Annual Information Form

DRONE DELIVERY CANADA CORP.

For the year ended December 31, 2023

Dated as of April 24, 2024

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PRELIMINARY NOTES

This annual information form ("**AIF**") of Drone Delivery Canada Corp. (the "**Company**") is prepared in the form prescribed by National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. All dollar amounts in this AIF are expressed in Canadian dollars unless otherwise indicated. All information in this AIF is as of December 31, 2023, unless otherwise indicated.

FORWARD-LOOKING INFORMATION

This AIF and the documents incorporated into this AIF contain forward looking statements and forward-looking information within the meaning of applicable Canadian securities laws (such forward looking statements and 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 AIF or the dates of the documents incorporated by reference herein, as applicable. 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 AIF; market position; ability to compete and future financial or operating performance of the Company after the date of this AIF; anticipated developments in the 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; potential expansion into international jurisdictions selected by the Company; 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 management of the Company 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 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, legislation or regulatory framework for commercial drone use in Canada, the United States and other international jurisdictions, transaction risks, industry growth, uncertainty of new business models, speed of introduction of products and services to the marketplace, undetected flaws, risks of operating in urban areas, marketing risks, geographical expansion, limited operating history, substantial capital requirements, history of losses, negative operating cash flow, reliance on management and key employees, management of growth, public health crises, risks associated with operations in other countries, risks associated with potential operations in the United States, 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, unfavourable publicity or public perception, protection of intellectual property rights, infringement by the Company of intellectual property rights, international conflict, resale of shares, market for securities, dividends, global financial conditions, and limited voting for non-Canadians, which are outlined under the heading *"Risk Factors"* in this AIF. See also "*Risks and Uncertainties*" in the Company's most recent Management's Discussion & Analysis, which is available on SEDAR+ (www.sedarplus.ca).

The list of risk factors set out in this AIF is 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, performance or achievements could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this AIF generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, 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.

All of the forward-looking information contained in this AIF is expressly qualified by this cautionary statement.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated as "Asher Resources Corporation" under the *Business Corporations Act* (British Columbia) ("**BCBCA**") on February 2, 2011. Effective June 6, 2016, the Company completed a business combination transaction whereby (i) it changed its name to "Drone Delivery Canada Corp.", (ii) it consolidated its common shares on a 4:1 basis, and (iii) its wholly-owned subsidiary 2500527 Ontario Ltd. amalgamated with Drone Delivery Canada Inc. to form the amalgamated wholly-owned subsidiary of the Company named Drone Delivery Canada Inc. ("**Drone Inc.**"). Effective December 2021, Drone Inc. was continued from Ontario to British Columbia as 1336099 B.C. Ltd. and effective January 1, 2022, by way of articles of amalgamation, 1336099 B.C. Ltd. amalgamated with the Company.

On June 15, 2022, the Company filed an amendment to its notice of articles (the "**Drone Notice of Articles**") and to its articles (the "**Drone Articles**", and together with the Drone Notice of Articles, the "**Drone Constating Documents**") in order to implement a variable voting system by creating two new classes of shares, common voting shares (the "**Common Voting Shares**") and variable voting shares (the "**Variable Voting Shares**" and together with the Common Voting Shares, the "**Voting Shares**"), in accordance with the BCBCA, and to address various matters relating to the new variable voting system. For more information about the Voting Shares, see "*Description of Capital Structure*" in this AIF.

The Company's registered office is located at 1100-736 Granville Street, Vancouver, British Columbia, V6Z 1G3 and its head office is located at 6-6221 Highway 7, Vaughan, Ontario L4H 0R6.

The Company is a reporting issuer in each of the provinces of Canada. The Common Voting Shares and the Variable Voting Shares are listed for trading on the TSX Venture Exchange ("**TSXV**") under the symbol "FLT" and on the Frankfurt Stock Exchange under the symbol "A3DP5Y" or "ABBA.F" and are quoted on the OTCQX Venture Market in the United States under the symbol "TAKOF".

Inter-corporate Relationships

The Company has no material subsidiaries. The Company's sole subsidiary, Drone Delivery USA Inc. (New York) is an inactive subsidiary with no active business, assets or liabilities.

GENERAL DEVELOPMENT OF THE BUSINESS

The Company is a drone technology company focused on the design, development and implementation of its proprietary turnkey logistics platform for a commercially viable drone delivery system within Canada and internationally. The Company's proprietary platform is intended to be used in a Software as a Service ("**SaaS**") business model for government and corporate organizations.

Three Year History

Year-ended December 31, 2021

On January 28, 2021, the Company provided an update on its plans to integrate Artificial Intelligence ("**AI**") into its disruptive drone delivery solution. As part of the Company's technology roadmap, it plans to integrate various aspects of AI into its solution, including the use of AI in leveraging: operational data collected by the Company's FLYTE software as related to weather, air traffic patterns, and package delivery patterns; radar data; vehicular & marine traffic data; and battery / fuel consumption data. AI can be applied to the broad range of data collected by the Company in order to optimize predictive real-time route planning, especially in emergency medical scenarios; for electric and gasoline fuel optimization; long-range and short-range Detect and Avoid ("**DAA**") systems for commercial and residential deliveries; and multi-drone logistics traffic optimization.

On February 24, 2021, the Company announced that it had received approximately $13 million as a result of the exercise of outstanding convertible securities.

On March 2, 2021, the Company announced the appointment of Mr. Armen Keuleyan as Director of Sales & Marketing, effective March 1, 2021.

On March 3, 2021, the Company provided an update on the Condor cargo delivery drone (the "**Condor**") based on successful testing at the Foremost UAS Test Range, in Foremost, Alberta, Canada. The Company announced that it had 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. These attributes are important with respect to commercial/industrial applications and healthcare cargo, especially biologicals, pharmaceuticals and vaccines. The Company had previously announced successful testing of numerous critical aspects of the Condor, including: triple-redundant communications system (satellite, cellular, 900MHz RF); triple redundant navigational guidance system; triple-redundant autopilot system; monitoring of unmanned flights remotely from its facilities in Vaughan, Ontario (the "**Vaughan Facility**"); general flight stability and performance; fuel consumption characteristics; 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. 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 are requested through Transport Canada following the Compliant Operator Special Flight Operations Certificate ("**SFOC**") process that the Company has successfully used in the past. The Condor was the Company's largest drone with an expected range of 200km (124mi) and a payload capacity of 180kg (396lb) and is fully integrated with the Company's patented FLYTE software system. The turnkey solution is expected to be marketed in a managed service SaaS business model in Canada and as a licensed managed service internationally.

On May 4, 2021, the Company announced that it had received official certification to the latest ISO 9001:2015 standard for its Quality Management System.

On May 12, 2021, the Company announced that, on April 27, 2021, the United States Patent Office granted the Company US Patent No. 10,987,184 for "*Medical or Emergency Package and Method of Use Thereof*". The patent is directed to the Company's proprietary, portable emergency or medical package. In particular, the patent was 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 included 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 May 20, 2021, the Company announced that, with the assistance of its sales agent, Air Canada, Cargo ("**ACC**"), it was selected by the University of British Columbia ("**UBC**") to deploy the Company's patented drone delivery solution at the Stellat'en First Nation (the "**SFN**"), for the UBC Remote Communities Drone Transport Initiative program (the "**Remote Communities DTI**"). A definitive commercial agreement with UBC was executed on July 15, 2021, for a 12-month term commencing on the date the project became operational. The project enabled defined-route deliveries utilizing the Company's Sparrow cargo delivery drone (the "**Sparrow**") and its DroneSpot® is takeoff and landing zones as well as additional drone flight infrastructure as required. The solution was used to transport a variety of cargo for the benefit of the SFN, located in the Fraser Lake area of Central Northern British Columbia, Canada. The deployment was the Company's fourth First Nations project and its first in British Columbia. The project became commercially operational on October 18, 2021, and concluded on October 18, 2022.

On June 24, 2021, the Company announced that, with the assistance of its sales agent, ACC, it entered into a commercial agreement with DSV Air & Sea Inc. Canada ("**DSV**") to renew & extend the internal Sparrow drone route project for the use of DSV at its head office and logistics facility in Milton, Ontario. Pursuant to the terms of the agreement, the Company continued operations with its Sparrow drone, existing in-place DroneSpot® depots and related infrastructure. The agreement had an indefinite term and provided for a monthly fee for professional services by the Company. All operations were conducted in accordance with the Canadian Aviation Regulations ("**CARs**") and Transport Canada flight authorizations. Flights were remotely monitored by the Company from its Vaughan Facility. The internal sparrow drone route ceased operations as of September 30, 2022. However, the Company maintains its infrastructure in place at DSV for the purposes of the Halton Healthcare Agreement (as defined below).

On July 6, 2021, the Company announced that the United States Patent Office granted US Patent No. 11,027,858 for the Company's application titled "*Location for Unmanned Aerial Vehicle Landing and Taking Off*". This patent is directed to the Company's drone delivery technology and processes related to managing unmanned aerial vehicles ("**UAV**") landing and takeoff. In particular, the patent is related to controlling access to and managing departure and destination locations for UAVs engaged in transporting articles between such locations.

On July 7, 2021, the Company announced that the United States Patent Office granted US Patent No. 11,053,021 for the Company's application No. 15/796,214 titled "*Unmanned Aerial Vehicle and Method for Indicating a Landing Zone*". The patent is generally directed to the Company's proprietary UAV and the method of landing a UAV at a location. In particular, the patent was 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. The light beam has a variable cone angle so that the landing zone indicated by the light source remains of substantially constant area as the UAV descends.

On July 8, 2021, the Company announced that, with the assistance of its sales agent, ACC, it entered into multiple commercial agreements with each of Edmonton Regional Airports Authority ("**ERAA**"), Apple Express Courier Ltd. and Ziing Final Mile Inc. to deploy the Company's patented drone delivery solution at the Edmonton International Airport ("**EIA**"). Pursuant to the terms of the agreements, the Company enabled defined-route delivery from EIA to deliveries off airport property utilizing the Sparrow drone and its DroneSpot® takeoff and landing zones as well as additional drone flight infrastructure as required. The Customers used the Company's Sparrow delivery drone solution to transport a wide variety of cargo. All operations are conducted in accordance with appropriate Canadian regulations with flights remotely monitored by the Company from its Vaughan Facility. The deployment was the first use of an automatic delivery drone solution to provide B2B cargo delivery at EIA and were the Company's first commercial contracts in Alberta and with courier companies. The Company began implementation of the project during the third quarter of 2021 and the route became operational as of May 26, 2022. On May 24, 2023 the Company secured a three-month extension to the agreement with ERAA for the expansion of operations, including additional routes and cargo capacity, as well as the integration of new technologies and operational improvements.

On July 15, 2021, the Company announced that it was working on the next generation Sparrow delivery drone (the "**Canary**"), in response to market demand. The current Sparrow had been successfully implemented at numerous commercial projects and would continue to be commercially available. The Canary was already well into development and was expected to have the same range of 20km and payload capability of 4.5kg of the Sparrow, along with next generation motor technology, next generation battery technology, touchless cargo drop functionality, an optional public announcement system and an optional aircraft parachute. The new functionalities further address customer demands and evolving regulatory requirements. The Company reallocated the Robin XL cargo delivery drone's (the "**Robin**") engineering resources to focus on completing the Canary and Condor development, testing and commercialization as priorities, based on expected market demand in Canada and internationally. The Company announced that it would look to complete the Robin's development as market demands may indicate.

On July 27, 2021, the Company announced that it was the first publicly traded drone delivery company to be granted a domestic cargo license under the *Canada Transportation Act* ("**CTA**") and *Air Transport Regulations* (Canada). The license, normally issued to airlines that provide passenger or cargo services, was a critical step to the continued expansion and scaling of the Company's operations. Such CTA license is mandatory for any air carrier intending to provide scheduled, commercial air services in Canada, whether carrying cargo or passengers. With the granting of the CTA license, the Company continued its progress toward routine, sustainable and scalable cargo delivery operations intended to address logistical challenges and opportunities throughout Canada. Obtaining this license allowed the Company to continue developing new drone delivery use cases, as well as the potential expansion of ongoing operations. 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 amended the Drone Articles on June 15, 2022 (as described in more detail below) to incorporate the necessary restrictions, which are in line with other public Canadian airlines.

On August 17, 2021, the Company announced that it had signed a sales collaboration agreement, effective August 16th, 2021, with Nexeya Canada Inc., to jointly explore military applications for the Company's drone solution. The agreement provided that the parties would collaborate to identify, develop and bid on military projects utilizing the Company's drone solution for delivery and/or sensor related applications in Canada. The initial term of the agreement was 24 months and was subsequently renewed for a further 12 months.

On November 4, 2021, the Company announced that it had opened a new commercialization centre (the "**New Commercialization Centre**") to augment its main facility and test range, which is approximately 100 acres west of the Company's main office. The Company announced that it would maintain a permanent facility there with dedicated staff, which would scale with the Company's growth.

On November 15, 2021, the Company announced successful initial tests of the Canary. The Canary successfully passed first tests. The Canary's new functionalities are expected to unlock potential customer use-cases and facilitate future flights over people to open new, commercially addressable future markets in urban and residential areas for B2B and also B2C retail residential deliveries.

On December 1, 2021, the Company provided an update on the Condor drone development. The Company successfully tested numerous aspects of the Condor solution at test ranges in Alma, Quebec at the Unmanned Aerial System Centre of Excellence, and in Foremost, Alberta at the UAS Test Range. The Company announced that its New Commercialization Centre is where Condor testing will continue, in addition to customer pre-delivery inspection, maintenance, training and customer demonstrations. The New Commercialization Centre also supports testing and development of multiple of the Company's platforms, including the FLYTE software, DAA systems, Canary drone, DroneSpot® depots, etc. In addition to previously announced updates on the Condor development and testing, the following further progress was announced: engine control unit (ECU) overhaul (avionics + engine overhaul), enhanced start-up procedure process, mechanical reliability improvements, upgraded to latest components (clutch, splitter gearbox, torque valves, etc.). Additionally, the Company indicated that it continued to work on the following aspects of the Condor: integration of automated weight & balance system, further testing with FLYTE software system, further payload testing, environmental testing, and high speed testing.

Year-ended December 31, 2022

On January 5, 2022, the Company announced that it completed an amalgamation with its wholly-owned subsidiary, 1336099 B.C. Ltd. (formerly, Drone Inc.), effective January 1, 2022. The amalgamated entity continued under the name "Drone Delivery Canada Corp." and its trading symbols remained unchanged.

On January 25, 2022, the Company provided an update on the continued successful development and testing of the Canary drone. The development and testing of the Canary continued to progress through the Company's flight-testing program, completing aircraft tuning at altitude (pitch, yaw, roll), and completed aircraft ground and vibration testing. Other ongoing testing included flight controller tuning to fly in semiautonomous flight modes, and refining onboard avionics, payload and communications systems. The Company announced that it would continue with testing full autonomous missions and expanding the flight envelope. Initial successful testing included avionics system configuration, communications with the FLYTE management system, communications with a next generation smart battery system, propulsion system (motor direction) testing, and on-board sensor testing.

On February 9, 2022, the Company announced the appointment of Steve Magirias as Chief Executive Officer of the Company and the departure of Mr. Michael Zahra as President and Chief Executive Officer, and as a director of the Company.

On April 7, 2022, the Company announced the departure of Steve Bogie as Vice-President, Flight Operations & Technology effective April 6, 2022.

On April 27, 2022, the Company announced that it signed a definitive collaboration agreement with Bell Mobility Inc. ("**Bell**") effective April 13, 2022 (the "**Bell Collaboration Agreement**") for a term of three (3) years. Pursuant to the terms of the Bell Collaboration Agreement, the Company will work with Bell towards the development of certain products and services in order to improve technology as it relates to the 5G network and multi-access edge computing for autonomous drone performance. The collaboration will focus on the development of technologies that will evaluate, in a controlled environment:

- new capabilities to support beyond visual line of sight ("**BVLOS**");
- command and control;
- remote identification; and
- unmanned aerial system traffic management, based on 5G and multiaccess edge compute.

On May 31, 2022, the Company announced that it had received a SFOC from Transport Canada on May 18, 2022, for BVLOS commercial drone delivery for the UBC "Remote Communities Drone Transport Initiative" program.

On June 15, 2022, the Company announced that it had filed the amended Drone Constating Documents in order to implement a variable voting system by creating two new classes of shares, Common Voting Shares and Variable Voting Shares, in accordance with the BCBCA, and to address various matters relating to the new variable voting system. The amendments allowed the Company to continue to meet the Canadian ownership requirements under the CTA, in order to obtain its domestic air service operating license to transfer cargo using aircraft, under section 61 of the CTA. The amendments were approved by shareholders of the Company at the annual general and special meeting held on May 11, 2022 (the "**2022 Meeting**"). The amendments ensure that the Company is compliant with the Canadian ownership requirements under the CTA, and have resulted in the Company receiving a permanent licence for the provision of domestic air services from the Canadian Transportation Agency.

On June 21, 2022, the Common Voting Shares and Variable Voting Shares commenced trading on the TSXV, under the Company's current stock symbol, "FLT".

On June 21, 2022, the Company announced that, with the assistance of its sales agent, ACC, it entered into a commercial agreement with each of DSV and Halton Healthcare Services Corporation ("**Halton Healthcare**") dated June 17, 2022 (the "**Halton Healthcare Agreement**") to deploy the Company's drone delivery solution to establish an additional transportation link for Oakville Hospital. The route for this project (the "**care by air route**"), is a 13.4km route between Milton, Ontario (the location of DSV's Canadian head office) and the Oakville Trafalgar Memorial Hospital, relying on DSV's existing DroneSpot® takeoff and landing infrastructure and setting up additional infrastructure at Oakville Trafalgar Memorial Hospital. The route became commercially operational on November 7, 2022 and remained active until the second quarter of 2023.

On June 24, 2022, the Company announced that on February 8, 2022, the United States Patent Office granted U.S. Patent No. 11,245,533 for the Company's U.S. Patent Application No. 16/186,891 titled "*System and Method for Secure Communication with One or More Unmanned Aerial Vehicles*". The patent is directed to the Company's proprietary technology to ensure secure, authenticated communication between a remote computing device and one or more UAV's. In particular, the patent is directed to a system including a controller located on a UAV and a flight management system in data communication with the controller. The remote computing device included in the flight management system receives and processes incoming UAV messages in a proprietary manner to ensure that the messages originate from valid and registered UAV controllers. In this regard, a U.S. continuation application as well as a corresponding Canadian application are still pending.

On June 24, 2022, the Company also announced that it granted to certain directors, officers, consultants and employees of the Company an aggregate of 5,875,000 options to purchase Voting Shares exercisable at a price of $0.56 per Voting Share for a period of five years on June 23, 2022. One-third of the stock options vest every six months after the date of grant pursuant to the stock option plan (the "**Stock Option Plan**"). Additionally, options granted to officers, employees and certain advisors and consultants of the Company are subject to performance-based vesting criteria.

On August 4, 2022, the Company announced the successful approval and implementation of dangerous goods transportation for the UBC Remote Communities DTI program. The initiative utilized the Company's drone logistics solution to enable a defined two-way delivery flight route, using the Sparrow drone and its DroneSpot® takeoff and landing zones, to transport a variety of cargo for the benefit of the SFN and the Village of Fraser Lake, located in Central Northern British Columbia, Canada. All operations were conducted in accordance with the transportation of dangerous goods directorate approvals, the CARs and the Transport Canada SFOC.

On September 13, 2022, the Company announced that it was nearing completion of an avionics upgrade for the Condor and that it subcontracted some of the engineering and development work to accelerate the development. The Company further announced the addition of Michael Poma as the Company's Director of Engineering.

On September 28, 2022, the Company provided an update on the successful parachute testing and development of the Canary drone. Further to the press release on January 25, 2022, the testing of the Canary drone continued to progress on schedule with full autonomous missions and expanded flight envelope including the parachute validation testing. The Company's Canary drone successfully passed the parachute safety system air-deployment test as well as the automated motor safety shut-off. Moreover, testing staff with the Company pushed the Canary drone up to 5,900ft above sea level with full payload of 4.5kg to validate performance including the demonstration of its stability, fidelity and reliability. Additionally, the team tested the drone for cold and hot weathers forcing it to perform at -35 degrees Celsius and +50 degrees Celsius. Finally, the team flew the drone at a maximum range of 21km to ensure the validity of the drone's range and payload capabilities. The Company announced that it subsequently intended to conduct a drop test program and complete the parachute flight test program, following which the Company would submit its declaration to Transport Canada that will enable the Canary drone to fly over people.

On December 12, 2022, the Company provided an update on the successful flight testing of its Condor drone, the largest drone in the Company's fleet. The Company announced that it successfully tested a number of systems, avionics, and components including testing related to cold-weather performance, functional testing, wind performance, cargo area temperature profiles, long-duration flight testing, aircraft attitude, position controller tuning, autonomy, and autonomous waypoint navigation. The Company completed an avionics and flight controls upgrade for the Condor, which is expected to (i) provide improvements in robust communication protocols, (ii) mitigate electrical interference, and (iii) improve manufacturability. The Company subcontracted some of the engineering and development work to further accelerate the Condor's development. Additionally, the Company completed the upgrade of the Condor's engine control unit and other mechanical systems along with ground testing of these systems, which was previously identified during the first quarter of 2022 with test flights having recommenced at the Company's New Commercialization Centre.

Year-ended December 31, 2023

On March 8, 2023, the Company announced that it purchased, from Canadian UAVs Inc. ("**Canadian UAVs**"), the first Sparrowhawk™ ("**Sparrowhawk**") radar ground-based DAA system for deployment on the Company's care by air delivery route between DSV's logistics facility in Milton, Ontario to the Oakville Trafalgar Memorial Hospital, for the purpose of delivering medical isotopes. Sparrowhawk has been previously approved by Transport Canada to support BVLOS operations. The Company integrated Sparrowhawk at the DSV facility in Milton to support the care by air route initially, with plans to expand the use of Sparrowhawk to additional delivery routes in the future. Sparrowhawk has also been integrated into the Company's proprietary FLYTE software, which allows for all operations to be conducted in accordance with CARs and Transport Canada flight authorizations. Flights continue to be remotely monitored by the Company from its Vaughan Facility. The Company continued to work with Canadian UAVs and Transport Canada to obtain BVLOS approval for the care by air route initially and then will seek to expand the approval to cover the entire range of the Sparrowhawk to support multiple routes developed in partnership with DSV and ACC.

On March 15, 2023, the Company announced that it was awarded a grant of up to $75,000 in funding from the Downsview Aerospace Innovation and Research Green Fund (the "**DAIR Green Fund**") for its clean energy drone delivery solution. The DAIR Green Fund is funded by the Federal Economic Development Agency for Southern Ontario. The funding came following an application process in 2022, pursuant to which the Company was selected as one of eight funding winners. The DAIR Green Fund provides financial support for collaborative projects that can demonstrate an impact on the future of aerospace through sustainable and green aviation technologies and solutions. The Company intends for the funds to be applied to certain of the operating costs for the care by air project as well as costs associated with regulatory approvals required to progress towards BVLOS operations. BVLOS operations will allow for the operation of more complex routes with less human resources required as the Company seeks to add new project phases and route expansions.

On March 21, 2023, the Company reported successful testing of enhancement made to the Condor and reported the completion of the alpha Condor drone. The Company began retrofitting the 2nd and 3rd Condor drones in preparation for commercialization. In addition, the Company continued to work towards the development of DAA systems intended to facilitate BVLOS and pursue the development of an onboard DAA system for the Condor. The Company further announced the completion of numerous successful deployments of the parachute recovery system of the Canary both, at the Company's Vaughan Facility and at an independent test facility as part of Transport Canada's requirements to achieve validation to fly over people. The development work for the validation of the Canary's parachute recovery system was completed in May 2023.

On March 23, 2023, the Company announced that it entered into an agreement with the Canadian Government through its Innovative Solutions Canada ("**ISC**") program to work with Transport Canada in operating and evaluating the Company's proprietary drone delivery platform using the Condor. The contract stipulated for the delivery of a Condor aircraft to the Canadian Government and involved three phases of testing including: short range flights, long range endurance flights, and extreme environmental testing. The Company completed the delivery of the aircraft prior to March 31, 2023.

During the second quarter of 2023, the Condor that was delivered to ISC experienced an accident that resulted in a total loss of the aircraft while conducting tests during the first phase as related to the ISC contract. As a result, the ISC contract experienced delays, while the Company completed its investigation of the incident, and concurrently prepared a second Condor. On September 14, 2023 the Company announced that the second Condor that was completed, became available and as a result, the Company restarted servicing phase one of the ISC contract with the second Condor. On September 29, 2023, while servicing the ISC contract, the Company experienced an incident with the second Condor airframe that resulted in a hard landing, resulting in some damage to the second Condor airframe. The subsequent investigation of the incident and review of the airframe identified certain issues with third-party components impacting the quality and reliability of the Condor. These findings, coupled with the lack of regulatory progress for UAVs greater than 25kg, led to the decision to suspend the development of the Condor. Though development has been suspended, the Company intends for its technology roadmap to continue to include intellectual property that supports various classes of UAVs.

On June 15, 2023, the Company announced that it achieved official approval for BVLOS flights in tandem with the transportation of dangerous goods for its care by air drone route, marking a significant milestone in the development of its drone delivery capabilities in the healthcare market segment. With the BVLOS flight authorization, the Company's drones are able to operate beyond the visual range of operators, expanding the reach and capabilities of their autonomous fleet, while achieving a significant improvement in operational efficiencies.

On June 27, 2023 the Company announced that Transport Canada accepted the Company's declaration for the Canary to be operated over people, marking the final milestone in the development of the Canary. The declaration to Transport Canada allows the Canary to operate in compliance with the regulatory framework, opening up new opportunities for the Company to provide its drone delivery services in urban areas, enhancing last-mile logistics and improving efficiency for businesses and organizations.

On August 2, 2023, the Company announced the completion of three commercial roundtrip flights with the Canary on the care by air route. The Canary completed the flight in less time (9% reduction) and with less battery power consumption (42% less) than the Sparrow and recorded a noise level reduction of 46% compared to the Sparrow.

On August 27, 2023, the Company entered into an agreement with the Department of National Defence and the Canadian Armed Forces' Innovation for Defence Excellence and Security program to operate and evaluate the Company's proprietary drone delivery platform using the Canary. The Contract, with a value of $200,000, had a six-month duration and was conducted over two phases. As per the terms of the contract, the Canary was operated and evaluated in a test environment setting in the first phase of the contract, and a real-world operation to demonstrate the Canary's ability to deliver just in time medical equipment and supplies in the second phase of the contract. The first phase of the contract was successfully completed in December 2023 and involved nine test objectives pursuant to which the Company completed a total of 145 flights with an overall flight distance of almost 800km.

On September 26, 2023, the Company entered into an agreement with Halton Healthcare to deploy its drone delivery solution to establish a new two-way transportation link from Milton District Hospital to Oakville Trafalgar Memorial Hospital. The route also referred to as DroneCare, facilitates transportation of medical supplies and samples between the two hospitals to improve the efficiency of overall healthcare operations utilizing the Canary. The Company intends on using the existing heliport at Milton Hospital, and reconfiguring the Company's DroneSpot® technology to work with the heliport and optimize efficiency. The contract, with a value of $50,000 will run for six months and includes 26 flights between the two hospitals. The Company began the implementation of the project during the fourth quarter of 2023 and the route became operational subsequent to December 31, 2023.

Subsequent events to the year-ended December 31, 2023

On January 9, 2024 the Company obtained official approval for BVLOS flights in tandem with the transportation of dangerous goods for its DroneCare route, marking the beginning of commercial operations in the DroneCare route and a significant milestone in the development of the Company's drone delivery capabilities in the healthcare market segment.

On January 18, 2024 the Company entered into multiple commercial agreements with ERAA, Apple Express Courier Ltd., BBE Expediting Ltd., and MFN Management Inc. to deploy the Company's drone delivery solution at EIA using the Canary. The agreements, with an aggregate value of $417,000 will run for a 12-month duration. Pursuant to the terms of the agreements, DDC will expand the previous route delivery from EIA with an additional DroneSpot™ at a medical clinic located in the city of Leduc, Alberta. Cargo delivery will take place from EIA to the medical clinic while also maintaining the current delivery route from EIA to the off airport DroneSpot™ in Leduc County, which formed the delivery route for the first phase of the project. The medical clinic is wholly owned by Montana First Nation and provides health care services to indigenous and non-indigenous Canadians. The Company will commence deployment of the site infrastructure shortly and expects to begin providing drone delivery services under the commercial agreements later in 2024.

Significant Acquisitions

There were no significant acquisitions completed by the Company during its most recently completed financial year for which disclosure would be required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

DESCRIPTION OF THE BUSINESS

General

The Company is an operational, commercialized, early-stage revenue-generating technology firm based out of Vaughan, Ontario that is focused on designing, developing and implementing a drone delivery logistics platform within the Canadian market. The Company believes that the technology it has developed could re-define the traditional shipping and delivery market model.

The Company is a managed-service logistics company employing drones in order to deliver products faster, easier and cheaper for the purpose of enabling retailers, service organizations, healthcare, commercial/industrial companies and government agencies to reduce costs, improve efficiencies, expand their revenue base and grow their respective bottom lines. Regulatory bodies have begun legislating commercial drone use and the Company works closely with such bodies in Canada (and potentially outside of Canada) to further commercialize this technology as regulations unfold.

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

(i) Canadian Innovation: develop an innovative drone delivery logistics platform utilizing partnerships with leading Canadian universities, academics and organizations;

(ii) Market Disruption: develop a logistics solution utilizing drone technology to disrupt the traditional logistics delivery market segment in Canada and elsewhere; and

(iii) Green Technology: develop a platform that embraces green technology in order to seek to minimize the Company's carbon footprint.

There is currently no specific legislation or regulatory framework in place specific to the BVLOS operations of commercial drones in Canada or the United States. All such operations are approved on a case-by-case basis, with company experience and safety record being the major factors in gaining such approvals. The Company has secured the services of Canadian drone regulatory experts in assessing the regulatory environment and who are working with the applicable regulators to secure flight approvals. Although the Company has previously secured the services of drone regulatory experts in the United States, the Company was not actively engaged with these experts during the financial year ended December 31, 2023. The Company reviews the regulatory regimes respecting drone use in other international jurisdictions with a view to possible expansion in such other international jurisdictions, however, there can be no assurance that such jurisdictions have enacted or will enact legislation or that, if enacted, the Company will be permitted or qualified to operate under such legislation. See *"Risk Factors"* in this AIF.

Revenue for the twelve months ended December 31, 2023, was $1,239,356, which was entirely generated from drone delivery and engineering services provided to the Company's customers that were operational during the year.

Production and Services

The Company is developing a managed logistics services platform which is providing drone delivery services to participants in the retail, service and government sectors under a drone as a service and SaaS model. The Company refers to this phase as its "Commercialization Phase". Although the Company intends to potentially provide services on a depot-to-consumer model in the future, the Company's services are currently delivered on a depot-to-depot model. The Company currently seeks to provide services billed on a per transaction or fixed fee basis in order to create a recurring revenue model for the Company. The Company is operating in a similar manner to a traditional aircraft courier, by way of owning, operating and maintaining its drone operating infrastructure platform. Customers utilizing the Company's services pay integration and set-up fees and may be required to contractually commit to a monthly service or transaction fee. . The Company anticipates that rates will vary depending on specific client requirements, geographies and monthly/annual commitment rates as well as licensing fees.

Depot-to-Depot Service

The Company has commenced its drone logistic services by offering a depot-to-depot service initially working exclusively in remote and rural areas of Canada followed by a systematic move in suburban areas. The depot-to-depot service will provide a drone-based means of transporting goods to and from distribution warehouses and locations. The depot-to-depot service is the easier of the Company's two delivery methodologies to operate, as operations take place in less populated regions of Canada which should limit operational difficulties, including: reduced object avoidance, reduced liability risks and simplified payload deployments. The depot-to-depot service operates as an extension of the Company's on-going product research and development initiatives, and such operations are expected to facilitate the further development of the Company's technology platform.

Depot-to-Consumer Service

Once the Company's technology is fully tested and proven using the depot-to-depot service model, the Company intends to seek to extend service to more densely urbanized areas, potentially offering depot-to-consumer services, which will be dependent on the successful advancement of DAA technology and the further development of the current regulatory regime. A depot-to-consumer service would allow the Company to provide services to retailers seeking to have their products shipped from their retail locations to consumers' homes and businesses via the Company's drone logistics platform. The depot-to-consumer model is similar to those being developed by other drone entrants, in particular in the United States, including large technology and online sales companies. Based on discussions with Canadian government agencies, the Company expects that this service offering will be legislated in the future once remote, rural and suburban operations have been satisfactorily established.

Production and Development

The Company has established its research and development laboratory in Vaughan, Ontario at its Vaughan Facility. The development lab houses a variety of advanced manufacturing and development technologies used to prototype and advance the development of the Company's drone delivery logistics platform. The Company has invested in advanced prototyping and development infrastructure which include multiple 3D printers able to produce and develop drone components in many materials. The Vaughan Facility also includes modern technology enabled offices and meeting rooms and information technology infrastructure, which includes an array of data servers (private cloud) which are utilized to assist in developing and testing the Company's software management and logistics platforms and three-dimensional modeling applications.

The Company has been developing and prototyping various renditions of its delivery drone units since the Company's inception in 2014. Development and prototyping of these new drone delivery units involves an evaluation from a financial, regulatory and technological perspective which requires the Company to invest into research and development with no assurance that new prototypes will be brought to market that are acceptable to the evaluation criteria mentioned. Currently, the Company is evaluating existing third-party DAA technology and its integration into its existing drone delivery units with the intention of reducing costs and expanding commercial operations in rural and suburban communities.

Through its experimentation with advanced construction materials and techniques the Company (in collaboration with Canadian university engineering groups) has advanced its remotely piloted aircraft system ("**RPAS**") development. Working closely with industry experts and Canadian avionics firms, the Company has advanced the development of its proprietary logistics management, deployment and communications systems. The Company expects these advancements will satisfy the Canadian Federal government's future legislative requirements for commercial drone delivery services.

The Company has previously engaged with several university engineering groups, including the University of Toronto. The Company has engaged these groups to aid in the development of its drone logistics platform. The Company will utilize these academic resources on multiple fronts, including pooling their pre-PhD students with specialization in robotics, mechatronics, advanced engineering, electronics and embedded systems to staff the Company's research and development lab and participate in joint collaboration initiatives to mutually explore and develop next generation drone/RPAS technology and platforms to augment and further advance the Company's commercialization and development process.

The Company has engaged, and is working with, multiple third-party software development firms, to develop the Company's various software control and integration systems, including its "FLYTE" control system, as part of its overall drone logistics platform. Engineering development, testing, certification and commercialization of system components such as DroneSpot® depot, Battery Management System and "FLYTE" software, and additional drone aircraft, including but not limited to the Canary , are complex processes with outcomes which are not certain in terms of timeline, cost, availability of components, availability of specialized staffing and consultants, certifiability of aircraft with the regulator, reliability, durability, commercial viability, market acceptance in Canada or internationally, and other factors that are out of the Company's control.

Specialized Skill and Knowledge

There is a specialized skill required for the development, operations, maintenance, sales and marketing of the Company's technology. The Company's current staff possesses the necessary skills and knowledge required for the Company's business; however, additional employees may be added to staff as needed by the Company as the Company is transitioning from a focus on research and development to a focus on commercial operations. All operational staff hold the appropriate licences and certificate as mandated by Transport Canada.

Competitive Conditions

Currently, drone delivery platforms are being developed by certain large organizations globally. The Company competes with companies in the drone, or RPAS, industry. As the regulatory and working framework in Canada for commercial drone operators becomes more developed over time, particularly for BVLOS operations, it is anticipated that barriers to entry into this sector will become strict, providing first movers with a competitive advantage. Although the Company anticipates that competition in the drone market will increase over time as the industry matures, this competition will be limited due to the increased barriers to entry.

The market size for commercial drone use is growing. The growth of commercial drone services is expected to grow rapidly as retailers, service organizations and government agencies are looking at ways to offer better, faster and more affordable logistic delivery services to their respective customers. With the growth of on-line shopping, just-in-time logistic solutions are being demanded by on-line retailers. The Company is in the process of capturing a portion of this logistics market to drive its revenue growth and profitability.

Based on the Transport Canada RPAS regulations which came into force on June 1, 2019, the Company secured various flight approvals by becoming fully compliant with the new regulations. The Company's early entry into the Canadian drone delivery sector assisted the Company in obtaining Transport Canada certifications and approvals ahead of competitors. The Company continues to conduct testing in Southern Ontario and Southern Alberta in order to prove the safety of its aircraft while at the same time commencing commercial operations. The Company currently has several SFOC applications approved by Transport Canada, which have supported the Company’s ongoing commercialization of its drone delivery logistics platform.

The Company was the first to market in Canada in achieving commercialization of a drone delivery logistics platform. Management believes that the Company's partnership with ACC, its engagement with leading industry development groups, including DSV, ERAA and aeronautics organizations, along with the Company's list of co-development partners and commercial partners has given the Company a first mover advantage in this next generation industry.

Components

The Company obtains hardware components, various subsystems and systems, and raw materials from a limited group of suppliers. The Company does not have long-term agreements with any of these suppliers that obligate such suppliers to continue to sell components, subsystems, systems or products to the Company. The Company's reliance on these suppliers involves significant risks and uncertainties, including whether suppliers will provide an adequate supply of required raw materials, components, subsystems, or systems of sufficient quality, will increase prices for the raw materials, components, subsystems or systems, and will perform their obligations on a timely basis.

See "*Risk Factors – Risks Related to the Business of the Company – Reliance on Components and Raw Materials*" in this AIF.

Sales and Marketing

The Company has partnered with commercial service providers, indigenous communities and government agencies, including ACC, DSV, and the ERAA, for the Company's delivery logistics platform. The executive team is in active discussions and negotiations with additional various potential clients for the Company's delivery logistics platform and through these discussions and negotiations the Company is assessing their requirements to focus the development and design of the Company's drone technology platform in order to address their needs and also comply with Canadian drone and RPAS legislation.

To date, in addition to ACC, which assists the Company in marketing, selling and promoting the Company's drone delivery services in Canada using ACC's marketing and sales platforms and resources pursuant to an agreement entered into on May 29, 2019, the Company is in discussions and negotiations with other client partners which include government, corporate and retail partners to expend on the development of its sales and marketing strategy. Additional marketing activities include direct selling efforts, internet and social media marketing, trade shows and conferences.

Intangible Properties

Intangibles such as patents, software, specific technology know-how, and applications expertise all have a significant effect on the Company's business. The Company's business is focused on the development of a Canadian based drone logistics platform to provide logistic services to retailers, service organizations and government agencies. At present, drone delivery technology cannot be purchased as an off-the-shelf solution, therefore the Company has been focused on developing proprietary technology which meets or exceeds anticipated Canadian government requirements. Furthermore, the Company intends to patent various technology elements which it has developed and/or is currently developing.

The Company has engaged Canadian patent lawyers to aid in the filing of necessary intellectual property patents for the Company's drone logistics platform. The Company's engineering team has developed, and continues to develop, key technology elements for its platform that have been identified as being patentable.

Patents to be filed include: process for indicating a landing zone for an unmanned aerial vehicle, emergency response kit and medical package for UAV, unmanned aerial vehicle landing and takeoff location.

Cycles

Seasonality within the drone delivery industry is impacted by weather limitations, particularly during inclement conditions such as heavy rain, snowstorms, or high winds. In regions with harsh winters, snow accumulation and icy conditions can impede drone operations, leading to reduced delivery capacity. Conversely, during more temperate seasons, such as spring and summer, favourable weather conditions generally enable smoother operations, allowing drones to operate more efficiently and reliably. Adapting to these seasonal weather patterns is essential for drone delivery companies to maintain service levels and ensure customer satisfaction throughout the year.

Drone Regulations in Canada

A new regulatory framework relating to the use of drones in Canada was published by Transport Canada in January 2019 and came into effect on June 1, 2019. The changes, published in the CARs, Part IX, introduce rules based on the weight of the remotely piloted aircraft ("**RPA**") and the intended operation. This framework creates three broad categories of RPAs: (i) small RPAs in limited (low risk) operations ("**Small RPA Basic**"); (ii) small RPAs in advanced (complex) operations ("**Small RPA Advanced**"); and (iii) all other RPA operations that fall outside (i) and (ii) above. These regulations focus on foundational issues such as aircraft marking and registration, pilot knowledge and certification, airworthiness of the aircraft, and flight rules.

In this AIF, the terms, drone, unmanned aircraft system ("**UAS**") and RPAS can be used interchangeably.

Small RPA Basic are defined as RPA weighing between 250g and 25kg and operated in rural and unpopulated areas. These RPA will require identification markings, including name, address and contact information of the owner and pilot of the RPA. Pilots must be at least 14 years of age and must hold a valid Basic RPA licence that is specific to small drones. Additional restrictions are imposed that include that the RPA cannot operate (i) within approximately 30m of people or open-air assemblies of people, (ii) above 400 feet, (iii) within approximately 1.85km of heliports or (iv) within approximately 5.5km of airports. These regulations require the RPA to always be operated within visual line-of-sight.

Small RPA Advanced are defined as RPA weighing between 250g and 25kg and operated in urban and/or populated areas. These RPA will require identification, marking and registration with Transport Canada as well as meeting specified design standards acceptable to Transport Canada. The RPA will be assigned a unique identification/registration number issued by Transport Canada. Pilots must be at least 16 years of age and must hold a valid Advanced RPA licence that is specific to small drones. Approval for operation must be granted by Air Traffic Control when operating in controlled airspace or near controlled aerodromes. A set of flight rules must be followed at all times for these more complex operations. Restrictions, including distances from people, are determined based on the safety certification of the RPA being operated. The RPA must always be operated within visual line-of-sight.

The current legislation utilizes a similar SFOC application process, as the previous regulations, to approve any operations that do not fit within the regulatory regime set out above, such as operating BVLOS. For those wishing to operate outside of the regulatory framework set out in CARs, part IX, there will be a variety of SFOC application processes tailored to the nature and use of the RPA. The more complex and risk associated with the proposed operation, the more thorough and detailed the SFOC application process.

Those operators requiring an SFOC must apply to the Transport Canada RPAS Centre of Excellence at least 30 working days prior to the date of the proposed RPA operation. Transport Canada has wide discretion in reviewing and approving SFOC applications; and the Company continues to work closely with the department to gain any required flight approvals. The purpose of the SFOC application review is to ensure that the proposed operation is safe and the associated risks have been adequately mitigated by the Company.

In April 2020, Transport Canada published a Notice of Proposed Amendment ("**NPA**") as the first step in the publication of new regulations for lower-risk BVLOS operations. The NPA provided a synopsis of the high-level policies Transport Canada is proposing to support BVLOS operations in lower risk environments such as remote and isolated areas. These new regulations will also provide clear direction and guidance on the use of heavier aircraft (up to 650 kgs), operations at higher altitudes than currently permitted in CARs, Part IX, and will set the foundation for an operator certification program. Once published, these regulations will permit routine BVLOS operations without the need for the Company to request specific permission for each operation, as is currently required with the current SFOC process. The first draft of these regulations was published in July 2023 and propose a number of amendments that would expand the existing BVLOS regulations by extending the operational range of BVLOS flights, reducing the overhead for conducting BVLOS operations, implementing protocols for advanced collision avoidance systems, real-time tracking technologies and communication protocols and introducing an additional "operational" level pilot certificate for BVLOS flight, among others. The Company believes it is well positioned to address these new regulatory requirements once in force.

The Company is currently fully compliant with all current regulatory requirements and has applied for, and received Transport Canada approval for several SFOCs. The Company has received SFOC approvals to conduct commercial flights carrying specific set of products and goods, which would generally be considered dangerous goods, including the transport of medical radioisotopes The Company anticipates obtaining additional approvals to conduct future BLVOS operations 2024.

As at the date of this AIF, the Company has received numerous SFOCs from Transport Canada in respect of locations in Ontario, Quebec, British Columbia and Alberta. These SFOCs have included visual line-of-sight flights, BVLOS flights, carriage of dangerous goods and included several different models of the Company's drones. The Company has been in good standing with Transport Canada since starting its operations and Transport Canada has monitored several of the Company's activities and conducted an audit of the Company and its operation.

In addition to the above regulatory activities, the Company has also been granted a licence from the Canadian Transportation Agency, which is required for any Canadian air operator intending to carry cargo or passengers. The Company was the first publicly traded drone company to be granted such a licence.

The Company has also been working with the Canadian Nuclear Safety Commission to establish a regulatory compliant program to support the transportation of radioactive materials by drone. This primarily includes medical isotopes.

Environmental Protection

The Company is subject to Canadian laws and regulations relating to environmental matters in all the provinces in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties. The Company is not aware of any existing environmental problems related to any of its properties that may result in material liability to the Company.

Employees

As at December 31, 2023, the Company employed 30 full-time equivalent employees, and 2 consultants. As at the date of this AIF, the Company employs approximately 29 employees and consultants.

Reorganizations

On January 5, 2022, the Company announced that it had completed an amalgamation with its wholly-owned subsidiary, 1336099 B.C. Ltd. (formerly, Drone Delivery Canada Inc.), effective January 1, 2022. The amalgamated entity continued under the name “Drone Delivery Canada Corp.” and its trading symbols will remained unchanged.

On June 15, 2022, the Company filed the amended Drone Constating Documents in order to implement a variable voting system by creating two new classes of shares, Common Voting Shares and Variable Voting Shares, in accordance with the BCBCA, and to address various matters relating to the new variable voting system. The amendments were approved by shareholders of the Company at the 2022 Meeting.

Others

The Company is not subject to any bankruptcy, or any receivership or similar proceedings against it or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by it or any of its subsidiaries within the three most recently completed financial years or the current financial year. The Company’s operations are located exclusively in Canada. There is no one contract, service or agreement upon which the Company’s business is substantially dependent. The Company does not anticipate any aspect of its business to be affected in the current financial year by the renegotiation or termination of contracts. The Company does not have an investment policy, or lending and investment restrictions in place.

RISK FACTORS

The Company's business involves numerous inherent risks as a result of the nature of the Company's business, economic trends, as well as local regulatory, social, political, environmental and economic conditions in Canada, which is the Company's predominant area of operation. As such, the Company is subject to several financial and operational risks that could have a significant impact on the ability of the Company to generate any future profitability and on its levels of operating cash flows. The Company assesses and attempts to minimize the effects of these risks through careful management and planning of its operations and hiring qualified personnel, but is subject to a number of limitations in managing risk resulting from its current stage of development in a rapidly evolving industry.

The following are certain risk factors relating to the business carried on by the Company that prospective investors should carefully consider before deciding whether to purchase Voting Shares. The risks described below are not the only risks and uncertainties the Company faces. Additional risks not currently known to the Company or that it currently considers immaterial also may impair its operations. If any of the following risks actually occur, the Company's business, results of operations and financial condition could be materially adversely affected. See also "*Risks and Uncertainties*" in the Company's most recent Management's Discussion & Analysis, which is available on SEDAR+ (www.sedarplus.ca).

Risks Related to the Business of the Company

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: its potential depot-to-consumer model, 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. Also, 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.

Regulation and Permitting

Transport Canada is responsible for establishing, managing, and developing safety and security standards and regulations for civil aviation in Canada, and includes unmanned civil aviation (drones). Civil operations include law enforcement, scientific research, or use by private sector companies for commercial purposes. The CARs govern civil aviation safety and security in Canada, and by extension govern operation of drones in Canada to an acceptable level of safety.

Transport Canada continues to be a leader in the development of regulations for the commercial use of RPAs, and continues to move forward rapidly with its regulatory development. New draft regulations permitting low-risk BVLOS operations are expected to be published by Transport Canada in the first half of 2025. Once in force, these rules are expected to permit routine operations of more complex flights (including heavier aircraft, BVLOS operations, etc.) without requiring specific requirements, eliminating the need to request specific approvals for such operations. This will reduce the overall regulatory risk for such operations.

Failure to obtain necessary regulatory approvals from Transport Canada or other governmental agencies, including the granting of certain SFOCs, or limitations put on the use of RPAs in response to public safety concerns, may prevent the Company from testing or operating its aircraft and/or expanding its sales. This could have an adverse impact on the Company's business, prospects, results of operations and financial condition. It is anticipated that the advancement of Transport Canada's new regulations will mitigate these risks. Furthermore, any changes to the current regulatory regime, or, in respect of any potential depot-to-customer service offered by the Company, any failure of the regulatory regime to advance to include such capabilities, could have an adverse effect of the Company's business and its plans and strategies for the future.

Evolving Markets

The Company's RPAS technologies are in new and rapidly evolving markets. The commercial RPAS market is in early stages of customer adoption. Accordingly, the Company's business and future prospects may be difficult to evaluate. The Company cannot accurately predict the extent to which demand for its products and services will develop and/or increase, if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact the Company's ability to do the following:

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

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

Legislation or Regulatory Framework for Commercial Drone Use in Canada, the United States and Other Jurisdictions

Although Transport Canada has progressed their updated RPAS regulations, there is currently a limited legislation/regulatory framework in place specific to drones over 25 kg and the BVLOS operations of commercial drones in Canada or in the United States. All such operations are currently approved on a case-by-case basis, with company experience and safety processes being the major factors in gaining such approvals for such operations. The Company has secured the services of Canadian drone regulatory experts in assessing the regulatory environment and who work with the applicable regulators to secure flight approvals. Although the Company has previously secured the services of drone regulatory experts in the United States, the Company was not actively engaged with these experts during the financial year of the Company ended December 31, 2023. The Company continues to review the regulatory regimes in specific international jurisdictions to determine the viability of expanding operations to such other international jurisdictions. As at the date of this AIF, no significant concerns have arisen, however there can be no assurance that such jurisdictions have enacted or will enact legislation or that, if enacted, the Company will be permitted or qualified to operate under such legislation.

Based on the regulatory development efforts on a global level, the Company's business plan with respect to United States and other international activities assumes a flexible legislative regime in such jurisdictions that allows such plans to be realized. Although not currently a primary focus for the Company, if the Company cannot expand its operations in the United States or other international jurisdictions through local partners or otherwise or cannot fulfill its international business plan within the timeframes established by the Company, it could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Transaction Risk

The Company has set out in this AIF information about potential future transactions of the Company, including information about potential commercial agreements with several third parties, including significant entities in the retail industry, the logistics courier industry, the medical field, and governmental or service providing organizations, and certain foreign third parties. There is no assurance that definitive agreements in respect of these commercial understandings will be reached, or that these transactions will be completed. The completion of a transaction is subject to many contingencies, including negotiation of the terms of a definitive agreement; receipt of any corporate, third party, regulatory and other consents; and ability to complete the transaction in accordance with the requirements of applicable law, including the laws of foreign jurisdictions. If the Company does not complete the transactions or any one of the transactions described herein, the Company will not be able to realize any anticipated benefit of such transaction or transactions.

Moreover, management of the Company will have spent substantial time and resources in connection with such transactions, at an opportunity cost to the Company. In addition, even if a transaction is completed, there can be no assurance that the Company will be able to capitalize on the anticipated benefits of such transaction (including the generation of revenues for the Company), or that such transaction will be accretive to the Company or its results of operations or financial position. Failure to complete any transaction, failure to complete such transaction on the terms and conditions currently contemplated, or failure to realize the anticipated benefits of a transaction could each have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Industry Growth

The Company relies on industry experts and research reports to predict the potential in the drone delivery market. If such analysts have not predicted the market correctly, it can have an adverse effect on the Company's targeted customer and revenue base. As the drone industry is an evolving industry, the Company cannot accurately predict the future growth rates or sizes of these markets. Demand for these types of products and services may not increase, or may decrease, either generally or in specific markets, for particular types of products or during particular time periods. Although the Company plans to seek to expand its customer base in the future to potentially include foreign countries, governments, consumer, and commercial customers, there can be no assurance that such efforts will be successful. The expansion of the drone delivery markets in general, and the market for the Company's products and services in particular, depends on a number of factors, including but not limited to the following:

- customer satisfaction with these types of products and services;
- the cost, performance and reliability of the Company's products and services and products and services offered by competitors;
- customer perceptions regarding the effectiveness and value of these types of products and services;
- limitations on the Company's ability to market its products and services; and
- obtaining timely regulatory approvals.

Uncertainty of New Business Models

Forecasting the revenues and profitability for new business models is inherently uncertain and volatile. The Company's actual revenues and profits for its business models may be significantly less than the Company's forecasts. Additionally, these new business models could fail for one or more of the Company's products and/or services, resulting in the loss of the Company's investment in the development and infrastructure needed to support the new business models.

Speed of Introduction of Products and Services to the Marketplace

The Company's business is dependent on the speed with which it introduces its products and services to the market. The introduction of the Company's products and services to the market is inherently difficult to manage and keep on schedule, and there can be no assurance that the Company will be able to meet its development objectives or to meet market expectations. The Company may experience substantial delays in completing the development of its products and services which could negatively impact the Company's competitiveness in the market.

Undetected Flaws

There can be no assurance that, despite testing by the Company, flaws will not be found in the Company's products and services, resulting in loss of or delay in market acceptance. The Company may be unable, for technological or other reasons, to introduce products and services in a timely manner or at all in response to changing customer requirements. In addition, there can be no assurance that while the Company is attempting to finish the development of its technologies, products and services, a competitor will not introduce similar or superior technologies, products and services, thus diminishing the Company's advantage, rendering its technologies, products and services partially or wholly obsolete, or at least requiring substantial re-engineering in order to become commercially acceptable. Failure by the Company to maintain technology, product and service introduction schedules, avoid cost overruns and undetected errors, or introduce technologies, products and services that are superior to competing technologies, products and services would have a materially adverse effect on the Company's business, prospects, financial condition, and results of operations.

Risks of Operation in Urban Areas

Although the Company currently operates in remote, rural and suburban areas, subject to regulatory approval, it may in the future expand operation to urban centres. Urban environments may present increased complexity and certain challenges to the operators of RPAS. Although the regulators' primary aim when issuing flight approvals is to ensure the operation is conducted safely, there remains a remote chance that RPAS may accidentally collide with other aircrafts, persons or property, which could result in injury, death or property damage and create potential liability for the Company. There can be no assurance that the Company's design of its drone delivery system or the manner in which it is used, will not result in the Company being held liable should its products and services cause any such injury, death or property damage.

Marketing Risks

The Company believes that brand recognition is an important factor to its success. If the Company fails to promote its brands successfully, or if the expenses of doing so are disproportionate to any increased net sales it achieves, it would have a material adverse effect on the Company's business, prospects, financial condition and results of operations. This will depend largely on the Company's ability to maintain trust, be a technology leader, and continue to provide high-quality and secure technologies, products and services. Any negative publicity about the Company or its industry, the quality and reliability of the Company's technologies, products and services, the Company's risk management processes, changes to the Company's technologies, products and services, its ability to effectively manage and resolve customer complaints, its privacy and security practices, litigation, regulatory activity, and the experience of sellers and buyers with the Company's products or services, could adversely affect the Company's reputation and the confidence in and use of the Company's technologies, products and services. Harm to the Company's brand can arise from many sources, including; failure by the Company or its partners to satisfy expectations of service and quality; inadequate protection of sensitive information; compliance failures and claims; litigation and other claims; employee misconduct; and misconduct by the Company's partners, service providers, or other counterparties. If the Company does not successfully maintain a strong and trusted brand, its business could be materially and adversely affected.

Geographical Expansion

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

Limited Operating History

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in a relatively early stage of operation and development. As the Company is introducing new products, its revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base.

In addition, it is also difficult to evaluate the viability of drone technology because the Company has had limited experience to address the risks, expenses and difficulties frequently encountered by companies operating in their early stage of operation and development, particularly companies in new and rapidly evolving markets such as the Company's target markets. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Substantial Capital Requirements

Management of the Company anticipates that it may make substantial capital expenditures for the acquisition, exploration, development and production of its drone logistics technology in the future and the cash generated from its operating activity is not currently sufficient to cover such expenses. In addition, there can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on its business, prospects, financial condition, results of operations or prospects. In particular, failure to obtain financing on a timely basis could cause the Company to forfeit its interest in certain business opportunities, miss certain acquisition opportunities and reduce or terminate operations.

History of Losses

The Company has incurred net losses from the inception of its business until the date of this AIF. The Company provides no assurance that it can become profitable or avoid net losses in the future or that there will be any earnings or revenue for any future quarterly or other periods. The Company expects that its operating expenses will increase as it grows its business, including expending substantial resources for research and development and marketing. As a result, any decrease or delay in generating revenues could result in material operating losses.

Negative Operating Cash Flow

During the financial year ended December 31, 2023, the Company 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.

Reliance on Management and Key Employees

The Company's future success depends substantially on the continued services of its executive officers and its key development personnel. If one or more of its executive officers or key development personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members as well as business partners. These executive officers and key employees could develop drone logistics technology that could compete with and take customers, market share and market opportunity away from the Company.

Management of Growth

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

Public Health Crises

At the beginning of year 2020 the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and physical distancing, caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets experienced significant volatility and weakness. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Public health crises such as the worldwide COVID-19 outbreak, may give rise to material uncertainties that could materially and adversely affected the business of the Company. The Company cannot accurately predict the future impact public health crises may have on, among others, the: (i) global financial markets, (ii) demand for drone delivery services, (iii) severity and the length of potential measures taken by governments to manage the public health crisis and their effect on labour availability and supply lines, (iv) availability of essential supplies, (v) purchasing power of the Canadian dollar, or (vi) ability of the Company to obtain funding. It is not possible to reliably estimate the length and severity of these developments and their impact on the financial results and condition of the Company in the future.

Risks Associated with Operations in Other Countries

The Company's revenues are currently achieved in Canada. However, in the future, the Company may expand to markets outside of Canada and become subject to risks normally associated with conducting business in other countries. As a result of such expansion, the Company may be subject to the legal, political, social and regulatory requirements and economic conditions of foreign jurisdictions.

The Company's business in foreign markets will require it to respond to rapid changes in market conditions in these countries. The Company's overall success as a business depends, in part, on the Company's ability to succeed in differing legal, regulatory, economic, social and political conditions. If the Company is not able to develop and implement policies and strategies that are effective in each location in which it does business, then the Company's business, prospects, results of operations and financial condition could be materially and adversely affected.

Risks Associated with Potential Operations in the United States

On February 14, 2012, the *FAA Modernization and Reform Act* of 2012 was enacted, establishing various deadlines for the Federal Aviation Administration ("**FAA**") to allow expanded use of small UAS for both public and commercial applications. On June 21, 2016, the FAA released its final rules regarding the routine use of certain small UAS (under 55 pounds) in US airspace. The rules, which became effective in August 2016, provided safety regulations for UAS conducting non recreational operations and contain various limitations and restrictions for such operations, including a requirement that operators keep UAS within visual-line-of-sight and prohibiting flights over unprotected people on the ground who are not directly participating in the operation of the UAS. Furthermore, UAS operations at night are not generally permitted. Operation of UAS outside of these regulatory parameters may be permissible with a waiver issued by the FAA. As of April 21, 2021 the FAA has expanded the UAS regulations to permit flight over people and at night. The new flight over people rules require a parachute or an airworthiness certificate.

However, waivers for BVLOS operations for the purpose of for hire cargo delivery are not permitted under the 14 CFR Part 107 regulations. Cargo delivery requires compliance with the 14 CFR Part 135 air carrier rules if the delivery is carrying the cargo belonging to a third party (i.e., “for hire”). Cargo transportation of company owned material by the company can be performed under the 14 CFR Part 107 Regulations. The 14 CFR Part 135 and the new flight over people Part 107 rules require an aircraft with an airworthiness certificate that necessitates the Company's aircraft obtain a Type Certificate and Production Certificate issued by the FAA. The FAA is permitting small UAS to obtain a Type Certificate using a streamlined process that allows demonstration of reliability instead of a comprehensive traditional design approval. However, Production Certification will follow the traditional manned aircraft regulations that include the requirement for final assembly in the US. The current FAA air carrier regulations also prohibit foreign ownership so the Company will be required to partner with a US owned Part 135 operators.

As in Canada, potential limitations put on the use of small UAS in response to safety and/or public privacy concerns or failure to obtain necessary regulatory approvals from the FAA or other governmental agencies may limit the attractiveness of, or prevent the Company from, expanding operations into the United States. This could have a material adverse effect on the Company's business prospects, financial condition, and operating results.

Risks Associated with Acquisitions

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: the integration of new operations, services and personnel; unforeseen or hidden liabilities; the diversion of resources from the Company's existing business and technology; potential inability to generate sufficient revenue to offset new costs; the expenses of acquisitions; or the potential loss of or harm to relationships with both employees and customers resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Electronic Communication Security Risks

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Insurance Coverage

The Company requires insurance coverage for a number of risks, including business interruption, environmental matters and contamination, personal injury and property damage as well as general aviation liability coverage. Although the Company maintains insurance policies, it cannot provide assurance that this insurance will be adequate to protect the Company from all material judgments and expenses related to potential future claims or that these levels of insurance will be available in the future at economical prices or at all. A successful product liability claim could result in substantial cost to the Company. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected.

Even if the Company is fully insured as it relates to a claim, the claim could nevertheless diminish the Company's brand and divert management's attention and resources, which could have a negative impact on the Company's business, prospects, financial condition and results of operations.

Tax Risk

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

Currency Fluctuations

Due to the Company's present operations, and its potential intention to have future operations in jurisdictions outside Canada, the Company may be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, prospects, financial condition and operating results in the future. The Company intends to continue to expand operations globally so it may be subject to additional gains and losses against additional currencies. The Company does not currently have a foreign exchange hedging program in place. However, in the future, it may establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, it may not hedge its entire exposure to any one foreign currency and it may not hedge its exposure at all with respect to certain foreign currencies.

Conflicts of Interest

Because directors and officers of the Company are or may become directors or officers of other companies or have significant shareholdings in other technology companies, the directors and officers of the Company may have a conflict of interest in conducting their duties. The Company and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms in accordance with applicable corporate law. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

Competitive Markets

The Company faces competition and new competitors will continue to emerge throughout the world. Services and technologies offered by the Company's competitors may take a larger share of consumer spending than anticipated, which could cause revenue generated from the Company's technologies, products and services to fall below expectations. It is expected that competition in the Company's markets will intensify. If competitors of the Company develop and market more successful technologies, products or services, offer competitive products or services at lower price points, or if the Company does not produce consistently high-quality and well-received technologies, products and services, revenues, margins, and profitability of the Company will decline.

The Company's ability to compete effectively will depend on, among other things, the Company's pricing of services, quality of customer service, development of new and enhanced technologies, products and services in response to customer demands and changing technology, reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Company adds new customers, a decrease in the size of the Company's market share and a decline in its customers. In addition, the Company could face increased competition should there be an award of additional licences in jurisdictions in which the Company operates.

Uncertainty and Adverse Changes in the Economy

Adverse changes in the economy could negatively impact the Company's business. Future economic distress may result in a decrease in demand for the Company's technologies, products and services, which could have a material adverse impact on the Company's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing and publishing products, increase the cost and decrease the availability of sources of financing, and increase the Company's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Company.

Reliance on Components and Raw Materials

The Company obtains hardware components, various subsystems and systems, and raw materials from a limited group of suppliers. The Company does not have long-term agreements with any of these suppliers that obligate such suppliers to continue to sell components, subsystems, systems or products to the Company. The Company's reliance on these suppliers involves significant risks and uncertainties, including whether suppliers will provide an adequate supply of required raw materials, components, subsystems, or systems of sufficient quality, will increase prices for the raw materials, components, subsystems or systems and will perform their obligations on a timely basis.

In addition, certain raw materials and components used in the manufacture of the Company's products are periodically subject to supply shortages, and the Company's business is subject to the risk of price increases and periodic delays in delivery. Similarly, the market for electronic components is subject to cyclical reductions in supply. If the Company is unable to obtain components from third-party suppliers in the quantities and of the quality that it requires, on a timely basis and at acceptable prices, then it may not be able to deliver its products on a timely or cost-effective basis to its customers, which could cause customers to terminate their contracts with the Company, increase the Company's costs and seriously harm its business, results of operations and financial condition. Moreover, if any of the Company's suppliers become financially unstable, then it may have to find new suppliers. It may take several months to locate alternative suppliers, if required, or to redesign the Company's products to accommodate components from different suppliers. The Company may experience significant delays in manufacturing and shipping its products to customers and incur additional development, manufacturing and other costs to establish alternative sources of supply if the Company loses any of these sources or is required to redesign its products. The Company cannot predict if it will be able to obtain replacement components within the time frames that it requires at an affordable cost, if at all.

Change in Technology

Continuing technological changes related the Company's products and services could make its products and services less competitive or obsolete, either generally or for particular applications. The Company's future success will depend upon its ability to develop and introduce a variety of new capabilities and enhancements to its existing product offerings, as well as introduce a variety of new product offerings, to address the changing needs of the markets in which it offers products.

Delays in introducing new products and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products or enhancements at competitive prices may cause existing and potential customers to purchase the products and services from the Company's competitors.

If the Company is unable to devote adequate resources to develop new products or cannot otherwise successfully develop new products and services or enhancements that meet customer requirements on a timely basis, its products and services could lose market share, its revenue and profits could decline, and the Company could experience operating losses.

Quality of Products and Services

Products and services designed and published by the Company involve extremely complex software programs, and are difficult to develop and distribute. While the Company has quality controls in place to detect defects in its products and services before they are released, these quality controls are subject to human error, overriding, and reasonable resource constraints. Therefore, these quality controls and preventative measures may not be effective in detecting defects in the Company's products and services before they have been released into the marketplace. In such an event, the Company could be required to or may find it necessary to voluntarily suspend the availability of the product or service, which could significantly harm its business and operating results.

Maintenance of Technology Infrastructure

As the Company continues to develop its products and services, it expects to continue to invest in technology services, hardware and software, which may include data centers, network services, storage and database technologies to support existing services and to introduce new products and services including websites. Creating the appropriate support for online business initiatives is expensive and complex, and the Company's execution could result in inefficiencies or operational failures, and increased vulnerability to cyber-attacks, which, in turn, could diminish the quality of its products, services, and user experience. Cyber-attacks could include denial-of-service attacks impacting service availability and reliability; the exploitation of software vulnerabilities in Internet-facing applications; social engineering of system administrators (tricking company employees into releasing control of their systems to a hacker); the introduction of malware into the Company's systems with a view to steal confidential or proprietary data; or attempts to hijack consumer account information. Cyber-attacks of increasing sophistication may be difficult to detect and could result in the theft of the Company's intellectual property and consumer data, including personally identifiable information. Operational failures or successful cyber-attacks could result in damage to the Company's reputation and loss of current and potential users, subscribers, advertisers, and other business partners which could harm its business.

Privacy Protection

There are several inherent risks to engaging in business online and directly with the end consumers of the Company's products and services. As the Company conducts more transactions online directly with consumers, it may be the victim of fraudulent transactions, including credit card fraud, which presents a risk to its revenues and potentially disrupts service to its consumers. In addition, the Company will collect and store consumer information, including personal information and credit card information. While the Company intends to take measures to protect its consumer data from unauthorized access or disclosure, it is possible that its security controls over consumer data may not prevent the improper access or disclosure of personally identifiable information. A security breach that leads to disclosure of consumer account information (including personally identifiable information) could harm the Company's reputation, compel it to comply with disparate breach notification laws in various jurisdictions and otherwise subject the Company to liability under laws that protect personal data, resulting in increased costs or loss of revenue. A resulting perception that the Company's products or services do not adequately protect the privacy of personal information could result in a loss of current or potential consumers and business partners for its online offerings that require the collection of consumer data.

In addition, the rate of privacy law-making is accelerating globally and interpretation and application of consumer protection and data privacy laws in Canada, the United States, Europe and elsewhere are often uncertain, contradictory and in flux. As business practices are being challenged by regulators, private litigants, and consumer protection agencies around the world, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Company's data and/or consumer protection practices. If so, this could result in increased litigation, government or court-imposed fines, judgments or orders requiring that the Company change its practices, which could have an adverse effect on its business and reputation. Complying with these various laws could cause the Company to incur substantial costs or require it to change its business practices in a manner adverse to its business.

Development Costs

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

Product Defects

The Company's RPAS rely on complex avionics, sensors, interfaces and tightly-integrated, electromechanical designs to accomplish their missions. Despite testing, the Company's products have contained defects and errors and may in the future contain defects, errors or performance problems when first introduced, when new versions or enhancements are released, or even after these products have been used by the Company's customers for a period of time. These problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements, significant increases in the Company's service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to the Company's reputation, any of which could materially harm the Company's business, prospects, financial condition and results of operations and ability to achieve market acceptance. In addition, increased development and warranty costs could be substantial and could reduce or eliminate any of the Company's future operating margins.

The existence of any defects, errors, or failures in the Company's products or the misuse of the Company's products could also lead to product liability claims or lawsuits against it. A defect, error or failure in one of the Company's RPAS could result in injury, death or property damage and significantly damage the Company's reputation and support for its RPAS in general. The Company anticipates this risk will grow as its RPAS begins to be used in Canadian domestic airspace and urban areas. The Company's RPAS test systems also have the potential to cause injury, death or property damage in the event that they are misused, malfunction or fail to operate properly due to unknown defects or errors.

Insufficient Research and Development Funding

The Company depends on its research and development activities to develop the core technologies used in its RPAS products and for the development of the Company's future products. Canadian government and commercial spending levels can be impacted by a number of variables, including general economic conditions, specific companies' financial performance and competition for Canadian government funding with other Canadian government-sponsored programs in the budget formulation and appropriation processes.

Uncertainty Related to Exportation

The Company must comply with Canadian federal and provincial laws regulating the export of its products. In some cases, explicit authorization from the Canadian government is needed to export certain products. The export regulations and the governing policies applicable to the Company's business are subject to change. The Company cannot provide assurance that such export authorizations will be available for its products in the future. Compliance with these laws has not significantly limited the Company's operations, but could significantly limit them in the future. Non-compliance with applicable export regulations could potentially expose the Company to fines, penalties and sanctions. Although not currently a primary focus for the Company, if the Company cannot obtain required government approvals under applicable regulations, the Company may not be able to sell its products in certain international jurisdictions, which could adversely affect the Company's business, prospects, financial condition and results of operations.

Legal Proceedings

The Company may, from time to time in the future, become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy and disruptive to normal business operations. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on the Company's business, prospects, operating results or financial condition.

Reliance on Business Partners

The Company relies on various business partners, including third-party service providers, vendors, licensing partners, development partners, and licensees, among others, in many areas of the Company's business. In many cases, these third parties are given access to sensitive and proprietary information in order to provide services and support to the Company's teams. These third parties may misappropriate or disclose the Company's information and engage in unauthorized use or disclosure of it. The failure of these third parties to provide adequate services and technologies, or the failure of the third parties to adequately maintain or update their services and technologies, could result in a disruption to the Company's business operations. Further, disruptions in the financial markets and economic downturns may adversely affect the Company's business partners and they may not be able to continue honoring their obligations to the Company. Alternative arrangements and services may not be available to the Company on commercially reasonable terms, or at all, or the Company may experience business interruptions upon a transition to an alternative partner or vendor. If the Company loses one or more significant business partners, the Company's business could be harmed.

Unfavorable Publicity or Public Perception

The drone industry has increasingly become and is expected to continue to become subject to media attention and other publicity. Public perception can be significantly influenced by media attention, regulatory investigations, litigation and other publicity regarding drones or the drone industry. Adverse publicity reports or other media attention regarding drones could hinder market growth or result in negative public perception of drones or companies that operate in the drone industry, which in turn could have a material adverse effect on the Company's business, prospects, operating results, or financial condition.

Protection of Intellectual Property Rights

The Company's success depends, in large part, on its ability to protect its intellectual property and other proprietary rights. The Company may rely on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect the Company's intellectual property and other proprietary rights. However, a significant portion of the Company's technology is not patented, and the Company may be unable or may not seek to obtain patent protection for this technology.

Moreover, existing Canadian legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide the Company with any competitive advantages, and may be challenged by third parties. The laws of countries other than Canada may be even less protective of intellectual property rights. Accordingly, despite its efforts, the Company may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Company's technology.

Unauthorized third parties may try to copy or reverse engineer the Company's products or portions of its products or otherwise obtain and use the Company's intellectual property. Moreover, the Company's employees may have access to the Company's trade secrets and other intellectual property. If one or more of these employees leave to work for one of the Company's competitors, then they could improperly disclose this proprietary information, which may as a result damage the Company's competitive position.

If the Company fails to protect its intellectual property and other proprietary rights, then the Company's business, results of operations or financial condition could be materially harmed. From time to time, the Company may have to initiate lawsuits to protect its intellectual property and other proprietary rights. Pursuing these claims is time consuming and expensive and could adversely impact the Company's business, prospects, financial condition and results of operations.

In addition, affirmatively defending the Company's intellectual property rights and investigating whether the Company is pursuing a product or service development that may violate the rights of others may entail significant expense. Any of the Company's intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If the Company resorts to legal proceedings to enforce its intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, then the proceedings could result in significant expense to the Company and divert the attention and efforts of the Company's management and technical employees, even if the Company prevails.

Infringement by the Company of Intellectual Property Rights

The Company may become subject to claims that its technologies infringe upon the intellectual property or other proprietary rights of third parties. Any claims, with or without merit, could be time-consuming and expensive, and could divert the Company's management's attention away from the execution of its business plan. Moreover, any settlement or adverse judgment resulting from these claims could require the Company to pay substantial amounts or obtain a license to continue to use the disputed technology, or otherwise restrict or prohibit the Company's use of the technology. The Company cannot assure that it would be able to obtain a license from the third party asserting the claim on commercially reasonable terms, if at all; that the Company would be able to develop alternative technology on a timely basis, if at all; or that the Company would be able to obtain a license to use a suitable alternative technology to permit the Company to continue offering, and the Company's customers to continue using, the Company's affected products and services. An adverse determination also could prevent the Company from offering its products and services to others. Infringement claims asserted against the Company may have a material adverse effect on its business, products, results of operations or financial condition.

International Conflicts

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global energy and financial markets. Russia's recent invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices and global economies more broadly. Volatility in commodity prices may adversely affect our business, financial condition and results of operations. Reductions in commodity prices may affect oil and natural gas activity levels and therefore adversely affect the demand for, or price of, our services.

The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified in this AIF, including those relating to commodity price volatility and global financial conditions. The situation is rapidly changing and unforeseeable impacts, including on our shareholders and counterparties on which we rely and transact with, may materialize and may have an adverse effect on our business, results of operation and financial condition.

Risks Related to the Securities of the Company

Resale of Shares

There can be no assurance that the publicly-traded market price of the Voting Shares will be high enough to create a positive return for shareholders. Further, there can be no assurance that the Voting Shares will be sufficiently liquid so as to permit shareholders to sell their equity position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Voting Shares would be diminished.

As well, the continued operation of the Company will be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Company is unable to obtain such additional financing or generate such revenues, shareholders may be unable to sell their Voting Shares and any investment in the Company may be lost.

Market for Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Voting Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

The value of the Voting Shares will be affected by such volatility. An active public market for the Voting Shares might not develop or be sustained. If an active public market for the Voting Shares does not develop or, if one develops, if it is not sustained, the liquidity of a shareholder's investment in the Voting Shares may be limited and the share price may decline.

Dividends

To date, the Company has not paid any dividends on its outstanding Voting Shares and presently has no intention of paying dividends. Any decision to pay dividends will be made by the the board of directors (the “**Board**”) based on the Company's earnings, financial requirements and other conditions.

Global Financial Conditions

Current global financial conditions have been subject to increased volatility and access to financial markets has been restricted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these levels of volatility and market instability continue, the Company's operations could be adversely impacted and the value and the price of the Voting Shares could continue to be adversely affected.

Limited Voting for Non-Canadians

To comply with restrictions imposed by federal law on foreign ownership, the Drone Constating Documents provide that the: (i) the Common Voting Shares may only be beneficially owned and controlled, directly or indirectly, by Canadians; and (ii) the Variable Voting Shares may only be beneficially owned or controlled, directly or indirectly, by non-Canadians. The voting restrictions in the Drone Constating Documents may discourage or delay "change of control" transactions by foreign persons or the price at which a person would be willing to pay to acquire Voting Shares in a "change of control" transaction, which could adversely affect the price of the Voting Shares. For more information about the Voting Shares, see "*Description of Capital Structure*" in this AIF.

DIVIDENDS AND DISTRIBUTIONS

The Company has never paid any dividends or distributions on any of its securities and presently has no intention of paying dividends. The future dividend policy will be determined by the Board on the basis of earnings, financial requirements and other relevant factors.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of no-par value Common Voting Shares and an unlimited number of no-par value Variable Voting Shares. The Common Voting Shares and Variable Voting Shares are traded on the TSXV under the single ticker "FLT". As at December 31, 2023, there were 224,199,312 Voting Shares issued and outstanding, consisting of the Company's Common Voting Shares and Variable Voting Shares.

The summary below describes the rights, privileges, restrictions and conditions attached to the Common Voting Shares and Variable Voting Shares. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, the Drone Constating Documents, a copy of which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

The amendments to the Drone Constating Documents, as described under "Foreign Ownership Limits" below, were approved by shareholders at the 2022 Meeting and became effective on June 15, 2022.

Foreign Ownership Limits

The CTA requires that national holders of a domestic air service license be "Canadian". In 2018, certain provisions of the *Transportation Modernization Act* (Canada) became effective and amended, among other things, the definition of "Canadian" under section 55(1) of the CTA to increase foreign ownership limits in Canadian air carriers from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian airline (the "**CTA Amendments**").

The CTA Amendments increased the overall maximum level of non-Canadian ownership and control of voting interests in an air carrier to 49%, while also introducing and prescribing maximum ownership levels of 25% respectively for:

- any single non-Canadian holder, either individually or in affiliation with any other person; and

- any one or more non-Canadian holders authorized to provide an air service in any jurisdiction (in the aggregate), either individually or in affiliation with any other person.

In response to these new legislative thresholds, the Company received shareholder approval at the 2022 Meeting to effect the CTA Amendments to the Drone Constating Documents to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of "Canadian" in the recently amended CTA.

Common Voting Shares

Exercise of Voting Rights

The holders of Common Voting Shares are entitled to receive notice of, and to attend and vote at, all meetings of shareholders, except in votes where holders of a specific class other than the Common Voting Shares are entitled to vote separately as a class under the BCBCA. Each Common Voting Share will confer the right to one vote.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to any class of shares of the Company ranking prior to the Common Voting Shares, holders of Common Voting Shares are entitled to receive any dividends declared by the Board at the times and for the amounts that the Board may, from time to time, determine. The Common Voting Shares and Variable Voting Shares will rank equally as to dividends on a share-for-share basis. All dividends declared will be declared in equal or equivalent amounts per share on all Common Voting Shares and Variable Voting Shares then outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Common Voting Shares will occur unless, simultaneously, the Variable Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the respective rights of the holders of each of such classes of shares.

Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attaching to any class of shares of the Company ranking prior to the Common Voting Shares, in the case of liquidation, dissolution or winding-up of the Company or other distribution of the assets of the Company among the shareholders for the purposes of winding-up its affairs, the holders of Common Voting Shares and Variable Voting Shares are entitled to receive the remaining property of the Company and are entitled to share equally, share for share, in all distributions of such assets.

Constraints on Share Ownership

Each Common Voting Share may only be held, beneficially owned and controlled, directly or indirectly, by Canadians. An issued and outstanding Common Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of the Company or the holder, if such Common Voting Share becomes held, beneficially owned or controlled, directly or indirectly, other than by way of security only, by a person who is not a Canadian.

Conversion

Automatic

Unless the foreign ownership restrictions of the CTA are repealed and not replaced with other similar restrictions, an issued and outstanding Common Voting Share will be automatically converted into one Variable Voting Share, without any further act of the Company or the holder, if such Common Voting Share is or becomes beneficially owned or controlled, directly or indirectly, otherwise than by way of a security only, by a person who is not a Canadian within the meaning of the CTA.

Upon an Offer

In the event that an offer is made to purchase Variable Voting Shares, and such offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, to be made to all or substantially all the holders of Variable Voting Shares, each Common Voting Share will become convertible at the option of the holder into one Variable Voting Share at any time while such offer is in effect until one day after the time prescribed by applicable securities legislation for the person making the offer to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Common Voting Shares for the purpose of depositing the resulting Variable Voting Shares pursuant to the offer, and for no other reason, including with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning the voting rights for Common Voting Shares notwithstanding their conversion. The transfer agent of the Company will deposit the resulting Variable Voting Shares pursuant to such offer on behalf of the holder.

Should (a) the Variable Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by the shareholders or not taken up by the offeror, (b) the offer be abandoned or withdrawn, or (c) such offer otherwise expire without such Variable Voting Shares being taken up and paid for, each Variable Voting Share resulting from the conversion will be automatically re-converted back into one Common Voting Share, without any further act on the part of the Company or on the part of the holder.

The Common Voting Shares may not be converted into Variable Voting Shares other than in accordance with the conversion procedures set out in the Drone Articles.

Variable Voting Shares

<u>Exercise of Voting Rights</u>

The holders of Variable Voting Shares are entitled to receive notice of, to attend and vote at all meetings of shareholders of the Company, except in votes where the holders of a specified class other than the Variable Voting Shares are entitled to vote separately as a class as provided in the BCBCA.

Variable Voting Shares will carry one vote per Variable Voting Share held, unless any of the thresholds set forth below would otherwise be surpassed at any time, in which case the vote attached to a Variable Voting Share will decrease as described below.

Single Non-Canadian Holder

If at any time:

(a) a single non-Canadian holder of Variable Voting Shares (a "**Single Non-Canadian Holder**"), either individually or in affiliation with any other person, holds a number of Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board), or

(b) the total number of votes that would be cast by or on behalf of a Single Non-Canadian Holder, either individually or in affiliation with any other person, at any meeting would exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the total number of votes cast at such meeting,

then the vote attached to each Variable Voting Share held by such Single Non-Canadian Holder and any person in affiliation with such Single Non-Canadian Holder, will decrease proportionately and automatically without further act or formality only to such extent that, as a result (i) the Variable Voting Shares held by such Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the aggregate votes attached to all issued and outstanding voting shares of the Company, and (ii) the total number of votes cast by or on behalf of such Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder at the meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the total number of votes cast at such meeting.

Non-Canadian Holder Authorized to Provide Air Service

If at any time:

(a) one or more non-Canadians authorized to provide an air service in any jurisdiction (each a "**Non-Canadian Holder Authorized to Provide Air Service**" and collectively "**Non-Canadian Holders Authorized to Provide Air Service**"), collectively hold, either individually or in affiliation with any other person, a number of Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any Single Non-Canadian Holder as set out above under "*Single Non-Canadian Holder"* (if any, as the case may be) and by any person in affiliation with such Single Non-Canadian Holder, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board), or

(b) the total number of votes that would be cast by or on behalf of Non-Canadian Holders Authorized to Provide Air Service and persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Single Non-Canadian Holder as set out above under "*Single Non-Canadian Holder"* (if any, as the case may be), exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the total number of votes cast at such meeting,

then the vote attached to each Variable Voting Share held by all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service will decrease proportionately and automatically without further act or formality only to such extent that, as a result (i) the Variable Voting Shares held by all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the aggregate votes attached to all issued and outstanding voting shares of the Company, and (ii) the total number of votes cast by or on behalf of all Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the total number of votes cast at such meeting.

General – All Holders of Variable Voting Shares

If at any time:

(a) the number of Variable Voting Shares outstanding as a percentage of the total number of all voting shares outstanding, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Singler Non-Canadian Holder as set out above under "*Single Non-Canadian Holder"* and after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service as set out above under "*Non-Canadian Holder Authorized to Provide Air Service*" (in each case, if any, as may be required), exceeds 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board), or

(b) the total number of votes that would be cast by or on behalf of holders of Variable Voting Shares at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any Single Non-Canadian Holder and by any person in affiliation with such Singler Non-Canadian Holder as set out above under "*Single Non-Canadian Holder*" and after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by Non-Canadian Holders Authorized to Provide Air Service and by persons in affiliation with any Non-Canadian Holders Authorized to Provide Air Service as set out above under "*Non-Canadian Holder Authorized to Provide Air Service*" (in each case, if any, as may be required), exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the total number of votes cast at such meeting,

then the vote attached to each Variable Voting Share will decrease proportionately and automatically without further act or formality only to such extent that, as a result (i) the Variable Voting Shares do not carry more than 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the aggregate votes attached to all issued and outstanding voting shares of the Company, and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the Board) of the total number of votes cast at such meeting.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Company ranking prior to the Variable Voting Shares, the holders of Variable Voting Shares are entitled to receive any dividends that are declared by the Board at the times and for the amounts that the Board may, from time to time, determine. The Variable Voting Shares will rank equally with the Common Voting Shares as to dividends on a share-for-share basis. All dividends will be declared in equal or equivalent amounts per share on all Variable Voting Shares and Common Voting Shares then outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares will occur unless, simultaneously, the Common Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of such classes of shares.

Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company ranking prior to the Variable Voting Shares, in the case of liquidation, dissolution or winding-up of the Company or other distribution of the Company's assets among its shareholders for the purpose of winding-up its affairs, the holders of Variable Voting Shares and the holders of Common Voting Shares are entitled to receive the remaining property of the Company and are entitled to share equally, share for share, in all distributions of such assets.

Constraints on Share Ownership

Variable Voting Shares may only be owned or controlled by Non-Canadians.

Conversion

Automatic

Each issued and outstanding Variable Voting Share will be automatically converted into one Common Voting Share, without any further act on the part of the Company or the holder, if (a) such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian within the meaning of the *Canada Transportation Act*, or (b) the provisions contained in the *Canada Transportation Act* relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

Upon an Offer

In the event that an offer is made to purchase Common Voting Shares and such offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Common Voting Shares are then listed, to be made to all or substantially all the holders of Common Voting Shares in a given province or territory of Canada to which these requirements apply, each Variable Voting Share will become convertible at the option of the holder into one Common Voting Share at any time while such offer is in effect until one day after the time prescribed by applicable securities legislation for the person making the offer to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Common Voting Shares pursuant to such offer and for no other reason, including with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning voting rights for Variable Voting Shares notwithstanding their conversion. The transfer agent of the Company will deposit the resulting Common Voting Shares pursuant to such offer on behalf of the holder.

Should (a) the Common Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, (b) such offer be abandoned or withdrawn, or (c) such offer otherwise expire without such Common Voting Shares being take up and paid for, then the Common Voting Shares resulting from the conversion will be automatically re-converted back into Variable Voting Shares, without any further act on the part of the Company or on the part of the holder.

Variable Voting Shares may not be converted into Common Voting Shares other than in accordance with the conversion procedures set out in the Drone Articles.

Stock Options

The Company currently has the following stock options outstanding, each such stock option exercisable on the terms set out below:

Number of Stock Options	Exercise Price	Expiry Date
1,741,669	$1.00	August 30, 2024
1,570,000	$0.70	September 24, 2025
620,000	$0.70	November 9, 2025
200,000	$1.70	February 4, 2026
4,800,000	$0.56	June 23, 2027
1,025,000	$0.245	December 15, 2027
200,000	$0.31	August 16, 2028

Stock Option Plan

The purpose of the Stock Option Plan is to, among other things, encourage Voting Share ownership in the Company by directors, officers, employees and consultants of the Company and its affiliates and other designated persons. Stock options may be granted under the Stock Option Plan only to directors, officers, employees and consultants of the Company and its subsidiaries and other designated persons as designated from time to time by the Board.

The number of stock options which may be issued under the Stock Option Plan is limited to 10% of the number of Voting Shares outstanding at the time of the grant of the stock options. As at the date hereof, 22,419,931 stock options may be reserved for issue pursuant to the Stock Option Plan, 10,156,669 stock options have been issued and 12,263,262 stock options are still available for issue.

The number of Voting Shares reserved for issue may not exceed (i) five percent of the issued and outstanding Voting Shares to any one individual in any 12 month period, (ii) two percent of the issued and outstanding Voting Shares to any one consultant retained by the Company in any 12 month period, or (iii) two percent of the issued and outstanding Voting Shares to any one employee of the Company conducting investor relations activities in any 12 month period. Stock options granted under the Stock Option Plan may be exercised during a period not exceeding ten years, subject to earlier termination upon the termination of the optionee’s employment, upon the optionee ceasing to be an employee, officer, director or consultant of the Company or any of its subsidiaries or ceasing to have a designated relationship with the Company, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. Stock options must be exercised within 90 days of termination of employment or cessation of position with the Company, or such longer period not exceeding 12 months as may be determined by the Board, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death, the stock option must be exercised within 12 months after such death, subject to the expiry of such stock option. Any Voting Shares subject to a stock option which is exercised, or for any reason is cancelled or terminated prior to exercise, will be available for a subsequent grant under the Stock Option Plan.

The Stock Option Plan contains provisions permitting cashless exercise of options, in accordance with the policies of the TSXV. Pursuant to the Stock Option Plan, the vesting of options shall be at the discretion of the Board, provided that the Board shall seek to impose certain performance-based vesting criteria on at least 40% of options granted to officers of the Company, and, in accordance with the policies of the TSXV, options issued to consultants providing investor relations services must vest (and not otherwise be exercisable) in stages over a minimum of 12 months with no more than ¼ of the options vesting in any 3 month period.

The stock options are non-assignable and non-transferable. The Stock Option Plan contains provisions for adjustment in the number of Voting Shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the Voting Shares, a merger or other relevant changes in the Company’s capitalization. Subject to shareholder approval in certain circumstances, the Board may from time to time amend or revise the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time.

The Company has no equity compensation plans other than the Stock Option Plan.

MARKET FOR SECURITIES

Trading Price and Volume

Voting Shares

The following table sets out the high and low closing market prices and the volume traded on the TSXV for each month of the financial year ended December 31, 2023:

2023	HIGH ($)	LOW ($)	VOLUME
January	0.54	0.29	6,326,675
February	0.42	0.34	2,467,827
March	0.53	0.28	5,704,067
April	0.49	0.37	2,180,967
May	0.43	0.36	2,457,709
June	0.395	0.35	2,148,841
July	0.39	0.34	1,911,699
August	0.355	0.23	3,219,306
September	0.345	0.25	3,493,844
October	0.27	0.235	1,778,364
November	0.275	0.155	4,736,126
December	0.185	0.15	2,943,516

Prior Sales

The following table summarizes details of all issuances of securities of the Company, other than Voting Shares, in the year ended December 31, 2023, being the most recently completed financial year of the Company:

Security	Number of Securities	Issue/Exercise Price per Security ($)	Date of Issue
Stock Options(1)	200,000	0.31	August 16, 2023

Notes:

(1) The stock options are exercisable at a price of $0.31 per Voting Share for a period of five years.

ESCROWED SECURITIES

There are no securities of the Company subject to escrow provisions.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The following table sets forth all current directors and executive officers of the Company as at the date hereof, their principal occupations or employment, the period or periods of service, and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised as of the date hereof. The Board currently consists of five directors, to be elected annually. The term of office of each director will be from the date of the meeting at which he or she is elected until the next annual meeting, or until his or her successor is elected or appointed.

Name, Province and Country of Residence, Position	Position Since	Number of Common Shares Beneficially Owned(1)(2)	Principal Occupation During Past Five Years
Steve Magirias Ontario, Canada Chief Executive Officer	February 22, 2022	Nil 0%	Chief Executive Officer of the Company. Prior thereto, Mr. Magirias worked with both mature and well-established organizations as well as nimble entrepreneurial companies. He has a background in manufacturing, product development, quality control and operations in wholesale, retail and direct to consumer markets for companies like Curtiss Wright - Indal Technologies and Husky Injection Molding, coupled with an engineering degree and an MBA focused on strategic development.

Name, Province and Country of Residence, Position	Position Since	Number of Common Shares Beneficially Owned[(1)(2)]	Principal Occupation During Past Five Years
Manish Arora Ontario, Canada Chief Financial Officer	September 8, 2020	10,166 0.0045%	Chief Financial Officer of the Company. Prior thereto, Mr. Arora was Corporate Controller of the Company since August 2019. He previously served as Corporate Controller for Cardinal Health Canada, a medical and surgical products provider, from August 2017 to August 2019.
Chris Irwin[(3)] Ontario, Canada Director	May 31, 2016	425,000[(5)] 0.19%	Corporate and Securities Lawyer, and Partner of Irwin Lowy LLP.
Michael Della Fortuna[(4)] Ontario, Canada Director	May 31, 2016	20,000 0.0089%	Director of the Company since 2016. Chief Executive Officer of Nexeya Canada, a company that designs, manufactures and supports embedded, stand-alone and ground equipment products, integrated systems and system support services for a variety of capital intense and mission critical environments, and partner of nCompass Financial, an engineering consultancy firm.
Kevin Sherkin[(3)] Ontario, Canada Director	February 25, 2019	15,000 0.0067%	Mr. Sherkin is a partner at Miller Thomson LLP, a Canadian national law firm. Prior thereto, he was a founding member and managing director of Levine Sherkin Boussidan Professional Corporation, a law firm.
Vijay Kanwar[(4)] Ontario, Canada Director	June 10, 2019	Nil 0%	Mr. Kanwar formerly served as Chair of the Board for the Greater Toronto Airport Authority. Mr. Kanwar is Co-Founder of KMH Cardiology and Diagnostics Centres, a provider of nuclear cardiology in North America. Mr. Kanwar is the Chief Executive Officer of Lambardar Group Inc. and Lambardar Zamindar Group Inc., which own and operate commercial real estate and medical facilities, as well as Founder and President of EHLinq Inc., which develops enterprise-level software for medical businesses. Mr. Kanwar also currently sits on the board of Business Development Canada as well as the MLSE Foundation and MLSE LaunchPad.
Larry Taylor[(3)] Ontario, Canada Director	November 9, 2020	Nil 0%	Mr. Taylor has been CEO Group Leader of CEO Global Network since 2011 and President of Taylor Made Solutions since 2009. He currently sits as a board member for Dillion Consulting Inc. Mr. Taylor is Board Chair VIQ Solutions Inc (TSX and Nasdaq: VQS). Mr. Taylor is a Chartered Professional Accountant and a Certified Management Consultant. Mr. Taylor has previously held key senior executive positions with several companies including Travelex Americas and Cap Gemini Ernst & Young Canada Inc. Mr. Taylor has experience working with private equity firms to identify, acquire and combine companies to create shareholder value.

Notes:

(1) *The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective director and or executive officer individually.*

(2) *Based on 224,199,312 Voting Shares issued and outstanding as of the date hereof.*

(3) Member of the Audit Committee (Larry Taylor, Chair).
(4) Member of the Governance and Human Resources Committee (Vijay Kanwar, Chair).
(5) Held by Irwin Professional Corporation, a company controlled by Mr. Irwin.
(6) The directors and executive officers of the Company, as a group, collectively beneficially own, or control or direct, directly or indirectly, 470,166 Voting Shares representing 0.21% of the number of Voting Shares outstanding as of the date hereof.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

For the purposes of this section "Order" means:

(a) a cease trade order;

(b) an order similar to a cease trade order; or

(c) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for more than 30 days.

Other than as set out below, none of the directors or executive officers of the Company or any shareholder holding a sufficient number of securities of the Company to materially affect control of the Company:

(a) is, as of the date of this AIF, or has been, within 10 years before the date of this AIF, a director or executive officer of any company that:

(i) was the subject of an Order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer;

(ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(iii) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Mr. Irwin was a director from June 2015 to December 2017 and Secretary from September 2015 to April 2016 of Playground Ventures Inc. (formerly, Blocplay Entertainment Inc.), which was subject to: (i) a management cease trade order resulting from a failure to file financial statements as issued on May 2, 2016 by the British Columbia Securities Commission and May 4, 2016 and May 16, 2016 by the Ontario Securities Commission. These cease trade orders were revoked on July 5, 2016 by the British Columbia Securities Commission and July 6, 2016 by the Ontario Securities Commission; and (ii) a management cease trade order resulting from a failure to file financial statements as issued on May 2, 2017 by the British Columbia Securities Commission and May 4, 2017 by the Ontario Securities Commission. These cease trade orders were revoked on

July 5, 2017 by the British Columbia Securities Commission and July 6, 2017 by the Ontario Securities Commission.

Mr. Irwin is President, Chief Executive President, Secretary and a Director of Playground Ventures Inc. (formerly, Blocplay Entertainment Inc.), which was subject to a management cease trade order resulting from a failure to file financial statements as issued on December 3, 2018 and amended on December 4, 2018 by the British Columbia Securities Commission and December 4, 2018 by the Ontario Securities Commission. These cease trade orders were revoked on February 6, 2019.

Mr. Irwin is a director and an officer of Intercontinental Gold and Metals Ltd., which was subject to: (i) a management cease trade order resulting from a failure to file financial statements as issued by the British Columbia Securities Commission on July 30, 2015. The cease trade order was revoked on September 22, 2015; (ii) a management cease trade order resulting from a failure to file financial statements as issued on August 2, 2018 by the British Columbia Securities Commission. Intercontinental was subject to a cease trade order from a failure to file financial statements as issued on October 5, 2018 by the British Columbia Securities Commission. These cease trade orders were revoked on October 9, 2018; and (iii) a cease trade order resulting from a failure to file its annual financial statements and accompanying management's discussion and analysis for the period ended December 31, 2021, within the prescribed time period under applicable securities laws, issued on May 6, 2022 by the British Columbia Securities Commission. As of the date of this personal information form, this cease trade order has not been revoked

Mr. Irwin was a director of Wolf's Den Capital Corp., which was subject to a cease trade order issued by the British Columbia Securities Commission and Ontario Securities Commission on December 5, 2019 for failure to file its condensed interim financial statements and accompanying management's discussion and analysis for the period ended September 30, 2019, within the prescribed time period under applicable securities laws. The cease trade orders were revoked on January 6, 2020.

Mr. Irwin was a director of American Aires Inc., which was subject to a cease trade order issued by the Ontario Securities Commission on May 6, 2022 for failure to file its annual financial statements and accompanying management's discussion and analysis for the period ended December 31, 2021, within the prescribed time period under applicable securities laws. The cease trade order was revoked on March 10, 2023.

Mr. Irwin is President, Chief Executive Officer, Secretary and a Director of Playground Ventures Inc., which was subject to a cease trade order issued by the Ontario Securities Commission on May 5, 2023 for failure to file its annual financial statements and accompanying management's discussion and analysis for the period ended December 31, 2022, within the prescribed time period under applicable securities law. The cease trade order was revoked on August 4, 2023.

None of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last 10 years, been subject to: (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered a settlement agreement with a Canadian securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

There are no known existing or potential conflicts of interest among the Company and the directors and officers of the Company as a result of their outside business interests except that certain of the directors and officers may serve as directors, officers, promoters and members of management of other companies and therefore it is possible that a conflict may arise between their duties as a director and officer of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company have been advised of the existence of laws governing accountability of directors and officers regarding corporate opportunity and requiring disclosures by directors of conflicts of interest, and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of the directors or officers. All such conflicts shall be disclosed by such directors or officers and treated in accordance with the applicable laws of British Columbia and the Company's constating documents.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company was not subject to any material legal proceedings during its most recently completed financial year, nor is the Company or any of its properties a party to or the subject of any such proceedings, and no such proceedings are known to be contemplated. The Company may be involved in routine, non-material litigation arising in the ordinary course of business, from time to time.

There were no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority during its most recently completed financial year, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT IN MATERIAL TRANSACTIONS

To the knowledge of the management of the Company, no director or executive officer of the Company, person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the Voting Shares, or any associate or affiliate of any such persons, has or had any material interest, direct or indirect, in any transaction within the Company's three most recently completed financial years or during the current financial year which has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries other than as set out herein.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent of the Company is Computershare Investor Services Inc., located at 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

MATERIAL CONTRACTS

The Company did not enter into any material contracts during the year ended December 31, 2023, or before the year ended December 31, 2023 that is still in effect as at the date of this AIF.

EXPERTS AND INTERESTS OF EXPERTS

The auditor of the Company, D&H Group LLP, Chartered Professional Accountants, has informed the Company that it is independent with respect to the Company within the meaning of the Code of Professional Conduct of Chartered Professional Accountants of British Columbia.

AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The directors of the Company have adopted a charter (the "**Charter**") for the audit committee (the "**Audit Committee**"), which sets out the Audit Committee's mandate, organization, powers and responsibilities. The full text of the Charter is attached hereto as Appendix "A" to this AIF.

Composition of the Audit Committee

The members of the Audit Committee are Larry Taylor (Chair), Chris Irwin and Kevin Sherkin. Messrs. Taylor and Sherkin are independent (as defined in National Instrument 52-110 — Audit Committees ("**NI 52-110**") adopted by the Canadian Securities Administrators), and all members are financially literate (as defined in NI 52-110).

Name of Member	Independent(1)	Financially Literate(2)
Larry Taylor (Chair)	Yes	Yes
Chris Irwin	No	Yes
Kevin Sherkin	Yes	Yes

Notes:

(1) To be considered independent, a member of the Audit Committee must not have any direct or indirect "material relationship" with the Company. A "material relationship" is a relationship which could. in the view of the board of directors of the Company. be reasonably expected to interfere with the exercise of a member's independent judgment.

(2) To be considered financially literate. a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as an Audit Committee member and, in particular, any education or experience that would provide the member with:

1. an understanding of the accounting principles used by the Company to prepare its financial statements;

2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;

3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; and

4. an understanding of internal controls and procedures for financial reporting.

Larry Taylor – Director and Chair of the 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.

Chris Irwin – Director

Mr. Irwin is a graduate of Bishop's University (B.A., 1990), the University of New Brunswick (Bachelor of Laws, 1994) and Osgoode Hall Law School (Master of Laws, 2009). He was called to the Bar of Ontario in 1996. Mr. Irwin represents several public companies, is an officer and/or director of several public companies, and serves or has served on the audit committee of several public companies.

Kevin Sherkin – Director

Mr. Sherkin was called to the Ontario bar in 1987 after graduating from Osgoode Hall Law School with a J.D. in 1985. He is a Partner at Miller Thomson LLP. Prior thereto, he was a founding member and managing director of Levine Sherkin Boussidan Professional Corporation. While his practice involves a wide range of civil litigation, Mr. Sherkin's focus has been primarily on business-related litigation. Mr. Sherkin has served as a director for both private and public companies and in his previous board tenures he served on finance committees, compliance committees and compensation committees.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on:

1. the exemption in section 2.4 (De Minimis Non-audit Services) of NI 52-110 (which exempts all non-audit services provided by the Company's auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor's annual fees charged to the Company, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year's audit);

2. the exemption in subsection 6.1.1(4) (Circumstance Affecting the Business or Operations of the Venture Issuer) of NI 52-110 (an exemption from the requirement that a majority of the members of the Audit Committee must not be executive officers, employees or control persons of the Company or of an affiliate of the Company if a circumstance arises that affects the business or operations of the Company and a reasonable 31 person would conclude that the circumstance can be best addressed by a member of the Audit Committee becoming an executive officer or employee of the Company);

3. the exemption in subsection 6.1.1(5) (Events Outside Control of Member) (an exemption from the requirement that a majority of the members of the Audit Committee must not be executive officers, employees or control persons of the Company or of an affiliate of the Company if an Audit Committee member becomes a control person of the Company or of an affiliate of the Company for reasons outside the member's reasonable control);

4. the exemption in subsection 6.1.1(6) (Death, Incapacity or Resignation) (an exemption from the requirement that a majority of the members of the Audit Committee must not be executive officers, employees or control persons of the Company or of an affiliate of the Company if a vacancy on the Audit Committee arises as a result of the death, incapacity or resignation of an Audit Committee member and the Board was required to fill the vacancy); or

5. an exemption from the requirements of NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (Exemptions) of NI 52-110.

The Company is a "venture issuer" for the purposes of NI 52-110. Accordingly, the Company is relying upon the exemption in section 6.1 of NI 52-110 providing that the Company is exempt from the application of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee's charter provides that that Audit Committee must approve all non-audit services to be provided by the Company's external auditor to the Company or a subsidiary of the Company.

External Auditor Services Fees (By Category)

The following table discloses the fees billed to the Company by its external auditor during the last two completed financial years:

Financial Year Ending	Audit Fees(1)	Audit Related Fees (2)	Tax Fees(3)	All Other Fees(4)
December 31, 2023	$87,200	Nil	$5,161	$Ni
December 31, 2022	$85,000	Nil	$3,855	$7,110

Notes:

(1) The aggregate fees billed for audit services.
(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not disclosed in the "Audit Fees" column.
(3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.
(4) The aggregate fees billed for professional services other than those listed in the other three columns.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found through a database search at SEDAR+ at www.sedarplus.ca.

Additional information on the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issue under equity compensation plans is contained in the Company's management information circular for the Company's most recent annual meeting of securityholders, which may be found on SEDAR+.

Additional financial information regarding the Company is provided in the Company's audited annual financial statements and management's discussion and analysis for the year ended December 31, 2023, which may be found on SEDAR+.

APPENDIX A
AUDIT COMMITTEE CHARTER

DRONE DELIVERY CANADA CORP.

I. Audit Committee Charter

This Charter has been adopted in order to comply with the Instrument and to assist the audit committee in the oversight of the financial reporting process of the Company. Nothing in this charter is intended to restrict the ability of the board of directors or audit committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART I

Purpose:

The purpose of the audit committee is to:

a) review all periodic financial statements, monitor the Corporation's regulatory financial disclosure requirements, and make recommendations respecting financial reporting matters;

b) assist the board of directors to discharge its responsibilities;

c) provide an accountable avenue of communication between the board of directors and the Company's EAs;

d) ensure the EA's independence;

e) ensure the availability and transparency of financial reports; and

f) ensure that outside members of the board of directors have ready access to the EA to responsible members of management in financial reporting matters.

1.1 Definitions

Unless otherwise defined in this Charter, terms shall have the meanings set forth below:

"**audit services**" means the professional services rendered by the Company's external auditor for the audit and review of the Company's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

"**Board**" means the board of directors of the Company.

"**Charter**" means this audit committee charter.

"**Company**" or "**Corporation**" means Drone Delivery Canada Corp.

"**Committee**" means the audit committee established by the Board for the purpose of overseeing the accounting, financial reporting processes of the Company and audits of the financial statements of the Company.

"**EA**" means the Company's external auditors, from time to time.

"**Instrument**" means Multilateral Instrument 52-110.

"**MD&A**" has the meaning ascribed to it in National Instrument 51-102. "Member" means a member of the Committee.

“**National Instrument 51-102**” means National Instrument 51-102 Continuous Disclosure Obligations.

“**non-audit services**” means services other than audit services.

PART 2

2.1 The Board has hereby established this Charter to set forth the duties and responsibilities of the Committee.

2.2 The Committee shall be comprised of at least three financially literate directors, the majority of whom are not Officers, employees or Control Persons of the Issuer or any of its Associates or Affiliates (within the meanings given those terms in prevailing securities legislation). An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be contained in the Company’s financial statements.

2.3 The Board will direct the EA to report directly to the Committee and the Members have the irrevocable authority to enforce this procedure.

2.4 The Committee will be directly responsible for overseeing the work of the EA engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the EA regarding financial reporting.

2.5 The Committee will be responsible for recommending to the Board:

a) the EA to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company; and

b) the compensation of the EA.

2.6 Without limitation, the Committee will be responsible for:

a) reviewing the audit plan with management and the EA;

b) reviewing with management and the EA any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;

c) questioning management and the EA regarding significant financial reporting issues occurring during the fiscal period under review and the method of resolution;

d) reviewing any problems experienced by the EA in performing the audit, including any restriction imposed by management or significant accounting issue on which there was disagreement with management;

e) reviewing audited annual financial statements, in conjunction with the report of the EA, and discussing with management any significant variances between comparative reporting periods;

f) reviewing the post-audit or management letter, containing the recommendations of the EA, and subsequent follow-up;

g) reviewing interim unaudited financial statements before release to the public;

h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and management's discussion and analysis;

i) reviewing the evaluation of internal controls by the EA, and subsequent follow-up;

j) reviewing the terms of reference of the internal auditor, if any;

k) reviewing reports issued by the internal auditor, if any, and subsequent follow-up; and

l) reviewing the appointments of chief financial officers and all other key financial executives involved in the financial reporting process, as applicable.

2.7 The Committee will approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's EA.

2.8 The Committee will review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information.

2.9 The Committee will ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and will periodically assess the adequacy of those procedures.

2.10 When there is to be a change of auditor, the Committee will review all issues related to the change, including the information to be included in the notice of change of auditor called for under prevailing laws and policies, and the planned steps for an orderly transition.

2.11 The Committee will review all reportable events, including disagreements, unresolved issues and consultations.

2.12 The Committee will, as applicable, establish procedures for:

a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

2.13 As applicable, the Committee will establish, periodically review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former EA of the issuer, as applicable.

2.14 The responsibilities outlined in this Charter are not intended to be exhaustive. Members must consider any additional areas which may require oversight when discharging their responsibilities.

PART 3

3.1 The Committee shall have the authority to:

a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

b) set and pay the compensation for any advisors employed by the Committee; and

c) communicate directly with the internal and external auditors.

PART 4

4.1 Meetings of the Committee will be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

4.2 Members will be afforded reasonable opportunities to privately meet with the EA, the internal auditor and members of senior management.

4.3 Minutes will be kept of all meetings of the Committee.

PART 5

5.1 If management of the Company solicits proxies from the security holders of the Company for the purpose of electing directors to its Board, the Committee shall ensure that the Company includes in its management information circular the disclosure required by Form 52-110F2 of the Instrument.