disrupt the traditional logistics delivery market segment in Canada; and
(iii) Green Technology: develop a platform that embraces green technology in order to seek to minimize the Company's carbon footprint.

There is currently no legislation or regulatory framework in place with respect to commercial drone use in Canada, and there can be no assurance that such legislation or regime will be enacted in the future.

Highlights

On January 30, 2019, the Company announced it had commenced testing its newest cargo delivery drone, 'The Falcon' with a lifting capability of 50 pounds of payload and a travel range of 60km. The Falcon has been in development for almost a year and has received approvals from Transport Canada to commence testing within Southern Ontario. The Falcon is the big brother to DDC's Sparrow which is based on an electric propulsion system. The Falcon has a wing span of approximately 12 feet and is anticipated to travel 60 km at a speed of 50 km/ hr. The multi-package payload compartment is designed to carry approximately 5 cubic feet of cargo and will be weather resistant.

On February 11, 2019, the Company announced the unveiling of its largest drone yet. The Condor has been in development for the past year and is the next generation in DDC's drone delivery cargo aircraft. With a payload capacity of 180 kgs, and a potential travel distance of up to 200 km, the Condor pushes the limits in both cargo capacity and distances. The Condor is powered by a next generation gas propulsion engine.

On June 6, 2019, the Company was admitted to the Nasdaq Stock Market's International Designation program effective under the symbol "OTC – Nasdaq Intl: TAKOF".

Commercial Agreements

On December 5, 2018, the Company announced that it had executed a commercial agreement with the Moose Cree First Nation to deploy DDC's drone delivery technology platform with the Moose Cree First Nation communities. The Company is currently permitted to commercially operate its drone delivery platform within the Moosonee and Moose Factory communities with its Compliant Special Flight Operations Certificate (SFOC) which permits DDC to conduct drone operations in all Canadian provinces and territories. DDC, with its Compliant SFOC in hand, will deploy its drone delivery platform to service the communities of Moose Factory and Moosonee, two northern towns located in Ontario approximately 19 kilometres south of James Bay. Utilizing DDC's compliant Sparrow aircraft, capable of a 5 kg payload, goods to be commercially transported between the communities will include, letters, general parcels, medical supplies, and other general necessities. Financial terms of the agreement are $2.5 Million of revenue for year one with the potential to expand services in following years. It is expected that revenues will begin to be received late in Q1, 2020 once Federal funding is received by the Moose Cree First Nations.

On June 4, 2019, the Company announced it had entered into an agreement with Air Canada (TSX:AC) ("AC") effective May 29, 2019 whereby Air Canada Cargo will market and sell DDC's drone delivery services in Canada using Air Canada Cargo's marketing and sales platforms and resources.

Pursuant to the terms of the agreement and subject to DDC obtaining required regulatory approvals, DDC will build and operate up to 150,000 drone delivery routes in Canada. These routes will include timetables, flight schedules, payload capacities, type of drones to be deployed, and payment terms. DDC's services will be marketed as a premium offering, and Air Canada Cargo has agreed that it shall not use or engage with any other drone delivery service providers.

Air Canada Cargo has agreed to sell, market and promote DDC's drone delivery services on the agreed routes, leveraging Air Canada Cargo's expertise in the cargo world, brand presence and sales network.

The initial term of the Agreement is ten years from the effective date of May 29, 2019.

On September 10, 2019, with the assistance of its sales agent Air Canada Cargo (TSX: AC), it has entered into a commercial agreement dated September 9, 2019 (the "Agreement") with Vision Profile Extrusions Limited ("Vision"), a prominent manufacturing company, to deploy a drone delivery platform for the use of Vision between its properties in Vaughan, Ontario
.
Pursuant to the terms of the Agreement, DDC will deploy its DroneSpot takeoff and landing zones as well as additional drone flight infrastructure on the Vision sites, and deploy its Sparrow cargo drone, with a capacity of up to 10lbs, on defined flight routes between Vision's properties in Vaughan, Ontario, which routes have already been approved by Transport Canada. Flights will be remotely monitored by DDC from its new commercial operations centre also located in Vaughan, Ontario

DDC expects to begin providing drone delivery services under the Agreement in Q1 2020, after deployment of the client site infrastructure is completed. In consideration for the drone delivery services platform that DDC will provide to Vision, Vision will pay DDC a monthly fee for each drone route. Vision will also allow DDC to showcase its services platform on the Vision sites so that DDC and Air Canada Cargo may promote drone delivery services. The services will be provided by DDC for an initial term of twelve months, with additional successive one year terms to follow unless the Agreement is formally terminated.

On October 23, 2019, again with the assistance of Air Canada Cargo, the Company it had entered into a commercial agreement dated October 22, 2019 (the "Agreement") with DSV Air & Sea Inc. Canada ("DSV"), the Canadian arm of the global transport and logistics company DSV Panalpina A/S, to deploy DDC's drone delivery platform for the use of DSV commencing at its new head office and warehouse in Milton, Ontario.

Pursuant to the terms of the Agreement, DDC will enable the first of multiple routes and deploy its DroneSpot takeoff and landing zones as well as additional drone flight infrastructure on DSV sites, and deploy its Sparrow cargo drone, with a capacity of up to 10lbs. The first route will occur on a defined flight route within DSV's site in Milton, Ontario.

All operations will be conducted in accordance with the Canadian Aviation Regulations and Transport Canada flight authorizations. Flights will be remotely monitored by DDC from its new commercial operations centre located in Vaughan, Ontario. DDC will commence deployment of the client site infrastructure in the fourth quarter and looks to begin providing drone delivery services under the Agreement in Q1 of 2020, with the potential of 20 or more additional routes being added in 2020. DSV will pay DDC a monthly fee for each drone route deployed. The initial term of the agreement is fifteen months with additional successive one-year terms to follow unless the Agreement is formally terminated.

On October 29, 2019, with the assistance of Air Canada Cargo,the Company entered into a commercial agreement dated October 28, 2019 (the "Agreement") with the Edmonton Regional Airports Authority ("ERAA"), operating Edmonton International Airport ("EIA") and Villeneuve Airport, for thepurpose of establishing the world's first airport drone delivery hub, at Edmonton International Airport using DDC's proprietary drone delivery platform.

DDC and ERAA will build out flight routes from EIA using DDC's DroneSpot takeoff and landing zones utilizing DDC's drone flight infrastructure. Leveraging ERAA's expertise in airport operations, DDC and ERAA will implement, promote and market DDC's drone delivery services in this controlled airspace to a multitude of new and existing customers. All operations will be conducted in accordance with the Canadian Aviation Regulations and Transport Canada flight authorizations and shall be subject to DDC obtaining all required regulatory approvals.

First Responder Program

On June 26, 2019, the Company announced it had successfully completed phase one of its AED (automated external defibrillator) On The Fly Pilot with Peel Region Paramedics and achieved 100% success rate concluding that utilizing DDC's proprietary drone delivery platform to enable rapid first responder technology via drone produces reduced response time The Pilot was to determine the effectiveness of delivery of an AED via drone versus a traditional ambulance. To determine this, phase one of the Pilot consisted of simulating 911 emergency calls in the Township of Caledon in the Region of Peel dispatching DDC's Sparrow drone equipped with specialized first responder payload that included an automated external defibrillator. The delivery time of the drone was then compared against the traditional dispatching of first responder paramedics. Several staged 911 calls were then executed and, in all cases, DDC's Sparrow drone arrived on-site ahead of the traditional first responder vehicles. DDC's Sparrow was able to reduce response times on all calls making the pilot a great success.

U.S. Patents Awarded

On July 16, 2019, the United States Patent Office granted DDC Patent #: 10,351,239 which covers DDC's proprietary FLYTE management software system along with its drone delivery technology and processes.

The patent is directed to aspects of DDC's proprietary FLYTE management which is a core component of DDC's drone delivery platform.

Additionally, the patent is also directed to DDC's 'RAILWAY IN THE SKY' concept that is intended to simplify routing and control of delivery drones particularly in crowded urban areas. The system provides a database for a flight route network that includes a number of route sections that can be selected to provide a desired routing.

The Company continues to work on additional patents pending.

Additions to Management

On July 9, 2019, announce that Dr.Sheldon Cheskes joined DDC's Advisory Board to assist in developing the Company's medical applications commercial strategy.

Dr. Sheldon Cheskes is an Associate Professor with the Division of Emergency Medicine, Department of Family and Community Medicine at the University of Toronto. He is also a scientist at the Li Ka Shing Knowledge Institute at St. Michael's Hospital in Toronto, Canada . He is the Medical Director for the Regions of Halton and Peel with the Sunnybrook Centre for Prehospital Medicine. He is one of the principal investigators for the Canadian Resuscitation Outcomes Consortium (CanROC) and is a recognized international authority in the area of CPR quality and out-of-hospital cardiac arrest resuscitation. Dr. Cheskes has published over 80 manuscripts in high impact journals such as the New England Journal of Medicine, Circulation, CMAJ and Resuscitation that have changed resuscitation practice around the world.

Dr. Cheskes is currently leading the first study, exploring the impact of remote ischemic conditioning to reduce reperfusion injury in ST- elevation myocardial infarction, and is the principal investigator of the Double Sequential External Defibrillation in Refractory Ventricular Fibrillation (DOSE VF) trial. This study will be the first cluster randomized trial to clinically evaluate two novel therapeutic defibrillation strategies (double sequential external defibrillation and vector change defibrillation) against standard practice for patients remaining in refractory ventricular fibrillation during out-of-hospital cardiac arrest. He is also improving public access to defibrillation in rural and remote areas through the use of community responder programs and drone delivery of automated external defibrillators.

On January 24, 2019, the Company announced the management appointment of Mr. Michael Zahra as Senior Vice President of Operations and Strategy as the Company moves to commercial operations in 2019. On June 10, 2019, Mr. Zahra was appointed CEO and a director of the Company, replacing Mr. Tony Di Benedetto who remains active in the Company in a business strategist role.

Michael Zahra is a seasoned executive with over 30 years experience as a senior level executive. He brings in-depth experience in engineering, logistics, P&L management, customer & vendor relationship management, strategic planning & execution, change management, innovation, business reinvention, project management, continuous improvement, industrial marketing, corporate social responsibility and employee engagement.

Prior to Drone Delivery Canada, he was the President of Staples Business Advantage and was previously President of Yahoo and President of Schlumberger RMS with prior positions at Alcatel and Motorola. He also brings close to 20 years experience in various Board positions. Under his leadership, companies have won numerous awards in sustainability, quality, marketing and culture.

On June 10, 2019, Mr. Vijay Kanwar. Was appointed to the Company's Board of Directors. Mr. Kanwar currently serves on the board of the Business Development Bank of Canada and is a member of Audit Committee and Board Investment Committee. He serves on the board of governors of York University and is a member of York University board executive committee. He is Chair of Advisory Committee on Senior Level Retention and Compensation of the Treasury Board of Canada, Vijay has combined his business expertise with his extensive network across government and private industry, and his understanding of public-private partnerships, to champion and drive significant capital projects. He served as a Chair of the Greater Toronto Airports Authority Board, Vijay was able to guide Pearson airport to international passenger hub status; supporting several major infrastructure projects – e.g. terminal development, Union Station rail link – and spearheading the process to recruit new management, while improving traveler experience and significantly increasing net profits. He successfully managed the three levels of governments.

On February 25, 2019 , the Company announced the appointment of Mr. Kevin Sherkin to the Company's Board of Directors.

Mr. Sherkin was called to the Ontario bar in 1987 after graduating from Osgood Hall with a J.D. in 1985. He is the founding member and is the current managing Director of Levine Sherkin Boussidan Professional Corporation. Mr. Sherkin is also a member of the Canadian Bar Association and the Advocate Society. While his practice involves a wide range of civil litigation, Kevin's focus has been primarily on business-related litigation. Mr. Sherkin has served as a director past for both private and public companies and in his previous board tenures he served on finance committees, compliance committees and compensation committees. Mr. Sherkin has strong ties to the Canadian business community.

Mr. Sherkin's appointment replaces Mr. Buzbuzian on the Board of directors. Previously, Mr. Buzbuzian was also President of DDC and will assume the new role of Head of Capital Markets and will remain actively involved and be responsible for corporate finance matters, investor relations and day to day finance activities of the Corporation. Mr. Buzbuzian has also joined DDC's Advisory Board.

On March 27, 2019, the Company announced the appointment of Duncan Card, B.A., LL.B., LL.M., ICD.D, has agreed to join DDC's Advisory Board. Mr. Card is a Senior Partner at the prestigious Canadian law firm of Bennett Jones LLP, where he Co-Chairs the Technology Law practice and Chairs its Government Contracting, Procurement and Intelligent Infrastructure practices from that firm's Toronto and Ottawa offices. The National Post, includes Duncan in its recently published 2019 rankings, "Best Lawyers in Canada" (Technology Law). The 2019 Canadian Legal Lexpert rankings, based on peer reviews, has included Duncan as one of Canada's leading lawyers in both Computer Law and Technology Law for the last 15 years. In 2018, Duncan was also named by Lexpert Magazine and Canadian Council For Public-Private Sector Partnerships as one of Canada's leading infrastructure lawyers. Duncan brings to Drone Delivery a wealth of experience and expertise concerning complex, innovative and strategic commercial transactions, including technology driven infrastructure solutions, defense and national security matters, logistics and supply-chain management, and the commercialization of transformative technologies, as well as the development of business strategies to drive revenue generation and commercial growth.

Establishment of Commercial Operations Centre

On February 5, 2019, the Company announced that it will be launching its commercial operations in a 16,000 square foot facility located in Vaughan, Ontario Canada as commercial operations commence in 2019. As of the date of this document, the leasehold improvements are complete and the centre is operational.

The Commercial Operations Center also provides ample capacity and space to house development and testing of some of DDC's next generation heavy lifting cargo delivery drones, some of which have wingspans in excess of 25 feet and carrying capacities of 400 lbs in addition to consolidation of our technical and commercial operation teams.

Expressed in Canadian Dollars

Business Objectives and Milestones

The following table sets out the steps that the Company intends to complete by the end of 2019 and during the Company's 2020 financial year in order to expand on its commercialization plans for its products and services in Canada, and potentially the United States and other international jurisdictions selected by the Company, and the anticpated expenditures required in order to complete such steps:

Expected Expenditures	2019 Budgeted	2019 Approx. Actual to Date	2020 Budgeted	2020 Approx. Actual to Date
Scaling of Management and Sales Teams	$750,000	$284,006	$250,000	-
Product Development and Commericialization	$550,000	$1,236,757	$250,000	-
Commercial Testing	$2,000,000	$1,053,534	$1,000,000	-
Domestic Marketing	$1,000,000	$271,690	$700,000	-
Exploration for International Commericalization	$500,000	-	500,000	-
Total Expenditures	**$4,800,000**	**$2,845,987**	**$2,700,000**	**-**

On April 2, 2019, the Company announced that, as the Company moves to commercial operations and revenue generation in 2019 in remote Canada and rural Canadian communities, that DDC will also be immediately pursuing eight additional business verticals where the Company sees great growth opportunities including Healthcare, Pharmaceuticals, Oil & Gas, Mining, Agriculture, Forestry, Construction and Courier Companies.

Expressed in Canadian Dollars

Selected Quarterly Information

A summary of selected information for each of the quarters presented below is as follows:

For the Period Ended	Revenue ($)	Net Loss Total ($)	Net Loss Basic and diluted earnings per share ($)	Total assets ($)
2019 – September 30	Nil	(3,096,377)	(0.02)	20,388,718
2019 – June 30	Nil	(3,433,907)	(0.02)	22,242,148
2019 – March 31	Nil	(3,789,538)	(0.02)	22,971,769
2018 – December 31	Nil	(4,979,432)	(0.03)	16,785,807
2018 – September 30	Nil	(5,120,723)	(0.03)	18,315,101
2018 – June 30	Nil	(5,305,941)	(0.03)	20,750,628
2018 – March 31	Nil	(4,205,769)	(0.03)	23,277,313
2017 – December 31	Nil	(3,991,078)	(0.03)	20,350,635
2017 – September 30	Nil	(1,464,960)	(0.01)	7,387,990

Summary of Quarterly Results

Three Months Ended September 30, 2019 vs. Three Months Ended September 30, 2018

For the three months ended September 30, 2019, the Company reported a net loss and comprehensive loss of $3,096,377 (three months ended September 30, 2018 - $5,120,723), comprised primarily of consulting fees of $436,076 (three months ended September 30, 2018 - $285,820), drone research and development costs of $694,181 (three months ended September 30, 2018 - $988,870), legal, accounting and other professional fees of $132,403 (three months ended September 30, 2018 - $27,408), amortization of equipment and right-of-use assets of $129,928 (three months ended September 30, 2018 – $5,736), shareholder information expenses of $59,240 (three months ended September 30, 2018 - $140,114), advertising and promotion of $59,586 (three months ended September 30, 2018 - $638,266), and stock based compensation pertaining to the vesting of options granted during current and prior periods of $323,710 (three months ended September 30, 2018 - $2,623,997)

During the three months ended September 30, 2019, the Company continued the development of its drone technology, patent work, and prospective client base. With this came an investment in research and development of $694,181, contrasted with $988,870 in the comparative three months ended September 30, 2018. Additionally, during the three months ended September 30, 2019, the Compnay completed the acquisition and implementation of flight equipment software and radar systems aggregating $628,069.

<u>Nine Months Ended September 30, 2019 vs. Nine Months Ended September 30, 2018</u>

For the nine months ended September 30, 2019, the Company reported a net loss and comprehensive loss of $10,319,822 (nine months ended September 30, 2018 - $14,632,433), comprised primarily of consulting fees of $2,492,100 (nine months ended September 30, 2018 - $834,524), drone research and development costs of $2,290,291 (nine months ended September 30, 2018 - $3,229,959), legal, accounting and other professional fees of $237,465 (nine months ended September 30, 2018 - $73,614), amortization of equipment and right-of-use assets of $226,155 (nine months ended September 30, 2018 – $13,232), shareholder information expenses of $350,442 (nine months ended September 30, 2018 - $246,682), advertising and promotion of $726,925 (nine months ended September 30, 2018 - $2,465,456), and stock based compensation pertaining to the vesting of options granted during current and prior periods of $1,508,038 (nine months ended September 30, 2018 - $6,806,008)

During the Nine months ended September 30, 2019, the Company continued the development of its drone technology, patent work, and prospective client base. With this came an investment in research and development of $2,290,291, contrasted with $3,229,959 in the comparative nine months ended September 30, 2018. During the nine months ended September 30, 2019, Mr. Tony Di Benedetto transitioned from CEO and director, and Mr. Richard Buzbuzian transitioned from the Company's president to business strategy roles within the Company, at which time a severance payment of $584,000 was paid to each, pursuant to the terms of their respective contracts. Additionally, during the nine months ended September 30, 2019, the Compnay completed the acquisition and implementation of flight equipment software and radar systems aggregating $730,529.

Liquidity and Capital Resources

The Company had working capital as at September 30, 2019 of $15,503,570 (December 31, 2018 – $13,951,330), and cash and cash equivalent balance of $13,729,734 (December 31, 2018 - $14,308,532). In addition, the Company is anticipating the recovery of $2.6 million in HST in December 2019, after having successfully concluded a routine Canada Revenue Agency commodity tax review.

The Company has no credit facilities with financial institutions. Accordingly, its financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. 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.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will be dependent on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should the board of directors of the Company (the "Board of Directors") deem it advisable.

To date, the Company has had negative operating cash flow because its revenues did not exceed its operating expenses. In addition, as a result of the Company's business plans for the development of its 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 to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow.

Critical Accounting Estimates

Application of the Company's accounting policies in compliance with International Financial Reporting Standards ("IFRS") requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based Payments

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statement of operations based on estimates of forfeiture and expected lives of the underlying stock options.

Several variables are used when determining the value of stock options using the Black-Scholes valuation model:

- The expected term: the Company used the expected term of the stock of five years, which is the maximum term ascribed to these stock options, for the purposes of calculating their value. The Company chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
- Volatility: the Company used historical information of a similar company on the market price of its common shares to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.
- Risk-free interest rate: the Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the stock options. The risk-free interest rate would vary depending on the date of the grant of the stock options and their expected term.
- Dividend yield: the Company has not paid dividends in the past because it is in the development stage and has not yet earned any significant income. Also, the Company does not expect to pay dividends in the foreseeable future because it does not achieve profitability in the near to mid-term. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.

Critical Judgments Used in Applying Accounting Policies

In the preparation of the financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

a) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

b) Depreciation expense is allocated based on assumed useful life of the equipment. Should the useful life differ from the initial estimate, an adjustment would be made to the statement of comprehensive loss.

New Accounting Standards

On January 1, 2019, the Company adopted IFRS 16 – Leases. For complete details on the transition, please see notes, 2, 5 and 6 of the Company's June 30, 2019 unaudited condensed interim consolidated financial statements.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Capital Management

The Company manages its capital with the following objectives:

(i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
(ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be equity, comprising share capital, share subscriptions, share-based payments reserve and deficit, which at September 30, 2019 totalled $18,764,571 (December 31, 2018 - $14,544,266). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2019.

Related Party Transactions

During the three and nine months ended September 30, 2019, the Company incurred $70,500 and $795,500, respectively plus HST, inclusive of a $584,000 severance payment. (three and nine months ended September 30, 2018 - $70,500 and $211,500, plus HST, respectively) in service fees, to a corporation controlled by a former director, for developing the business operations strategy of the Company. As at September 30, 2019, $nil is included in accounts payable (December 31, 2018 - $384,200), and $26,555 is included in prepaids (December 31, 2018 - $26,555) pertaining to these fees. During the three and nine months ended September 30, 2019, the Company incurred $52,500 and $157,500, respectively plus HST (three and nine months ended September 30, 2018 - $52,500 and $157,500, plus HST, respectively) in consulting fees, to a corporation controlled by the Vice President, for developing the business operations strategy of the Company. As at September 30, 2019, included in accounts payable is $nil (December 31, 2018 - $384,200), and in prepaids is $19,775 (December 31, 2018 - $19,775) pertaining to these fees. During the three and nine months ended September 30, 2019, the Company incurred $70,500 and $759,500, plus HST, inclusive of a $584,000 severence payment. (three and nine months ended September 30, 2018 - $70,500 and $211,500 plus HST, respectively) in consulting fees, to a corporation controlled by the Chief Executive Officer for consulting fees. As at April 30, 2019, $nil (December 31, 2018 - $384,200) is included in accounts payable and $26,555 is included in prepaids (December 31, 2018 - $26,555) pertaining to these fees. During the three and nine months ended September 30, 2019, the Company incurred $70,500 and $211,500 plus HST, respectively (three and nine months ended September 30, 2018 - $70,500 and $211,500 plus HST, respectively) in consulting fees, to the Chief Technology Officer of the Company for consulting fees. As at September 30, 2019, $nil is included in accounts payable (December 31, 2018 - $384,200), and $26,555 is included in prepaids (December 31, 2018 - $26,555) pertaining to these fees.

On June 10, 2019, Mr. Michael Zahra was appointed CEO, replacing Mr. Tony Di Bennedetto. From the period from June 10, 2019 through September 30, 2019, the Company expensed $284,006 in salary to Mr. Zahra. As at September 30, 2019 $15,188 was included in accounts payable and accrued liabilities, pertaining to these fees and ancilliary expense reimbursements.

During the three and nine months ended September 30, 2019, rent of $16,200 and $48,600, respectively (three and nine months ended September 30, 2018 - $16,000 and $41,600, respectively) was paid to a company controlled by an officer who is also a director of the Company. As at September 30, 2019, $nil was included in accounts payable and accrued liabilities (December 31, 2018 - $nil), and $6,102 was included in prepaid expenses (December 31, 2018 - $nil)
During the three and nine months ended September 30, 2019, legal fees of $65,448 and $104,248, respectively (three and nine months ended September 30, 2018 - $6,848) were accrued or paid to a law firm in which a director of the Company is a partner. As at September 30, 2019, $4,766 was included in accounts payable and accrued liabilities (December 31, 2018 - $43,110).

During the three and nine months ended September 30, 2019, the Company expensed $6,134 and $21,202 (three and nine months ended September 30, 2018 - $5,926 and $19,094) to Marrelli Support Services Inc. (“Marrelli Support”), The Canadian Venture Building Inc., and DSA Corporate Services Inc. (“DSA”), together known as the “Marrelli Group” for:

- Bookkeeping and office support services;
- Regulatory filing services
- Corporate secretarial services
- Robert D.B. Suttie, President of Marrelli Support, to act as Chief Financial Officer (“CFO”) of the Company;

The Marrelli Group is also reimbursed for out of pocket expenses.

As of September 30, 2019, the Marrelli Group was owed $2,853 (December 31, 2018 - $10,338). These amounts are included in accounts payable and accrued liabilities. Included in prepaid expenses is $nil paid to the Marrelli Group pertaining to prepayment of certain regulatory filing fees (December 31, 2018 - $14,096).

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Events Occuring After the Reporting Date

There are no events occurring after the reporting period which have not been disclosed in this document.

Risks and Uncertainties

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Aviation Risks

A significant portion of the DDC business is based on the operation and flight of unmanned aerial vehicles, or "drones". The operation of any aerial vehicle may pose a risk or hazard to those both in the air and on the ground. Furthermore, this is an evolving area of business and activity and the regulatory environment for drones has not yet fully developed. As such, in the event policy changes occur respecting the operation of drones, there is a risk the Company may find itself to be in non-compliance with these new regulations. While the Company has taken measures it deems appropriate to mitigate the risks associated with these activities, and while the Company will strive to keep abreast on new regulatory changes associated with drones, there is no assurance that an incident involving one of these drones, or our non-compliance with this evolving area of law and regulation, would not create a significant liability for the Company in the future.

Current Global Financial Conditions and Trends

Securities of technology companies in public markets have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Companies in the technology sector are also significantly affected by proposed and newly enacted laws and regulations, currency exchange fluctuation and the political environment in the local, provincial and federal jurisdictions in which the Company does business. The economy remains in a period of significant economic volatility, although there have been signs of positive economic growth in North American and European markets. Continued volatility is expected in the near term.

Management's Responsibility for Financial Information

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking information being collectively hereinafter referred to as "forward-looking statements"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this MD&A. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this MD&A; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; anticipated developments in operations of the Company; the timing and amount of funding required to execute the Company's business plans; capital expenditures; the effect on the Company of any changes to existing or new legislation or policy or government regulation; the length of time required to obtain permits, certifications and approvals; the availability of labour; estimated budgets; currency fluctuations; requirements for additional capital; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: operational risks; regulation and permitting; evolving markets; industry growth; uncertainty of new business models; speed of introduction of products and services to the marketplace; undetected flaws; risks of operation in urban areas; marketing risks; geographical expansion; limited operating history; substantial capital requirements; history of losses; reliance on management and key employees; management of growth; risk associated with foreign operations in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products and services; maintenance of technology infrastructure; privacy protection; development costs; product defects; insufficient research and development funding; uncertainty related to exportation; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and global financial conditions.

The lists of risk factors set out in this MD&A or in the Company's other public disclosure documents are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements.

Additional Information

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