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 three months ended March 31, 2020. 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, 2019 as well as the unaudited interim consolidated financial statements for the three months ended March 31, 2020 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at June 1, 2020 unless otherwise indicated.

Description of Business

Drone Delivery Canada Corp. (TSXV:FLT) is a disruptive, pioneering technology company focused on designing, developing, and implementing commercially viable drone-based logistics systems. Based in Vaughan, Ontario, the Company's patented, fully integrated hardware/software platform is used as a managed service in a SaaS business model. The Company is providing a turnkey logistics solution for delivery of goods in hard to access locations, where time is of the essence, and to limit person-to-person contact. The system is airframe agnostic, meaning third party drones or manned rotary or fixed wing aircraft could be integrated into the Company's solution.

The Company, first to market in North America has operational capabilities 24 hours a day, 365 days a year and is the first cargo logistics drone operator to have a Compliant Operator Status Certificate awarded by Transport Canada. The Company currently has four different drones in its fleet (Sparrow, Robin XL, Falcon, and Condor), with the Sparrow deemed fully compliant. The Company is focusing on a variety of vertical markets, including but not limited to Remote Communities, Indigenous Communities, Courier Services, Retail, Ecommerce, Mining, Oil & Gas, Healthcare & Pharmaceutical, Government, Military, Shore-to-Ship, and Construction applications in Canada and internationally.

The current legislation and regulatory framework in place with respect to commercial drone use in Canada is evolving. The Company continues to work closely with Transport Canada.

COVID-19 Impact

As per the Ontario provincial government, the company is deemed an "Essential Workplace" in multiple categories and as such the business operations remain ongoing. The Company continues to remain diligent and is following all recommendations from health Canada.

The current situation with the pandemic is an ideal use case for DDC's patented technology and the company has been in dialogue with Governments at various ministries and levels as well as various health care institutions.

Highlights

Product Development

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 February 28, 2020, the Company announced that it will begin testing of its Robin XL (Robin). The Robin has a lifting capacity of 25lbs or payload, a travel range of 60km and is designed for harsher climates. The Robin features the option to have automatic cargo deployment, eliminating the need for cargo handlers upon arrival.

On April 14, 2020, the Company announced plans to accelerate commercial testing of the Condor, due to the current fight against the COVID-19 pandemic and to help limit person to person contact. This phase of testing for Beyond Visual line of Sight (BVLOS) flight will take place at the Foremost UAS Test Range in Alberta, Canada and will test long-range and heavy-lift capabilities of the Condor.

<u>Commercial Agreements</u>

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.

On December, 10, 2019, the Company announced that on December 3, 2019, the Moose Cree First Nation project had received the first conditional approval for one of its funding applications. The Company continues to work with the various funders in progressing the application status.

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 deployment of client infrastructure in Q2 2020. 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 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.

On March 23, 2020, the Company announced that the first route for DSV was commercially operational and began providing drone delivery services. As such DDC has recognized revenue in March 2020 related to this contract as per the terms of the agreement, and in conjunction with the application of IFRS 15. 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. 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 the purpose 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 April 21, 2020, the United States Patent Office granted DDC Patent 10,625,879 which covers aspects of DDC's drone delivery technology and processes relating to controlled access zones for UAV landing and takeoff.

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 aspects of DDC's 'RAILWAY IN THE SKY' concept that is intended to simplify routing and control of delivery drones particularly in crowded urban areas.

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.

Expressed in Canadian Dollars

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.

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	$534,320	$250,000	88,846
Product Development and Commericialization	$550,000	$1,891,894	$250,000	812,343
Commercial Testing	$2,000,000	$2,973,540	$1,000,000	-
Domestic Marketing	$1,000,000	$795,539	$700,000	666,492
Exploration for International Commericalization	$500,000	-	500,000	-
Total Expenditures	**$4,800,000**	**$6,195,293**	**$2,700,000**	**1,567,681**

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 ($)	Total assets ($)
2020 – March 31	2,545	(4,115,682)	(0.02)	13,924,727
2019 – December 31	Nil	(5,277,382)	(0.03)	17,708,902
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

Summary of Quarterly Results

Three Months Ended March 31. 2020 vs. Three Months Ended March 31, 2019

For the three months ended March 31, 2020, the Company reported a net loss and comprehensive loss of $4,115,682 (three months ended March 31, 2019 - $3,789,538), comprised primarily of consulting fees of $292,896 (three months ended March 31, 2019 - $1,002,676, inclusive of severance ocsts of $584.000), drone research and development costs of $812,343 (three months ended March 31, 2019 - $592,002), legal, accounting and other professional fees of $68,602 (three months ended March 31, 2019 - $45,277), amortization of equipment, leasehold improvements and right-of-use assets of $206,048 (three months ended March 31, 2019 – $48,532), shareholder information expenses of $59,381 (three months ended March 31, 2019 - $193,851), advertising and promotion of $833,115 (three months ended March 31, 2019 - $600,222), and stock based compensation pertaining to the vesting of options granted during current and prior periods of $592,301 (three months ended March 31, 2019 - $950,959)

During the three months ended March 31, 2020, 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 $812,343, contrasted with $592,002 in the comparative three months ended March 31, 2019.

During the three months ended March 31, 2020, the Company recognized $2,545 in drone service revenue, representing the initial days of drone services provided under a contract signed in 2019, described on page three.

Liquidity and Capital Resources

The Company had working capital as at December 31, 2019 of $8,128,224 (December 31, 2019 – $11,370,837), and cash and cash equivalent balance of $8,528,263 (December 31, 2019 - $9,773,012). In addition, the Company recovered in excess of $2.9 million in HST during the three months ended March 31, 2020, 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.

a) 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.

b) The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of the right-of-use assets and lease liabilities, and the resulting interest and depreciation expense. Actual results could differ significantly as a result of these estimates. Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

   - Incremental borrowing rate: The rates used to present value the future lease payments are based on judgments about the economic environment in which the Company operates and theoretical analyses about the security provided by the underlying leased asset, the amount of funds required to be borrowed in order to meet the future lease payments associated with the leased asset, and the term for which these funds would be borrowed.

   - Lease term: In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

c) Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires judgment as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the expected volatility of the Company's share price, the risk-free interest rate and expected dividends.

d) Amounts recorded for depreciation and amortization expense are based on the Company's componentization of its property and equipment and intangible assets and management's estimates of the useful life, pattern of consumption of future economic benefits of the Company's property and equipment and intangible assets. These estimates affect the carrying amount of property and equipment and intangible assets.

e) Depreciation and amortization are calculated to write off the cost, less estimated residual value, of assets on a systematic and rational basis over their expected useful lives. Estimates of residual value and useful lives are based on data and information from various sources including industry practice and management's expectations. Expected useful lives and residual values are reviewed annually for any change to estimates and assumptions. Although management believes the estimated useful lives of the Company's property and equipment and intangible assets are reasonable, it is possible that changes in estimates could occur, which may affect the expected useful lives and salvage values of the property and equipment and intangible assets.

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 and amortization expense is allocated based on assumed useful life of the equipment, leasehold improvements, right-of-use assets and patents. Should the useful life differ from the initial estimate, an adjustment would be made to the statement of comprehensive loss.

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.

Expressed in Canadian Dollars

The Company considers its capital to be equity, comprising share capital, share subscriptions, share-based payments reserve and deficit, which at March 31, 2020 totalled $12,409,075 (December 31, 2019 - $15,539,956). 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 three months ended March 31, 2020

Related Party Transactions

a) 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 its executive officers

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During the three months ended March 31, 2020 and 2019 the following compensation amounts were incurred in respect of key management personnel:

		2020		2019
Consulting fees and salaries	$	211,846	$	264,000
Severance		-		584,000
	$	211,846	$	848,000

During the three months ended March 31, 2020, the Company allocated the $211,846 (three months ended March 31, 2019 - $848,000) of consulting fees and salaries based on the nature of services provided: expensed $52,500 (three months ended March 31, 2019 - $707,000) to consulting; and expensed $88,846 (three months ended March 31, 2019 - $nil) to office and general and $70,500 to research and development (three months ended March 31, 2019 - $70,500). Severance payments of $nil (three months ended March 31, 2019 - $584,000) are included in consulting expense.

As at March 31, 2020, consulting fees of $134,750 (December 31, 2019 - $497,200) remain unpaid are included in accounts payable and accrued liabilities. Consulting fees of $99,440 (December 31, 2019 - $99,440) paid in advance are included in prepaid expenses.

The Company has an employment agreement with its CEO which provides that in the event the CEO's employment is terminated without cause or upon a change of control of the Company, a termination payment of 12 to 18 months salary, at $392,700 per annum, is payable. If the termination had occurred on March 31, 2020, the amount payable under the agreement would be $392,700.

The Company has consulting agreements with a corporation controlled by a former director, a corporation controlled by the Vice President, a corporation controlled by the former Chief Executive Officer and a corporation controlled by the Chief Technology Officer, which provide that in the event the consulting agreements are terminated without cause or upon a change of control of the Company, a termination payment of two years of consulting fees, ranging from $210,000 to $282,000 per annum depending on the agreement, is payable. If all such terminations had occurred on March 31, 2020, the total amount payable under the agreements would be $2,112,000.

b) During the three months ended March 31, 2020, rent of $16,200 (three months ended March 31, 2019 - $16,200) was paid to a company controlled by an officer who is also a director of the

Company. As at March 31, 2020, $nil was included in accounts payable and accrued liabilities (December 31, 2019 - $nil).

c) During the three months ended March 31, 2020, legal fees of $17,613 (three months ended March 31, 2019 - $15,000) were accrued or paid to a law firm in which a director of the Company is a partner. As at March 31, 2020, $24,669 was included in accounts payable and accrued liabilities (December 31, 2019 - $52,911).

d) During the three months ended March 31, 2020, the Company expensed $5,527 (three months ended March 31, 2019 - $6,904) 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 March 31, 2020, the Marrelli Group was owed $5,986 (December 31, 2019 - $15,075). These amounts are included in accounts payable and accrued liabilities.

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

The outbreak of the novel strain of corona virus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

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.

COVID-19

Due to the worldwide COVID-l9 outbreak, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global oil prices;
- Demand for drone delivery services;
- The severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labour availability and supply lines;
- Availability of essential supplies;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding

At the date of the approval of these consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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.

Expressed in Canadian Dollars

Additional Disclosure for Venture Issuers Without Significant Revenue

Office and general for the three months ended March 31, 2020 and 2019 are comprised of the following:

Three Months Ended March 31,	2020	2019
	($)	($)
Salaries and benefits	952,820	251,001
Travel expense	34,930	54,422
Office and general	165,461	64,984
Insurance	23,505	26,579
Rent	30,049	31,315
Foreign exchange	1,099	(74,150)
	1,207,864	**354,151**

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, which is expected to continue in the near to mid 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.