# Drone Delivery Canada Corp.
# Management's Discussion and Analysis
# For the Nine Months Ended September 30, 2021
# Expressed in Canadian Dollars
# Dated November 15, 2021

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Drone Delivery Canada Corp. (formerly Asher Resources Corporation) ("DDC" or the "Company") and constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended September 30, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2020, together with the notes thereto. Information contained herein is presented as at November 15, 2021, unless otherwise indicated.

## Description of Business

Drone Delivery Canada Corp. (TSXV:FLT) is an early stage, disruptive, pioneering technology company focused on designing, developing, and implementing commercially viable drone-based logistics systems. Based in Vaughan, Ontario, the Company's patented, award-winning, fully integrated hardware/software platform is intended to be 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 also be integrated into the Company's solution with engineering efforts.

The Company, first to market in North America, is scalable to 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 has also been granted a domestic cargo licence under the Canada Transportation Act ("CTA") and Air Transport Regulations (Canada). The Company currently has three different drones in its fleet (Sparrow, Robin XL, 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 and internationally is evolving. The Company continues to work closely with Transport Canada, the Federal Aviation Administration, and other international regulators.

<u>COVID-19 Impact</u>

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, in addition to First Nation communities and all other sectors with respect to potential COVID-19 applications.

## Highlights

### Product Development

<u>Condor</u>

On April 14, 2020, the Company announced plans to accelerate commercial testing of the Condor, to aid in the 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 took place at the Foremost UAS Test Range in Alberta, Canada and was intended to test long-range and heavy-lift capabilities of the Condor.

On September 1, 2020, the Company announced it had successfully tested numerous critical aspects of the Condor in Foremost, Alberta, including: triple-redundant communications system (satellite, cellular, 900MHz RF); triple-redundant navigational guidance system; triple-redundant autopilot system; monitoring of unmanned flights remotely from DDC's Operations Control Centre in Vaughan, Ontario; general flight stability and performance; and fuel consumption characteristics.

On October 29, 2020, the Company announced that it had successfully tested the Condor drone at the Alma, Quebec Unmanned Aerial Systems Centre of Excellence. The Company successfully tested some of the previously performed tests in Foremost, Alberta, in addition to numerous other attributes of the Condor including: multiple unique flying patterns, multiple velocity vectors and altitude profiles, sound pressure levels, engine tuning characteristics, maintenance procedures, logging of flight data, and extended endurance testing in varying environmental conditions.

On March 3, 2021, the Company provided an update on Condor testing at the Foremost UAS Test Range, in Foremost, Alberta, Canada. The Company successfully completed further testing of the Condor, including testing as related to: cold-weather performance, wind performance, cargo-area temperature profiles, long-duration flight testing, aircraft attitude and position controller tuning, autonomy, and autonomous waypoint navigation. Pursuant to proposed Transport Canada regulations, the Condor would not require a formal aircraft type-certification when operated in specific lower-risk (remote) locations, as is intended. Flight approvals would be requested through Transport Canada following the straightforward and well-established Special Flight Operations Certificate (SFOC) process.

The Company continued its development and testing of the Condor during the nine months ended September 30, 2021, which includes but not limited to functional testing and baseline tuning and completion of an upgrade to the engine management system and numerous sensors.

During the three months ended September 30, 2021, the Company executed a new two year lease in Ontario to build out a new commercialization centre for the Condor and other future drones. This new location will facilitate engineering testing and development, pre customer delivery verification, customer demonstrations, customer and employee training, and maintenance of Condor drones. The Company anticipates endurance testing scheduled for Q4 2021 in Ontario and additional testing is anticipated in Q1 2022 in Foremost Alberta.

Based on the successful completed testing to date, the Company continues to believe it will be in a position to deploy the Condor in certain low-risk commercial customer pilot applications in remote and rural environments, as intended.

Robin XL

On February 28, 2020, the Company announced that it will begin testing of its Robin XL ("Robin") cargo delivery drone. The Robin has a lifting capacity of 11.3 kilograms of payload, a potential travel range of 60 kilometers 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 November 18, 2020, the Company successfully tested the Robin at the Company's Tranquility Base test range. The Company successfully tested numerous critical aspects of the Robin, including: communications system; navigational guidance system; autopilot system; take-off and landing performance; general flight stability and performance; multiple velocity vectors and altitude profiles; sound pressure levels; and battery consumption characteristics. All flight tests were conducted in accordance with the approvals provided by Transport Canada.

During the three months ended September 30, 2021, the Company announced that it was reallocating resources from the development of Robin XL to Condor and the next generation Sparrow in response to market demand. The Company will resume Robin XL development in the future as market demands may indicate.

Next Generation Sparrow

The Company is currently developing the Next Generation Sparrow, which will provide additional use cases for drone delivery as a result of feature enhancements. The current development includes a planned aircraft parachute recovery system, which is expected to reduce ground risk and thereby could assist in being permitted to fly over people at some point in the future. The Next Generation Sparrow will have similar payload and range capabilities of the current Sparrow, with additional functionality. The design phase has been completed and the prototype is currently being developed in parallel with testing on certain components. The Company believes that the Next Generation Sparrow will be commercially available sometime in 2022.

FLYTE

FLYTE is the Company's proprietary flight management software and the core component of the Company's delivery platform. The Company is continually developing and enhancing FLYTE to add new functionality and use cases to further enable delivery capabilities depot-to-depot. Integration of FLYTE and other proprietary and third party technology is a on going requirement for the Company, as such the Company will continue to invest in the development and enhancement of FLYTE on a long-term basis.

Future Technology

The Company is currently in the process of assessing and evaluating detect and avoid ("DAA") technology for integration into the Company's drones and proprietary technology, amongst other related technologies. DAA will enable the Company to reduce air risk as defined by Transport Canada and other regulators. The Company will continue to rely on visual observers for operations that have this requirement, until such DAA technology has been developed and integrated. Although the Company is in the process of assessing and evaluating DAA technology from a technological, regulatory, and financial feasibility aspect, no assurance can be given that such DAA technology will be developed and or advanced by the Company, if the DAA technology is not feasible. The Company may ultimately use a combination of drone-based and ground based DAA with or without visual observers as required to meet the regulations of the regulator where the Company intends to operate.

First Responder Program

On June 26, 2020, the Company successfully completed phase two of its AED On The Fly Pilot with Peel Region Paramedics and Sunnybrook Centre for Prehospital Medicine, utilizing the Sparrow drone.

On November 10, 2020, the Company successfully completed phase three of its AED on The Fly project with Peel Region Paramedics and Sunnybrook Centre for Prehospital Medicine. Additionally, remote launch and monitoring from the Company's Vaughan, Ontario Operations Control Centre ("OCC"), and nighttime delivery of an AED by drone were successfully tested. The testing validated that using DDC's proprietary drone delivery platform with cargo drop functionality to deliver rapid first responder technology by drone may reduce response time to cardiac arrest patients in the field while being utilized by lay responders. Compared to a land-based vehicle, the AED drone had a shorter travel time, a major factor in responding to a cardiac arrest.

## Commercial Agreements

*Moose Cree First Nation*

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 government funders in progressing the application status.

*Vision Profile*

On September 10, 2019, with the assistance of its sales agent Air Canada, the Company announced it had entered into a commercial agreement dated September 9, 2019 (the "Vision Agreement") with Vision Profile Extrusions Limited ("Vision"), a manufacturing company, to deploy a drone delivery platform for the use of Vision between its properties in Vaughan, Ontario. The Company terminated the agreement with Vision Profile during the three months ended September 30, 2021 due to continued delays by the customer and to allocate its resources to other commercial projects.

*DSV Air & Sea Inc.*

On October 23, 2019, with the assistance of Air Canada, the Company entered into a commercial agreement dated October 22, 2019, with DSV Air & Sea Inc. Canada ("**DSV**"). The first DSV route became operational on March 23, 2020, with an initial term of fifteen months.

On June 22, 2020, with the assistance of Air Canada, the Company entered into a second commercial agreement dated June 22, 2020, with DSV to deploy DDC's drone delivery platform, with the intent for DSV to deliver healthcare related cargo from DSV's warehouse in Milton, Ontario to DSV customers locally. The term of this agreement was three months with full payment being made upfront by DSV. The second route became operational on August 27, 2020, moving cargo from DSV's warehouse in Milton, Ontario to a DropSpot at Reckitt Benckiser in Milton, Ontario approximately 4 kilometers away and travelling across Highway 401. The term of the contract for the second route concluded in Q4 2020.

On June 24, 2021, the Company announced that it had renewed the agreement between DSV and the Company on a month-to-month basis for the first DSV route, as the initial term concluded during the three months ended June 30, 2021, as defined in the original agreement.

*GlobalMedic*

On June 4, 2020, the Company announced it entered into a commercial agreement with The David McAntony Gibson Foundation o/a GlobalMedic ("GM") to deploy DDC's patented drone delivery solution to provide service to the Beausoleil First Nation Community ("BFN") in Ontario.

The Company completed deployment and setup of site infrastructure in September 2020 and began commercial operations from BFN mainland to BFN Christian Island. The six month contract with GlobalMedic concluded during the first quarter of 2021, as defined in the original commercial agreement.

*Georgina Island First Nation*

On July 30, 2020, with the assistance of Air Canada and the Pontiac Group, the Company entered into a commercial agreement with the Georgina Island First Nation ("GIFN") to deploy DDC's patented drone delivery solution to provide service to the GIFN community in Ontario.

The Company completed the deployment and setup of site infrastructure in October 2020 and began commercial operations in the GIFN community. The six month contract with Georgina Island First Nation concluded during the second quarter of 2021, as defined in the original commercial agreement.

*University of British Columbia*

On May 20, 2021, the Company announced that it has been selected by the University of British Columbia ("UBC") to deploy DDC's patented drone delivery solution at the Stellat'en First Nation, for UBC's "Remote Communities Drone Transport Initiative" program. On July 15, 2021, the Company announced that it had signed a commercial agreement with UBC to deploy DDC's patented drone delivery solution between Stellat'en First Nation and the Village of Fraser Lake, located in Central Northern British Columbia, Canada. The term of the agreement is 12 months and includes an upfront payment as well as recurring monthly payments. The Company began implementation of the project during the third quarter of 2021 and concluded implementation subsequent to September 30, 2021 with the route being operational as of October 18, 2021.

*Edmonton International Airport*

On July 8, 2021, the Company entered into commercial agreements with each of Edmonton International Airport ("EIA"), Apple Express Courier Ltd and Ziing Final Mile Inc ('the Customers') to deploy DDC's patented drone delivery solution at the Edmonton International Airport. DDC will enable a defined route from EIA to deliveries off airport property utilizing the Sparrow to service the customers. The term of the agreement is 12 months and includes an upfront payment as well as recurring monthly payments. The Company began implementation of the project during the third quarter of 2021 and expects the route to be operational during Q4 2021.

### Commercial Entry into the United States

On July 9, 2020, the Company commenced the initial steps of the process to enter the United States market as a drone delivery operator.

The Company is in discussions with various potential US-based partners who have expressed positive interest in working with DDC to provide the Company's proprietary systems to support drone delivery solutions for multiple vertical markets and use-cases in multiple geographies.

The Company has started the initial steps of the process to apply for an aircraft Type Design Approval for the under 55 lbs MTOW (maximum take off weight) drone class, with subsequent aircraft in DDC's fleet to follow. Potential US-based partners would use the DDC delivery system to conduct for-hire drone delivery operations in the United States under applicable United States legislation (FAA Part 135). The aircraft Type Certification effort is an essential first step for enabling the Federal Aviation Administration's approval of routine beyond visual line-of-sight delivery operations, which in-turn could provide significant opportunities for expansion into the United States. The Company is currently permitted to conduct limited delivery operations in the United States using visual line of sight regulations under applicable United States legislation (FAA Part 107).

### U.S. Patents Awarded

On April 21, 2020, the United States Patent Office granted DDC Patent number 10,625,879 which covers aspects of DDC's drone delivery technology and processes relating to controlled access zones for UAV landing and takeoff.

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

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

Additionally, both patents are 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.

On May 12, 2021, the United States Patent Office granted DDC Patent number 10,987,184 for 'Medical or Emergency Package and Method of Use Thereof'.

The patent is directed to the concept of a proprietary package including a number of compartments, where some compartments containing medical equipment(s) are locked. The package also includes a communication device that is detachable from the package so that a user of the package can use the communication device to communicate with remote personnel who, based on such audio/video information received from the user, can open a selected locked compartment to permit access to the medical equipment contained therein.

On June 8, 2021, the United States Patent Office granted DDC Patent number 11,027,858 for 'Location for Unmanned Aerial Vehicle Landing and Taking Off'. The patent is directed to controlling access to and managing departure and destination locations for Unmanned Aerial Vehicle ('UAV') engaged in transporting articles between such locations.

On July 6, 2021, the United States Patent Office granted DDC Patent number 11,053,021 for 'Unmanned Aerial Vehicle and Method for indicating a Landing Zone'. The patent is directed to a UAV that includes a light source for generating a light beam to define a pattern for a landing zone for the UAV.

As a result, the Company now has five patents successfully granted with further patents pending and the potential for more patent applications in the future as part of it's continuing technology roadmap.

## Additions to Management

On March 2, 2021, the Company announced it has further bolstered its sales and marketing team with the addition of a Director of Sales & Marketing, Mr. Armen Keuleyan. The Company is also planning to add additional sales employees.

On February 4, 2021, the Company announced that it has expanded its Advisory Board, welcoming the addition of Ms. Nadine Miller, B.A.Sc, M.Eng, M.B.A., P.Eng. Ms. Miller joins the Company's Advisory Board bringing a broad global network, know-how and experience in mining, oil & gas, infrastructure, transportation, and artificial intelligence, to further enhance the Company's drone delivery solution into key industrial B2B markets.

On November 9, 2020, the Company announced the appointment of Ms. Debbie Fischer and Mr. Larry Taylor to its Board of Directors and Mr. Steve Bogie as Vice President – Flight Operations and Technology. In addition, the Company announced that it had expanded its Advisory Board, with the addition of Mr. Nico Buchholz and Mr. Robert Montemarano. With the addition of Mr. Bogie to the Company, Mr. Paul Di Benedetto transitioned into a nonexecutive role as Engineering Strategist with the Company focusing on R&D Engineering.

Ms. Fischer joined the Board and assumed the role of Chair of the Company's Governance and Human Resources Committee. Ms. Fischer is a seasoned executive with deep business experience in healthcare, government, human resources and consulting, having worked with such organizations as Cap Gemini Ernst & Young, KPMG, Mount Sinai Hospital and the Ontario Ministry of Health and Long Term Care, as well as having served as Director or Chair on several boards. She has a B.Sc. in Neurobiology, a master's degree in Health Administration, a CHRE designation, and an ICD.D designation from the Institute of Corporate Directors.

Mr. Taylor joined the Board and assumed the role of Chair of the Company's Audit Committee. Mr. Taylor is also a seasoned executive with extensive business and board experience in consulting, financial services and technology, having worked with such organizations as Cap Gemini Ernst & Young, Travelex, Dollar Financial Group, and numerous publicly-traded technology companies as Director or Chair. He has attended business and leadership programs at Northwestern University and Harvard University. Mr. Taylor has Certified Management Consultant, Certified Professional Accountant and Certified Management Accountant designations.

Mr. Bogie oversees Flight Operations, Flight Safety, Canada & International Regulatory Relations, the Company's Operations Control Centre, and IT. Mr. Bogie is a seasoned executive with decades of experience in the aviation industry most recently with Air Canada and Air Canada Jazz. He has experience in systems operations control, customer service, business strategy & innovation and operations information systems. He has a bachelor's degree in Business Administration & Economics from Kwantlen Polytechnic University and M.B.A.-level studies with the Edinburgh School of Business. He has his Six Sigma Green Belt and Private Pilot License Ground School.

Mr. Buchholz is an experienced executive with a background in civil and military aviation, aircraft leasing, aircraft fleet management, procurement, strategic development and technical operations, having worked with such organizations as Airbus, Rolls-Royce, Lufthansa, Bombardier, Delta Airlines, Southwest Air Cargo, and German Operating Aircraft Leasing. He received university education at the Technical University of Berlin in Air & Space Technology Engineering as well as Air Transport Management at Cranfield University (M.Sc.) and has taken management programs at the London Business School and Columbia University.

Mr. Montemarano resigned from the Company's Board and accepted a position on the Company's Advisory Board. Mr. Montemarano is active in corporate finance in various industries such as mining, technology and real estate, and served as a director of several publicly traded companies.

On September 8, 2020, the Company announced the management appointment of Mr. Manish Arora as Chief Financial Officer, replacing outgoing Chief Financial Officer, Robert D.B. Suttie. Manish Arora has over 15 years of experience in public company financial reporting, IFRS, U.S. GAAP, taxation, financial planning & analysis and ERP implementations across mid to large organizations. He previously served as Corporate Controller for Cardinal Health Canada and has prior experience in the aerospace and automotive industry with Vector Aerospace and Martinrea International Inc.

## Corporate Update

On August 5, 2020, the Company closed a bought-deal prospectus offering underwritten by Echelon Wealth Partners Inc. and Canaccord Genuity Corp, pursuant to which it issued an aggregate of 13,225,000 units (the "Units") which included the full exercise of the underwriters' overallotment option, at a price of $0.70 Unit, for aggregate gross proceeds of $9,257,500 (the "August 2020 Financing"). Each Unit consisted of one common share and one-half of one common share purchase warrant of the Company (each whole such warrant a "August 2020 Warrant"). Each August 2020 Warrant entitles the holder thereof to purchase one common share at a price of $0.95 until August 5, 2022. In connection with the August 2020 Financing, 793,500 broker warrants were issued, with each broker warrant entitling the holder thereof to acquire one Unit at $0.70 until August 5, 2022.

On September 24, 2020, the Company granted 2,915,000 options to purchase common shares of the Company to officers, directors, consultants and employees. Each option is exercisable at a price of $0.70 for a period of five-years.

On November 9, 2020, the Company granted 740,000 options to purchase common shares of the Company to officers, directors, consultants and employees. Each option is exercisable at a price of $0.70 for a period of five-years.

On November 9, 2020, the Company provided an update on its marketing and awareness campaigns. Due to the COVID-19 pandemic, previously planned and budgeted trade shows, conferences, marketing and awareness-raising campaigns have unavoidably been delayed or cancelled until travel and person-to-person contact becomes safer. As a result, the Company engaged Native Ads, Inc. and Venture North Capital Inc., and planned to engage Hybrid Financial Ltd., to provide the services mentioned above. Native Ads, Inc. is to provide digital media services, vendor management, marketing and data analytics services to the Company, and the Company budgeted USD$300,000 for such services over an expected twelve-month period. Venture North Capital Inc., a full-service capital markets consulting firm headquartered in Toronto, is to provide marketing, investor relations and business consulting services to the Company on a month-to-month basis unless earlier terminated by either party. In consideration for such services, the Company pays a monthly retainer fee of CAD$7,000 plus applicable taxes per month, and previously granted an aggregate of 625,000 stock options to purchase common shares of the Company (of which 425,000 stock options are exercisable at a price of $0.50 per share expiring on July 20, 2022 and 200,000 stock options are exercisable at a price of $1.00 per share expiring on August 30, 2024).

The Company also engaged Hybrid Financial Ltd. to provide investor relations services to the Company for an initial six-month period. It was anticipated that Hybrid would be engaged to increase market awareness of the Company and its products and services within the investment community. In consideration for such services, the Company had agreed to pay Hybrid a monthly fee of CAD$50,000 plus applicable taxes during the initial term.

On December 22, 2020, the Company closed a second bought-deal prospectus offering in the fiscal year, underwritten by Cormark Securities Inc. and Echelon Wealth Partners Inc., pursuant to which it issued an aggregate of 15,686,000 units ("Units") which included the full exercise of the underwriters' overallotment option, at a price of $0.88 per Unit, for aggregate gross proceeds of $13,803,680 (the "December 2020 Financing"). Each Unit consisted of one Common Share and one-half of one common share purchase warrant of the Company (each whole such warrant a "December 2020 Warrant"). Each December 2020 Warrant entitles the holder thereof to purchase one common share at a price of $1.20 until December 22, 2022. In connection with the December 2020 Financing, 941,160 underwriter options were issued, with each underwriter option entitling the holder thereof to acquire one Unit at $0.88 until December 22, 2022

On January 27, 2021, the Company announced that it had entered into an agreement for electronic media and webcast services, design, development and dissemination services (the "**EMC Agreement**") with Emerging Markets Consulting, LLC ("**EMC**") with respect to EMC providing investor relation services to the Company. Effective February 1, 2021, the EMC Agreement has an initial term of 90 days, wherein the Company will pay EMC a non-refundable fee of $150,000. EMC is a syndicate of investor relations consultants consisting of stock brokers, investment bankers, fund managers, and institutions that actively seek opportunities in the micro and small-cap equity markets. Neither EMC nor any of its principals currently own any securities, directly or indirectly, of the Company, or have any intention to acquire any securities of the Company.

On February 23, 2021, the Company announced that further to its press release of January 27, 2021, management of the Company has increased its budget related to its investor relations campaign (the "**Campaign**") in an effort to continue the Company's marketing and awareness campaigns using alternative methods following the unavoidable delays and cancellations of its previously planned and budgeted trade shows, conferences and conventions as a result of travel restrictions and limited person-to-person contact due to the Covid-19 pandemic (see the Company's press release dated November 9, 2020). Pursuant to existing arrangements previously announced with (i) Emerging Markets Consulting, LLC ("**EMC**") for electronic media and webcast services, design, development and dissemination services (the "**EMC Agreement**") and (ii) Winning Media LLC ("**WM**") for strategic digital media services, marketing, and data analytics services (the "**WM Agreement**"), with respect to each of EMC and WM providing ongoing investor relation services to the Company, the Company has agreed to pay an additional $200,000 to each of EMC and WM, upon receipt of an invoice from each of EMC and WM, as part of the increased budget in connection with the Campaign.

**Expressed in Canadian Dollars**

On July 27, 2021, the Company announced that it has become the first publicly traded drone delivery company to be granted a domestic cargo licence under the Canada Transportation Act ("CTA) and Air Transport Regulations (Canada). The CTA licence is mandatory for any air carrier intending to provide scheduled, commercial air services in Canada, whether carrying cargo or passengers. Section 61(a)(i) of the CTA requires that, among other things, the Company must be able to establish at all times that at least 51% of the voting interests of the Company are owned and controlled by Canadians. In order to comply with such rule, the Company will seek to amend its constating documents to incorporate the necessary restrictions, which will be in line with other public Canadian airlines. In the meantime, DDC has received from the Minister of Transport an exemption from s. 61(a)(i) until June 22, 2022.

## Business Objectives and Milestones

The Company closed a bought-deal prospectus offering on August 5, 2020, raising gross proceeds of $9,257,000. On December 22, 2020, the Company closed a second bought-deal prospectus offering raising gross proceeds of $12,003,200. The following table sets out the steps that the Company planned to complete by the end of 2020 and during the Company's 2021 and 2022 financial year in order to focus on an expansion of its technology and services using larger, heavier payload capacity vehicles, in order to increase distance and delivery capacity for its drone vehicles and broaden the range of addressable use case applications. The Company intends to further build out the Company's drone delivery logistics platform in Canada and potentially in non-Canadian jurisdictions by scaling the Company's management and the sales teams to provide additional resources for the expected commencement of commercialization and the anticipated expenditures required in order to complete such steps:

| Expected Expenditures | 2020 Budgeted | 2020 Approx. Actual to Date | 2021 Budgeted | 2021 Approx. Actual to Date | 2022 Budgeted |
|---|---|---|---|---|---|
| Scaling of Management and Sales Teams | $500,000 | $305,087 | $1,650,000 | $789,163 | $550,000 |
| Product Development and Commercialization | $875,000 | $1,044,300 | $2,375,000 | $1,668,197 | $1,750,000 |
| Commercial Testing | $1,000,000 | $573,557 | $1,300,000 | $1,650,974 | $700,000 |
| International and Domestic Marketing | $75,000 | $104,720 | $475,000 | $415,562 | $500,000 |
| International Market Penetration | $150,000 | $94,173 | 950,000 | $408,200 | $400,000 |
| **Total Expenditures** | **$2,600,000** | **$2,121,837** | **$6,750,000** | **$4,932,096** | **$3,900,000** |

The Company's approximate spend for the nine months ended September 30, 2021, of $4,932,096 compared to a budget of $6,750,000 for the fiscal year 2021 is in line with management's expectations, considering the timing of expenditures and overall favourability in fiscal 2020.

Expressed in Canadian Dollars

## Summary of Quarterly Results

A summary of selected information for each of the eight most recently completed quarters is presented below:

| For the Period Ended | Revenue | Net income (loss) [(1)] [(2)] | Net loss per share, basic and diluted [(3)] [(4)] | Total Assets |
|---|---|---|---|---|
| 2021 – September 30 | 6,286 | (3,326,435) | (0.01) | 36,079,447 |
| 2021 – June 30 | 18,712 | (3,867,265) | (0.02) | 38,256,818 |
| 2021 – March 31 | 194,676 | (4,435,434) | (0.02) | 41,143,337 |
| 2020 – December 31 | 202,652 | (3,356,844) | (0.02) | 29,369,339 |
| 2020 – September 30 | 36,068 | (3,773,666) | (0.02) | 18,548,656 |
| 2020 – June 30 | 24,000 | (2,884,003) | (0.02) | 12,323,680 |
| 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 |

[(1)] Loss from continuing operations attributable to owners of the parent, in total;
[(2)] Loss attributable to owners of the parent, in total;
[(3)] Loss from continuing operations attributable to owners of the parent, on a per-share and diluted basis; and
[(4)] Loss attributable to owners of the parent, on a per-share and diluted basis.

Expressed in Canadian Dollars

## Discussion of Operations for the three and nine months ended September 30, 2021 and 2020

The following discussion includes an explanation of the primary factors in changes in revenue and operating expenses for the three and nine months ended September 30, 2021, and 2020.

| | Three Months Ended Sept 30, | | | | Nine Months Ended Sept 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | Change | | **2021** | 2020 | Change | |
| | **$** | $ | $ | % | **$** | $ | $ | % |
| **DRONE SERVICE REVENUE** | **6,286** | 36,068 | (29,782) | -83% | **219,674** | 62,613 | 157,061 | 251% |
| **OPERATING EXPENSES** | | | | | | | | |
| Service Costs and materials | **82,074** | 1,177 | 80,897 | 6873% | **254,780** | 42,821 | 211,959 | 495% |
| Advertising & Promotion | **122,375** | 20,831 | 101,544 | 487% | **1,649,078** | 869,508 | 779,570 | 90% |
| Depreciation | **208,976** | 200,359 | 8,617 | 4% | **622,247** | 616,976 | 5,271 | 1% |
| Interest expense on lease obligations | **10,652** | 13,585 | (2,933) | -22% | **33,055** | 42,931 | (9,876) | -23% |
| Consulting | **458,321** | 785,170 | (326,849) | -42% | **1,448,629** | 1,478,245 | (29,616) | -2% |
| Loss on Disposal | **28,079** | - | 28,079 | 0% | **71,926** | - | 71,926 | 0% |
| Interest and bank charges | **2,469** | 3,647 | (1,178) | -32% | **10,110** | 8,557 | 1,553 | 18% |
| Personnel Expenses | **1,196,586** | 677,996 | 518,590 | 76% | **3,574,575** | 2,342,538 | 1,232,037 | 53% |
| Office and general | **474,685** | 459,840 | 14,845 | 3% | **1,190,752** | 1,036,140 | 154,612 | 15% |
| Professional fees | **146,955** | 119,198 | 27,757 | 23% | **377,644** | 284,788 | 92,856 | 33% |
| Shareholder information | **33,220** | 65,446 | (32,226) | -49% | **181,981** | 209,283 | (27,302) | -13% |
| Research and development | **325,658** | 563,969 | (238,311) | -42% | **1,259,529** | 1,871,193 | (611,664) | -33% |
| Share based compensation | **268,851** | 958,638 | (689,787) | -72% | **1,215,195** | 2,137,036 | (921,841) | -43% |
| **OPERATING EXPENSES** | **3,358,901** | 3,869,856 | (510,955) | -13% | **11,889,501** | 10,940,016 | 949,485 | 9% |
| **OPERATING LOSS** | **(3,352,615)** | (3,833,788) | 481,173 | -13% | **(11,669,827)** | (10,877,403) | (792,424) | 7% |
| Interest Income | **(17,228)** | (68,184) | 50,956 | -75% | **(44,049)** | (106,589) | 62,540 | -59% |
| Foreign exchange (Gains)/Losses | **(8,952)** | 8,062 | (17,014) | -211% | **3,356** | 2,537 | 819 | 32% |
| **NET LOSS AND COMPREHENSIVE LOSS** | **(3,326,435)** | **(3,773,666)** | 447,231 | -12% | **(11,629,134)** | **(10,773,351)** | (855,783) | 8% |

<u>Revenue</u>

***Three Months Ended September 30, 2021 vs Three Months Ended September 30, 2020***

For the three months ended September 30, 2021, revenue was $6,286 as compared to $36,068 for the same period last year. The decrease in revenue is a result of damage to a Sparrow from an impact occurrence at a customer site that resulted in operations being paused in order for the Company to investigate and replace the drone; on renewal, a decrease in price year-over-year; and the conclusion of the GlobalMedic contract which began in September 2020 and concluded in March 2021, as defined in the original commercial agreement.

<u>Revenue</u>

***Nine Months Ended September 30, 2021 vs Nine Months Ended September 30, 2020***

For the nine months ended September 30, 2021, revenue was $219,674 as compared to $62,613 for the same period last year. The Increase in revenue is attributable to incremental revenue from the Georgina Island First Nation contract that began subsequent to September 30, 2020; and the inclusion of the GlobalMedic contract on a pro rata basis that began during September 2020 and concluded in March 2021. The increase was partially offset by a result of damage from two separate impact occurrences at a customer site, that resulted in operations being paused in order for the client and the Company to integrate safety protocols, mitigate any safety concerns and risks, and to provide a replacement drone in order to resume operations.

Operating Expenses

***Three Months Ended September 30, 2021 vs Three Months Ended September 30, 2020***

Operating expenses for the three months ended September 30, 2021, decreased by $510,955 or 13% as compared to the three months ended September 30, 2020. The decrease can be largely attributed to consulting, research and development, and share based compensation, partially offset by an increase in personnel expenses, advertising and promotion, service costs and materials, and a loss on disposal of equipment

Consulting fees decreased by $326,849 or 42% mainly due to the nature and timing of expenditures incurred in the three months ended September 30, 2021 as compared to the period in the prior year.

Research and Development decreased by $238,311 or 42% as a result of timing of expenditures and completion of specific projects including battery management systems, Robin XL, DroneSpot modifications and enhancements, which was partially offset by increased expenditures on testing of Condor, and the development of next-generation Sparrow.

Share based compensation decreased by $689,787 or 72% due to stock options granted prior to September 30, 2020 being completely vested.

Personnel expenses increased by $518,590 or 76% as a result of higher staffing levels to support customer contracts and an expansion of the sales team and overall administrative functions. In addition, the Company received a wage subsidy in the three months ended September 30, 2020 that did not reoccur in the three months ended September 30, 2021.

Advertising and promotion increased by $101,544 or 487% due to increased spend on investor relations campaigns for electronic media, webcast and marketing services put into place subsequent to September 30, 2020.

Service costs and materials increased by $80,897 or 6,873% due to additional expenditures incurred relating to enhancements in the Company's operational control centre as the Company continues to progress through commercialization of its drone delivery solution, servicing additional customer contracts and an increase in repairs and maintenance. The Company incurs expenditures related to the deployment of its drone delivery solution to the customer's site, which include installation costs, transportation and materials, where the timing of such costs is dependant on a number of factors.

During the three months ended September 30, 2021, the Company incurred a loss on equipment as a result of an impact occurrence involving a Sparrow drone at a customer operation as previously described above. The Company concluded on the cause of the impact occurrence and has taken corrective measures to rectify the problem and decrease the likelihood of any future reoccurrence.

Operating Expenses

***Nine Months Ended September 30, 2021 vs Nine Months Ended September 30, 2020***

Operating expenses for the nine months ended September 30, 2021, increased by $949,485 or 9% as compared to the nine months ended September 30, 2020. The increase can be largely attributed to personnel expenses, advertising and promotion, service costs and materials, and a loss on disposal of equipment, partially offset by a decrease in research and development and share based compensation.

Personnel expenses increased by $1,232,037 or 53% as a result of higher staffing levels to support customer contracts and an expansion of the sales team and overall administrative functions. In addition, the Company received a wage subsidy during the nine months ended September 30, 2020, which did not reoccur in the nine months ended September 30, 2021.

Advertising and promotion increased by $779,570 or 90% due to increased spend on investor relations campaigns for electronic media, webcast and marketing services put into place subsequent to September 30, 2020.

Service costs and materials increased by $211,959 or 495% due to additional expenditures incurred relating to enhancements in the Company's operational control centre as the Company continues to progress through commercialization of its drone delivery solution, servicing additional customer contracts and an increase in repairs and maintenance. The Company incurs expenditures related to the deployment of its drone delivery solution to the customer's site, which include installation costs, transportation and materials, where the timing of such costs is dependent on a number of factors. The increase in repairs and maintenance was partially due to the Company experiencing an impact occurrence with a Sparrow drone at a customer operation. This occurrence did not result in a complete loss of the drone hardware, and as a result the Company was able to repair and service the drone back into its fleet.

During the nine months ended September 30, 2021, the Company incurred a loss on partial disposal of equipment in the amount of $71,926 as a result of two impact occurrences involving two Sparrow drones at customer operations on two separate occasions. In both instances, the Company concluded on the cause of the impact occurrence and has taken corrective measures to rectify the problem to reduce the likelihood of any future reoccurrence

Research and Development decreased by $611,664 or 33% as a result of timing of expenditures and completion of specific projects including battery management systems, Robin XL, DroneSpot modifications and enhancements, which was partially offset by increased expenditures on testing of Condor, and the development of next-generation Sparrow.

Share based compensation decreased by $921,841 or 43% due to stock options granted prior to September 30, 2020, being completely vested

## Liquidity and Capital Resources

The Company had working capital as at September 30, 2021 of $29,528,850 (December 31, 2020 – $22,916,591), and cash and cash equivalent balance of $31,071,646 (December 31, 2020 - $23,464,255).

The Company has no credit facilities with financial institutions. Accordingly, its financial instruments consist of cash, short-term investments, trade receivables, and trade and other payables. 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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the useful life of equipment and assumptions used for share-based compensation. Actual results may differ from those estimates. A detailed summary of the Company's critical accounting estimates and sources of estimation is included in Note 2 to the December 31, 2020 audited annual 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, as capital, the components of shareholders' equity and its cash. The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares, borrow or adjust the amount of cash. The Company does not anticipate the payment of dividends in the foreseeable future.

The Company considers its capital to be equity, comprising share capital, share-based payments reserve and deficit, which at September 30, 2021 totalled $33,694,418 (December 31, 2020 - $27,097,552). 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 and nine months ended September 30, 2021.

Expressed in Canadian Dollars

## 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, executive officers and certain consultants.

During the nine months ended September 30, 2021, and 2020 the following compensation amounts were incurred in respect of key management personnel:

| | September 30, 2021 | September 30, 2020 |
|---|---|---|
| Consulting fees and salaries | $ 2,009,213 | $ 1,519,609 |
| Share based compensation | 780,237 | 1,665,468 |
| | $ 2,789,450 | $ 3,185,077 |

During the nine months ended September 30, 2021 and 2020, the Company allocated the $2,009,213 (2020 - $ 1,519,609) of consulting fees and salaries based on the nature of services provided: expensed $1,122,000 (2020 - $1,122,000) to consulting; and expensed $887,213 (2020 - $ 397,609) to personnel expenses.

As at September 30, 2021, consulting fees of $nil (December 31, 2020 - $440,000) remain unpaid are included in trade and other payables. Consulting fees of $23,500 (December 31, 2020 - $23,500) 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 by the Company without cause, (i) a lump sum payment equal to 12 months' salary, or (ii) within twenty four months of, or in anticipation within 180 days of, a change in control, a termination payment equal to 18 months' salary, at $429,000 per annum, is payable. If the termination had occurred on September 30, 2021, the amount payable under this agreement would be $429,000.

The Company has an employment agreement with its CFO which provides that the CFO is entitled to, in the event that the CFO's employment is terminated (i) by the Company without cause, the greater of one month per year of service and six months' of notice or a termination payment in lieu thereof (as at September 30, 2021 representing a minimum payment of $108,000), or (ii) by the Company within twelve months following or within 180 before in anticipation of a change in control, a lump-sum payment equal to twelve months' salary (as at September 30, 2021 representing a payment of $216,000).

The Company has consulting agreements with a corporation controlled by a former director, a corporation controlled by a former Vice President, a corporation controlled by the former Chief Executive Officer and a corporation controlled by the former Chief Technology Officer, which provide that in the event the consulting agreements are terminated without cause, a termination payment for consulting fees for the remainder of the term, ranging from $210,000 to $282,000 per annum depending on the agreement, is payable. If all such terminations had occurred on September 30, 2021, the total amount payable under the agreements would be $1,354,000

b) During the nine months ended September 30, 2021, rent of $24,867 (2020 - $ 33,939) was paid to a company jointly controlled by the former Chief Technology Officer and the former Chief Executive Officer of the Company. As at September 30, 2021, $nil was included in accounts payable and accrued liabilities (December 31, 2020 - $nil).

c) During the nine months ended September 30, 2021, legal fees of $201,371 (2020 - $196,716) were accrued or paid to a law firm in which a director of the Company is a partner. As at September 30, 2021, $43,113 was included in accounts payable and accrued liabilities (December 31, 2020 - $162,183).

Expressed in Canadian Dollars

## Additional Disclosure for Venture Issuers Without Significant Revenue

Office and general for the nine months ended September 30, 2021 and 2020 are comprised of the following:

| Nine Months Ended September 30 | 2021 | 2020 |
|---|---|---|
| | ($) | ($) |
| Office and General | 454,273 | 284,229 |
| Computer & Software Expense | 189,252 | 231,513 |
| Travel Expense | 121,516 | 150,539 |
| Rent | 101,043 | 107,135 |
| Insurance | 169,827 | 102,043 |
| Utilities | 98,451 | 99,143 |
| Freight | 56,390 | 61,538 |
| | **1,190,752** | **1,036,140** |

## Disclosure of Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at November 15, 2021, there were 224,199,012 issued and outstanding common shares. In addition, there were 7,918,338 share options outstanding, at exercise prices ranging from $0.50 to $1.80 and 13,531,918 warrants outstanding at exercise prices ranging from $0.70 to $1.20 per share.

## 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 development of its projects with the possible loss of such projects. The Company may 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.

As might be reasonably anticipated in a transportation (land, marine, air) industry and related business and operations, the Company may, and expects, to have occurrences from time to time, in testing, at pilot projects or at commercial operations, resulting in the full or partial loss and resulting write-off of a drone or related system hardware, employee or third party bodily injury, damage to third party property, pause in operations, pause in revenue from commercial operations, pause in regulatory licence(s), breach of contract, inability to secure future contracts, inability to raise funds, loss of brand reputation, unfavourable impact on stock price or other unfavourable impact on the Company, and/or claims for liability, for which the Company may or may not have sufficient insurance or financial ability to endure.

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, and their own due diligence on the industry in which the Company intends to operate. 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

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In mid-March 2020, federal, provincial, and local authorities in Canada, the United States, and other nations began to significantly restrict the ability of people to leave their homes and carry out normal day-day activities. These measures will have a significant, negative effect on the economy of all nations for an uncertain period of time. The duration and impact of COVID-19 is unknown at this time, and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions 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.

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 the Company's non-compliance with this evolving area of law and regulation, would not create a significant liability for the Company in the future.

Operational Risks

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: cybersecurity, labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; and natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. A defect, error, sabotage or failure in the Company's technology, or involving the Company's products and/or services, could result in injury, death or property damage and significantly damage the Company's reputation. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's technologies or products, personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have a material and adverse impact on the Company's business, prospects, financial condition and results of operations. Although the Company does carry insurance for a number of risks, including but not limited to aviation, auto, and commercial general liability, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This potential lack of insurance coverage could have an adverse impact on the Company's business, prospects, results of operations and financial condition.

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 International Financial Reporting Standards. 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, including the Company's annual information form, is available on the SEDAR website www.sedar.com.